
Committee on Budget, Finance and Administration

**REPORT OF THE MEETINGS HELD ON 29 JANUARY, 7, 17, AND 27 FEBRUARY,
21 AND 27 MARCH, 15 APRIL, AND 9, 12 AND 14 MAY 2003**

1. The WTO Committee on Budget, Finance and Administration met formally and informally on 29 January, 7, 17, and 27 February, 21 and 27 March, 15 April, and 9, 12 and 14 May 2003 under the successive chairmanship of Mr. Neil McMillan from the United Kingdom (up to and including 27 February 2003) and Mr. Joshua C.K. Law from Hong Kong, China (as from 21 March 2003). The terms of reference and composition of the Committee are set out in document WT/L/44/Rev.1. The agendas contained in documents WTO/AIR/2009 and its Add.1-6 and WTO/AIR/2093 were adopted.

I. METHODOLOGY FOR FUTURE SALARY ADJUSTMENTS

2. See report contained in document WT/BFA/64.

II. ADMINISTRATIVE UP-DATES AND PROGRESS REPORTS

3. A member of the Secretariat presented, on 17 February 2003, progress reports on the Technical Assistance Activities contained in documents CRP(03)04 and 05. He highlighted that, as the accounts of the Technical Assistance Activities in 2002 had not been closed, there might be a small variation in the final figures compared to those indicated in document CRP(03)04 as of 30 December 2002. The total expenditures of the Technical Assistance activities in 2002 amounted to CHF 17.3 million. The expenditure of the Doha Development Agenda Global Trust Fund (DDAGTF) in 2002 amounted to CHF 10.8 million leaving a balance of CHF 6.6 million. Commitments for regional activities planned for implementation at the beginning of 2003 had been undertaken at the end of 2002 for a total of CHF 1.8 million. The Secretariat also drew the attention of the Members to the balance amounting to CHF 644,277 of the Trade Policy Courses in Africa. These savings were due to the fact that the personnel initially budgeted for the courses in Kenya and Casablanca were not recruited and part of the budgeted equipment was not purchased. Another important positive balance of CHF 1.2 million could be found in the Programme Support Fund. This was due to the fact that some of the L-posts had not yet been filled or had only been filled late in 2002. When approving the WTO TA Plan for 2003, it has been decided that all L-posts would be financed in 2003 through the PSF.

4. Further, the Secretariat introduced document CRP(03)05 which showed the situation of pledges and contributions received as of 31 January 2003 for the DDAGTF. According to the terms of reference of the DDAGTF, 25 per cent of the target amount for any given year ought to be in the WTO bank on 1 January of that year. For 2003, the cash at hand on 1 January 2003 stood at CHF 7 million, which was above the 25 per cent of the target amount (CHF 6 million).

5. Subsequently on 21 March 2003, the Secretariat provided the financial situation of the Technical Assistance Activity in 2003 and the pledges received from Members as of 28 February 2003 (document WT/BFA/SPEC/90). The Secretariat highlighted that the number of Trust Funds had been reduced as the Doha Development Agenda Global Trust Fund (DDAGTF) regrouped most of them. He further informed that the new phase of the JITAP in 2003 had not yet been reflected in the document as no information had yet been received. The Secretariat was still

awaiting instructions from the various donors concerned with regard to the use of the balance of the NGO Symposium.

6. The Secretariat also commented on the financial situation of the DDAGTF as of 28 February 2003 (document CRP(03)16). As at end February, the pledges received totalled CHF 17.5 million, taking into account of (i) the pledges made initially in 2002 to cash in 2003, (ii) the pledges made in 2002 for 2003 and (iii) the pledges made in 2003 for 2003. Further, with the addition of the earmarked trust funds received to finance activities of the Technical Assistance Plan, the total of pledges would reach some CHF 20 million as of end February 2003. Therefore, additional pledges of approximately CHF 4 million would still be required to reach the 2003 approved target amount of CHF 24 million. The cash situation of the DDAGTF as of end February 2003 amounted to approximately CHF 7 million. In accordance to the terms of reference of the DDAGTF, 75 per cent of the target amount should be in the bank by end March 2003 i.e. CHF 18 million. Another CHF 8 million more would have to be raised in March as the total of the cash balance at the beginning of 2003 and the receipts in January and February amounted to CHF 10 million. The CTD and the General Council would be informed about the financial situation.

