
Committee on Budget, Finance and Administration

REPORT OF THE MEETING HELD ON 25 MAY 2000

1. The WTO Committee on Budget, Finance and Administration met on 25 May 2000 under the chairmanship of Mr. H. Akil. The terms of reference and composition of the Committee are set out in document WT/L/44/Rev.1. The agenda contained in document WTO/AIR/1309 was adopted with additional points under Other Business, regarding (i) a communication on performance-based budgeting and (ii) the employment of consultants.

I. ITC BUDGET FORECAST FOR 2001

2. A representative of the ITC made an introductory statement recalling the revised administrative arrangements for ITC agreed upon by WTO and the United Nations in 1998, as outlined in the UN document A/53/7/Add.3, Report of the United Nations Advisory Committee on Administrative and Budgetary Questions (ACABQ). The new arrangements stipulate that ITC should submit, in May of the year preceding the United Nations financial period, to the General Assembly, through the ACABQ its budget outline for the first year of activities for the coming biennium with a projection of requirements for the second year. Simultaneously, ITC is to submit its outline in Swiss francs to the WTO Committee on Budget, Finance and Administration. Subsequently in autumn, a full presentation of resource requirements is to be made, taking into account the recommendations of budgetary review Committees of both organizations on the outline. In conformity with these arrangements, ITC submitted, in 1999, the outline for the biennium 2000-2001 to the United Nations, which is reflected in the United Nations document A/54/127, *Outline of the proposed programme budget for the biennium 2000-2001 for the International Trade Centre UNCTAD/WTO*. The UN General Assembly approved these proposals last fall. Simultaneously, ITC submitted its outline for the year 2000, as contained in the document ITC/BUD/27, *Preliminary Budget Outline for 2000*, which the WTO Committee on Budget, Finance and Administration took note of. The Budget for the year 2000, was prepared based on that outline, and subsequently approved by the Committee and the General Council.

3. Further, the ITC Representative commented on the budget outline for the year 2001, which amounted to CHF 30,003,400, representing zero real growth compared with the year 2000 approved budget (document ITC/BUD/32). After deducting the miscellaneous income, WTO contribution was estimated at CHF 14,799,200. The proposed resource level for the year 2001 was in line with the biennial outline (2000-2001) approved by the United Nations General Assembly.

4. The estimates in the proposed outline were based on parameters agreed jointly by the WTO and UN Secretariats. A general inflation factor of 1.8 per cent had been applied selectively and an exchange rate of CHF 1.71 to the United States dollar had been used to calculate the effect of the currency fluctuation, mainly for professional salaries. The overall nominal increase was estimated at 1.7 per cent, mainly due to the impact of the stronger dollar. The ITC would continue to place emphasis on providing assistance relating to the multilateral trading system as well as on capacity building in least developed countries in the context of the World Bank/ITC/UNCTAD/IMF/WTO/UNDP Integrated Framework for Trade Related Assistance to LCD's. The ITC would submit, based on the present outline, a detailed programme budget for the year 2001 in September.

5. The Committee took note of the report.

II. ADMINISTRATIVE UP-DATES AND PROGRESS REPORTS AS AT 30 APRIL 2000

- A. CASH SITUATION AND STATEMENT OF OUTSTANDING CONTRIBUTIONS (CRP(00)05 AND WTO/BFA/SPEC/45)
- B. INSTALMENT PAYMENTS FOR COUNTRIES IN ARREARS (CONTRIBUTIONS FROM 1987 (CRP(00)06)
- C. CONTRIBUTIONS OF OBSERVER COUNTRIES TOWARDS THE COST OF SERVICES PROVIDED BY THE SECRETARIAT (CRP(00)07)

6. The Secretariat presented reports on the cash situation and statement of outstanding contributions as at 30 April 2000, the instalment payments for countries in arrears, and the contributions of Observer countries towards the cost of services provided by the Secretariat. The total contributions received from Members amounted to CHF 65,514,739 while contributions received from Observers amounted to CHF 266,921. The Working Capital Fund stood at CHF 7,691,473. Since 30 April 2000 the following Members had made payments: (i) Estonia, (ii) Greece, (iii) Honduras, (iv) India, (v) Qatar, (vi) Singapore, (vii) Uganda. As of 30 April 2000, there were four Members in Category I and five in Category II, while in Category III there were six and in Category IV, seventeen. Bangladesh had paid all arrears and was, therefore, no longer listed under the administrative measures. In the context of the instalment payment scheme for countries with contributions in arrears (contributions for 1987 and earlier years). Romania had liquidated all its arrears in accordance with its tailor-made repayment scheme proposed in 1991. Only one Member, assessed above the minimum in 1988, still had arrears for 1987 and earlier years. With regard to Observers, (i) Croatia, (ii) Laos, and (iii) Lithuania had made payments after 30 April 2000.