7. One Member indicated that his Government had already transferred its contribution to the DDAGTF to the WTO account on 20 March 2003. Another Member indicated that his Government would increase its contribution to the fund in 2003. The Secretariat indicated that it would be difficult for the Secretariat to foresee whether the target amount of March would be met. He recalled the establishment of the buffer account of CHF 1 million at the time of the establishment of the DDAGTF, which could bridge the liquidity shortage should the necessity occur.

8. Subsequently, on 12 May 2003, the Secretariat presented an update on Technical Assistance Activity in 2003, as well as an update on the DDAGTF as at 30 April 2003. He drew the attention of the Members to the fact that additional pledges of CHF 3 million were still required to reach the target amount of CHF 24 million for the DDAGTF in 2003. Cash wise, the DDAGTF was in the black with CHF 13.2 million left from 2002 or received in 2003 and a cash balance at the end of April of more than CHF 4.3million.

9. A member of the Secretariat presented the cash situation, the statement of outstanding contributions as at 28 February and 30 April 2003, a progress report of payment by instalments for countries in arrears (arrears from 1987 and earlier years), and the contributions of Observer countries towards the cost of services provided by the Secretariat. As at 30 April 2003, the total contributions received from Members amounted to CHF 77,634,723 while those from the Observers amounted to CHF 400,833. The Capital Working Fund stood at CHF 8,958,026 as at 30 April 2003. Since 30 April 2003, the following Members had made payments: (i) Barbados, (ii) Brunei Darussalam, (iii) Germany, (iv) Italy, and (v) Qatar. The Secretariat drew the Members' attention to document CRP(03)13 and indicated that the original six Members who benefited the tailor-made repayment schemes had all liquidated their arrears.

10. Another representative of the Secretariat introduced document CRP(03)15 and subsequently CRP(03)23. He reported on the resignation of the Chairman of the Management Board, effective 1 May 2003, and two other resignations of the three members of the Investment Committee. It was hoped that the General Council would be in a position to elect their replacements at the meeting on 15-16 May 2003 so that the Management Board could be in a position to resume its business at the beginning of June. A revised performance evaluation form had been prepared in the light of experience gained during the 2001 performance evaluation exercise. The 2002 performance evaluation exercise would be again a "dry run". Of the six new posts approved for 2003, one had been filled. A review on leave arrangements in the case of maternity, paternity and adoption had been conducted. The Director-General approved a recommendation by the Joint Advisory Committee on the succession planning process to be initiated by the Human Resources Section 12 months prior to the normal retirement age of the staff member concerned.

11. The Secretariat informed that the difficulties of securing a quorum in the Management Board was due to the conflicts encountered in the convening of numerous meetings in the WTO. Also, the performance of the Pension Plan, like all pension plans, was not spared from recent trends in the market. The Secretariat subsequently provided details on the performance of the Plan in document CRP(03)23.

12. The Committee took note of the various progress reports.

III. CONSOLIDATION OF LONGTERM TEMPORARY ASSISTANCE IN REGULAR BUDGET

13. A member of the Secretariat introduced the document WT/BFA/W/88 and recalled that the Committee was apprised of the question of improving the conditions of service for temporary staff with more than four years of continuous service during the deliberations of the Budget Proposals for 2002. There were 16 staff holding fixed-term contracts on positions funded by the temporary assistance budget and a further 8 short-term staff were expected to qualify for fixed-term status in the course of 2003. It was proposed that these positions be converted into regular budget posts; the consolidation would be cost-neutral.