7. The Committee took note of the reports.

III. ASSESSMENT OF ADDITIONAL CONTRIBUTION TO THE 2000 BUDGET AND ADVANCE TO THE WORKING CAPITAL FUND: ACCESSION OF THE HASHEMITE KINGDOM OF JORDAN

8. Consequent to the accession to the WTO of the Government of the Hashemite Kingdom of Jordan on 11 April 2000 (document WT/BFA/W/38), the Committee **recommends to the General Council that a pro rata contribution to the 2000 budget amounting to CHF 63,548 be assessed on this Government. This assessment, calculated as from 11 April 2000, is based on an annual contribution of 0.069 per cent, taking into account the international trade figures (imports plus exports in goods, services and intellectual property rights) of Jordan for the years 1995-1997. Furthermore, on the basis of the level of the Working Capital Fund of CHF 7,691,473, the Committee recommends to the General Council to assess an amount of CHF 38,457 on the Government of Jordan as an advance to the Fund.**

IV. WORKING GROUP ON METHOD OF CALCULATING ASSESSED CONTRIBUTIONS TO THE WTO BUDGET

9. The Chairperson recalled that during the meeting on 13 March 2000, the Committee had discussed the establishment of a working group to examine concerns of Members with regard to the variations of percentage, from one year to another, which served as basis of calculating the assessed contributions. He further indicated that, after informal consultations, Dr. Rénaud Clerismé, Minister Counsellor, of Haiti, had accepted to chair the Working Group. Members wishing to participate in the Working Group should also inform the Secretariat. As of the date of the meeting, the following Members had indicated their wish to participate in the Working Group: (i) Guatemala,

(ii) Hong Kong, China, (iii) France (iv) India, (v) Indonesia, (vi) Japan, (vii) Korea, (viii) Mauritius, (ix) Mexico, (x) Netherlands, (xi) Philippines, (xii) Singapore, (xiii) Thailand, and (xiv) the United States. However, it should be recalled that the Working Group is open to all Members. The Working Group would meet in the near future and would submit a report to the Committee at its next meeting.

10. The Committee took note of the establishment of the Working Group.

V. PROGRESS REPORT ON THE WTO PENSION PLAN

11. A Member of the Secretariat gave an oral progress report on the WTO Pension Plan. He indicated that the Management Board of the WTO Plan had held 13 meetings since its establishment at the end of March 1999. Those meetings had been largely devoted to the establishment of the Plan's investment strategy and the selection of a global custodian and fund managers. The investment strategy adopted by the Management Board, on the basis of recommendations from its independent expert consultant ECOFIN, was based on a mix of passive (index tracking) mandates and active mandates (where the fund manager was seeking to outperform the index). Some sixty per cent of the Plan's assets had been invested in four separate passive mandates assigned to Barclay's Global Investors. The remaining forty per cent of the Plan's assets had been assigned to two active mandates. The Northern Trust Company had been appointed the global custodian of the Plan and the two identical active mandates had been assigned to ING and Wellington. The Plan's current account had been switched from the UBS to the Crédit Suisse. The next important step was to determine the appropriate mechanisms for monitoring and adjusting the strategy in the future.

12. At the request of a Member, the report was later communicated to all WTO Members in document CRP(00)09.

VI. PERSONNEL MATTERS

MERIT PAY

13. The Deputy Director-General responsible for Administration referred to the document WT/BFA/W/46 which provided the background to the WTO Secretariat's intended move to a merit-based pay arrangement. He recalled that, through informal meetings on 27 January and 11 April 2000, the Members had been kept informed of the progress made in this respect. Although Staff Regulation 6.5 directed the WTO to introduce the program, the actual introduction of the program would require amendment of the staff rules which currently referred to the system of periodic salary increments or the "step system" (Rule 106.3). Staff Regulation 13.2 called for the General Council's approval of amendments to staff rules "carrying financial implications or creating new rights for staff members." He further indicated that, no recommendation was expected at the present meeting on the issue. However, at the next meeting, approval of a recommendation to the General Council in respect of changes to the staff rules would be required.

14. Some Members enquired about the implication of the new system referred to in paragraph 11 of document WT/BFA/W/46 and indicated that the new system required fine-tuning. The Deputy Director General responsible for Administration confirmed that the Secretariat's Joint Advisory Committee was continuing to work on the issue and that the new system would respect fully the overall two percent cap on spending. Further information would be provided to the Members at the next meeting.

15. The Committee took note of the report and comments of the Members.

PROMOTION FROM GRADE 7 TO 8

16. The Deputy Director General responsible for Administration introduced the document WT/BFA/W/40. He indicated that it had been for several years the Secretariat's practice to try wherever possible to fill external vacancies in the professional stream by hiring at the most junior level possible – grade 7 in the current system, corresponding to grade P-2 in the UN Common System. The approach worked well both because it gave the new entrants a relatively long career path. Grade 7 was seen as an entry-level grade. Once the individual had demonstrated competence, it was possible to be considered for a promotion to grade 8.

17. The Secretariat suggested that the movement not be considered as involving a re-grading of the post in which the individual was serving. The reasons were: (i) grade 7 should be seen in the same light as similar entry grades in many national administrations – a grade from which movement to grade 8 was not really a “promotion” in terms of moving up to new or greater responsibilities but rather an acknowledgement of proof of initial competence in WTO work, (ii) if a promotion ceiling were continued to be imposed on the Secretariat, the WTO would face difficult recruitment and retention problems because management would likely focus its limited promotion possibilities mostly on more senior staff to the detriment of those junior members of the Secretariat. It was to be noted that it was not the intention of the Secretariat to make the movement to grade 8 automatic. No staff member would move into grade 8 from grade 7 unless he/she demonstrably deserved to be promoted according to the standard procedure. The financial implications were marginal as the WTO operated on standard costs and there were currently 19 posts graded at 7 level.

18. In general, Members had no objection to the proposal made by the Secretariat except for two Members who expressed reservations, both of which were subsequently able to join the consensus. The following stipulations were agreed: (i) only promotions from grade 7 were concerned, (ii) the promotion was granted according to performance criteria of the individual, (iii) there were no budgetary implications, and (iv) it did not lead to an increase in the budget ceilings for the year 2001.

19. In reply to queries, the Secretariat indicated that as it was the first year that the Committee had set a fixed promotion ceiling, it was difficult to compare the situation with past years. The Secretariat also informed the Committee that a standard classification system was in place. The Committee, therefore, **recommends to the General Council that entry-level WTO positions in the professional series should henceforth be considered as Grade 7/8 so that a re-grading of the post would not be a requirement when an individual is promoted from Grade 7 to Grade 8.**

VII. COMMUNICATION FROM THE EXTERNAL AUDITOR

20. The Secretariat recalled that the Netherlands Court of Audit had been appointed as the WTO External Auditor in July 1996 for a period of three years, i.e. 1997, 1998 and 1999. At the time of the appointment, the Members decided that there should be at least a call for competitive tender every 5 years. As a consequence, after 3 years, if the auditor agreed to continue for 2 more years and if the Members concurred, there would be an extension of 2 years until a compulsory call for competitive tenders was launched. The Netherlands Court of Audit was prepared to continue for 2 more years i.e. 2000 and 2001, but under different financial conditions. As from the audit of 2000, the Netherlands Court of Audit proposed a cost recovery approach which would entail an additional charge for the WTO of some CHF 46,000 (document WT/BFA/W/39). Therefore, the total cost would represent some CHF 78,000.

21. Members had indicated their satisfaction on the performance of the Netherlands Court of Audit and, in general, had no objection to the extension of its mandate for another period of 2 years. Some Members questioned whether it would not be better to give a five-year appointment initially so as to avoid the possibility of cost increase when the question of extension came up.

22. Since the process for the appointment of an Auditor was long, the Committee noted that sufficient time should be given to the launching of the next call for tenders so that a smooth transition would be ensured.