14. Further, the Secretariat informed that these posts concerned support services such as staff in the conference services, informatics, and guard etc., and assured the Committee that it would be cost neutral as the consolidation only meant the change of one budget section to another. The consolidation of these posts would not constitute a “de-facto” transfer of similar cases into regular budget in the future.

15. Subsequently, the Secretariat provided additional information (document WT/BFA/W/90.Rev.1) on the number of positions funded by temporary assistance, which would have been continuously occupied for a period of 4 years in 2004 and 2005. The vast majority of those positions fell in the support category and in the support divisions.

16. Some Members indicated support for the conversion of the 24 temporary posts in 2003 to regular posts on the understanding that (i) it would be cost-neutral, (ii) those posts were required in the future, and that (iii) the present decision would be without prejudice for the future. In a subsequent meeting, document WT/BFA/W/88/Add.1 was distributed to the Members.

17. After discussion of the proposal, the Committee agreed the following recommendation to the General Council: **The Committee recommends that the General Council approve the transfer of 24 posts subject to fixed term contracts from the temporary assistance line to the regular staff cost line of the WTO budget. Bearing in mind that this reallocation of resources is cost-neutral, the corresponding resources will be transferred between the appropriate budgetary sections in the 2003 approved WTO budget. The Committee further recommends that the General Council direct that future budget proposals from the Director General with respect to temporary assistance should specify when funding is being requested for temporary positions that may, or are likely to, involve multi-year needs.**

IV. BIENNIAL BUDGET

18. The Secretariat introduced the document CRP(03)02 highlighting that it was a preliminary paper for discussion. He presented the possible procedure of a biennial budgeting cycle, the auditing and reporting involved and drew the attention of the Members to the necessity of a revision of the WTO Financial Regulations as well as that of the procedures for the establishment of the scale of contributions if the budgeting cycle were to be changed from annual to a biennial one. Further, consideration should be given to the level of the Working Capital Fund.

19. Some Members welcomed the idea of a biennial budget, while others showed hesitation, as the WTO was still a young organization. The Members agreed that the pros and cons of a biennial budgeting had to be studied carefully and questioned whether it would be possible to change the budgeting cycle the current year given the time limit.

20. In subsequent meeting, the Secretariat provided document WT/BFA/W/92, which provided additional information on a possible procedure of a biennial budget. In general, Members indicated that they were open to the idea, but would like to have more details with regard to (i) the experiences and practices of other international organizations in this regard (ii) how the WTO's budget has evolved in the past years (iii) how the level of the Working Capital Fund would be affected in the event of a change in the budgeting cycle, and (iv) how the adjustment mechanism would work. Some Members remarked that the adjustment to the budget in the second year should only be undertaken for unforeseen activities so as to avoid falling back to an annual budgeting process. Another Member indicated that some sort of interim audit function should be operated after the first year.

21. The Committee took note of the comments and would revert to the issue at a future meeting.

V. CONSIDERATION OF A PROPOSED CONTRIBUTION FROM A NON-GOVERNMENTAL DONOR

22. A member of the Secretariat recalled that, upon the recommendation of the Committee, the General Council adopted on 15 December 2000, guidelines governing the process of acceptance of voluntary contributions, gifts or donations from non-Governmental donors (document WT/L/386). It was also recalled that, in 2001, the Committee on Budget, Finance and Administration authorized the acceptance of a donation in kind from the Friedrich-Ebert-Stiftung (FES) to the WTO to facilitate the participation of developing countries' journalists in a series of 2 ½ day seminars designed to familiarize these journalists with current WTO issues and enhance their capacity to write on WTO topics (document WT/BFA/53).

23. In compliance with these guidelines, the Secretariat submitted document WT/BFA/W/91, which described another proposed donation in kind from FES to sponsor three courses in English, French and Spanish for journalists from developing countries scheduled for March, May and July 2003, respectively, in preparation of the 5th WTO Ministerial Conference in Cancun, Mexico.