23. The Committee **recommends to the General Council to extend, for a period of 2 years, the mandate of the Netherlands Court of Audit as the WTO External Auditor for the audit of the 2000 and 2001 accounts.**

VIII. NON-GOVERNMENTAL CONTRIBUTIONS TO THE WTO

24. The Deputy Director-General responsible for Administration recalled the extensive and constructive discussion of the issue during the informal meeting of the Committee of 11 April 2000. The Financial Regulation 19 in principle allowed WTO to accept voluntary contributions, gifts or donations also the private sector. However, due to the dispute settlement function and the sensitivity of potential conflicts of interests, the WTO had almost never availed itself of the possibility. However, there was a range of potential activities where Members believe the Organization could conduct useful activities but where current budgeted funds or voluntary trust funds from governments were insufficient to make such activities possible. In these cases, it might be possible to fund these activities from private sector sources without a risk of conflict of interest. Some examples of the activities were: (i) facilitating participation in the WTO Ministerial and other meetings by representatives of least developed countries and/or press corps representatives from least developed countries, (ii) funding symposia on topics of general interest to the WTO Members; (iii) maintaining and expanding our network of the WTO reference centres in developing countries, especially those in the LDCs; and (iv) special projects, for example facilitating the work of the WTO in the WHO-led project on macroeconomics and health. The documents WT/BFA/W/41 and 45¹ provide draft guidelines and explanation as well as the experience of other international intergovernmental organizations in dealing with private sector funds.

25. Most Members did not have, in principle, objections to the acceptance of voluntary contributions from non-governmental donors while some had doubts on the distinction made between profit and non-profit organizations. It was recalled that WTO was a Member-driven organization and that the Members should be involved actively in the matter and that all potential contributions should be brought to the attention of the Committee on Budget, Finance and Administration for decision. One Member suggested, and was supported by others, to form a Wise Men Group to take such decisions.

26. Some Members indicated the difficulties of accepting voluntary contributions as Miscellaneous Income. Others expressed the view that it was also the Members' role to fund activities such as technical assistance and seminars.

27. Members also indicated that strict rules would be required in accepting such funds. With regard to the proposed guidelines WT/BFA/W/41, some Members requested clarifications with regard to clauses 2 (b), 4 and 5. A mechanism on the acceptance of such funds and on how to spend them would be needed. The mentioned of a ceiling of acceptance of such funds would be arbitrary and that the use of WTO logo and the secondment of staff from donors of voluntary contributions, gifts, or donations to the WTO were in general not accepted.

28. The Committee took note of the remarks of the members and noted that there seemed to be a more positive attitude on the possibility of accepting voluntary contributions from non-governmental contributions. Continued deliberation on the matter would be required in view of the reservations expressed by a number of delegations.

¹ The delegate from Mexico indicated that his authorities would like to clarify that there is now no monopoly with regard to the telephone system.

IX. WTO BUDGET PROCEDURE

29. A member of the Secretariat recalled articles 7 and 16 of the WTO Agreement whereby it was stipulated that an annual budget estimate would be submitted to the Committee on Budget, Finance and Administration, and that any change to it would require an amendment to the WTO Agreement. In addition, in considering an annual versus a biennium budgeting process, one had to consider the following (i) the assessed contributions of Members were based on the total trade of the last three years' data available of the Members; therefore with a biennial approval, the basis for contribution would be more remote from the annual exercise, and (ii) WTO had recently obtained the agreement from the United Nations that the ITC would submit an annual budget to the WTO and that it would be also expressed in Swiss francs.

30. One Member reserved the right to revert to the subject in the future.

X. OTHER BUSINESS

COMMUNICATION FROM THE NETHERLANDS

31. A delegate of the Netherlands took the floor to introduce the document CRP(00)08 on the method of result-based budgeting which was prepared by his delegation. A result-based budgeting is a method that links the financial inputs an organization is requesting from its members to the expected outputs or results. Key performance indicators, such as number of meetings held, number of dispute settlement cases, number of documents produced, technical assistance activities, number of pages translated would show the output of the organization in relation to the financial input.

32. The Committee took note of the report.

EMPLOYMENT OF CONSULTANT

33. A Member referred to the written reply of the Secretariat to the questions raised in the former's letter of 22 March 2000. He made two points, relating to the appointment to the Director General's Office of a consultant on a two-year contract: (i) it was not certain that Members' budgetary interests were best served by giving the Director-General's speech-writer a consultant's contract rather than a two-year fixed-term contract; it was the impression that the latter would have worked out cheaper, as it would appear that the individual concerned did not have any dependants, (ii) it was the impression that the appointment had not gone unnoticed elsewhere in the Secretariat, and that reactions to it had not been entirely positive; for some staff members it calls into question senior management's commitment to the principle of equal pay for equal work. The delegate expressed hope that, in future, recourse to consultancy contracts as a substitute for fixed-term contracts would be avoided, or, failing that, that recourse to consultancy contracts would be subject to the principle of equal pay for equal work. Another Member of the Committee indicated that his delegation associated itself with this position.

34. The Committee took note of the remarks.

POINTS FOR DECISIONS: Paragraphs 8, 19 and 23