24. The Secretariat indicated that journalists who had fluency in one of the 3 languages were eligible, and that it was through the FES, which had excellent media contacts in Africa, Latin America and Asia, that journalists from developing and least-developed countries were selected. Journalists from industrialized countries were responsible for their own costs.

25. The Committee decided that the Director-General could therefore accept the donation in kind from the FES estimated at CHF 150,000 in order to facilitate the participation of developing country journalists in a series of three 2 ½ day seminars designed to familiarize these journalists with current WTO issues and build their capacity to write on WTO topics as described in document WT/BFA/W/91.

VI. RESULT-BASED BUDGETING

26. A representative of the Secretariat recalled that the Results-Based Management in the WTO had started in 1995. Since then, the presentation of the budget estimates had expanded the details provided, namely a breakdown of objectives, background, main activities and expected results. At the end of each year, the Secretariat also prepared a report by Division which contained an assessment of the attainment of objectives for that year.

27. The Secretariat suggested that, the Committee might wish to consider an examination of the objectives and workplan for 2003 as presented by one operational division and one support division namely, Agriculture and Commodities Division and the Statistics Division, in order to see whether (i) the information presented met the expectations of Members and (ii) improvements in the presentation could be made. Subsequently, document WT/BFA/W/93 was provided to the Members.

28. One Member indicated that volume 2 of the "Burgundy Book" was useful and provided transparency on the activities on a divisional level. However, there was not sufficient link between the information provided there and the budget estimates. He further informed that, for discussion at the next meeting, he would provide written concrete suggestions to the Secretariat on the way to improve the presentation of the budget estimates. Two other Members offered their assistance in the drafting of the concrete suggestions. Another Member considered that information should (i) report on the activities undertaken, its assessment and evaluation, (ii) provide quantitative information, and (iii) secure a feedback mechanism.

29. The Committee took note of the report, the comments from the Members and would revert to it in the next meeting.

VII. TRUST FUND TO FACILITATE THE PARTICIPATION OF LEAST DEVELOPED COUNTRIES IN THE MINISTERIAL CONFERENCE AT CANCUN

30. The Chairman introduced document CRP(03)03, which provided the funding situation for the participation of LDCs in the 5th WTO Ministerial Conference in Cancun, Mexico. The estimated requirement amounted to CHF 1,324,000. An amount of CHF 195,741 was available as at 6 February 2003.

31. The Committee recommends to the General Council that it urge interested donors to indicate to the Secretariat as soon as possible the level of financial support they are prepared to provide.

VIII. INACTIVE MEMBERS

32. Following the recommendation of the Preparatory Committee of the World Trade Organization on the issue of Members in Category IV of the administrative measures, the Secretariat prepared a list of Members which have accumulated three or more years of arrears up to and including the financial year of 2003 (document WT/BFA/W/89).

33. Consequently, in accordance with paragraph 7(b) of document PC/7, L/7578, the Committee recommends to the General Council that the following Members be urged to liquidate their arrears:

Antigua and Barbuda	Kyrgyz Republic
Burkina Faso	Malawi
Burundi	Mali
Central African Republic	Mauritania
Chad	Niger
Congo	Rwanda
Democratic Republic of the Congo	Sierra Leone
Djibouti	Solomon Island
Gambia	Togo
Guinea	Zambia
Guinea-Bissau	

IX. ASSESSMENT OF ADDITIONAL CONTRIBUTION TO THE 2003 BUDGET AND ADVANCE TO THE WORKING CAPITAL FUND: ACCESSION OF THE REPUBLIC OF ARMENIA

34. The Chairman introduced document WT/BFA/W/89 concerning the assessment of contribution on the Republic of Armenia.

35. Consequent to the accession to the WTO of the Republic of Armenia on 5 February 2003 (document WT/BFA/W/89), the Committee decided to make the following recommendation to the General Council: **the Committee recommends to the General Council that a pro rata contribution to the 2003 budget amounting to CHF 20,858 be assessed on this Government. This assessment, calculated as from 5 February 2003, is based on an annual contribution of 0.015 per cent, taking into account the international trade figures (imports plus exports in goods, services and intellectual property rights) of the Republic of Armenia for the years 1997-1999. Furthermore, on the basis of the level of the Working Capital Fund of CHF 8,905,718 the Committee recommends to the General Council to assess an amount of CHF 44,529 on the Government of the Republic of Armenia as an advance to the Fund.**

X. ELECTION OF CHAIRPERSON

36. The Chairman recalled that the Chairman of the General Council had carried out informal consultations on the appointment of Chairpersons to the different WTO standing bodies in accordance with the established guidelines for such officers. On the basis of the understanding reached, Mr. Neil McMillan proposed that the Committee on Budget, Finance and Administration formally elect Mr. Joshua C.K. Law, of Hong Kong, China, as chairperson of the Committee by acclamation. The Committee so agreed.

37. The elected Chairman assumed the Chair on 27 February 2003 and thanked the Committee for its confidence. He paid tribute to Mr. McMillan, the outgoing chairman for his excellent chairmanship of the Committee in 2002. He then informed the Committee that Mr. McMillan had kindly agreed to continue as Friend of the Chair to help in the consultation regarding the review of the pay adjustment methodology. The Chairman also mentioned the following important issues that demanded the attention of the Committee in the course of the current year: (i) the review of the organization's resources, (ii) follow-ups to the report of the human resources consultant's recommendations on management and budgeting, and (iii) a study on the feasibility of switching to a biennial budgeting cycle.

XI. ASSESSMENT OF ADDITIONAL CONTRIBUTION TO THE 2003 BUDGET AND ADVANCE TO THE WORKING CAPITAL FUND, ACCESSION OF THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA TO THE WTO

38. The Chairman introduced document WT/BFA/W/94 concerning the assessment of contribution on the Former Yugoslav Republic of Macedonia.

39. Consequent to the accession to the WTO of the Former Yugoslav Republic of Macedonia to the WTO on 4 April 2003 (document WT/BFA/W/94), the Committee decided to make the following recommendation to the General Council: **the Committee recommends to the General Council that a pro rata contribution to the 2003 budget amounting to CHF 31,919 be assessed on this Government. This assessment, calculated as from 4 April 2003, is based on an annual contribution of 0.025 per cent, taking into account the international trade figures (imports plus exports in goods, services and intellectual property rights) of the Former Yugoslav Republic of Macedonia for the years 1998-2000. Furthermore, on the basis of the level of the Working Capital Fund of CHF 8,958,026, the Committee recommends to the General Council to assess an**

amount of CHF 44,790 on the Government of the Former Yugoslav Republic of Macedonia as an advance to the Fund.

XII. REVIEW OF THE GUIDELINES ON VOLUNTARY CONTRIBUTIONS FROM NON-GOVERNMENTAL DONORS

40. A member of the Secretariat introduced the document WT/BFA/W/95, highlighting the fact that since the approval of the guidelines, the Committee had only examined and accepted two donations in kind. Both of the donations were from the Friedrich-Ebert-Stiftung (FES): one in 2001 estimated at CHF 115,000 and one in 2003 estimated at CHF 150,000. The Secretariat indicated that it had not undertaken fund raising activities with the non-Governmental donors, and that if the Members so wish to pursue the matter, the creation of a fund raising officer post would have to be considered.

41. The Committee considered that, as there were only two donations presented since the time of the formulation of the guidelines, it would continue to monitor the situation and would revisit the subject towards the end of the year, and would consider the possibility of enhancing the fund-raising capacity in the Secretariat.

XIII. ITC BUDGET FORECAST FOR 2004

42. The Deputy Executive Director introduced the document ITC/BUD/45. He outlined the unprecedented support from both donors and beneficiaries at the recent JAG where over 50 interventions were made. He recalled that due to the different budget cycles between the United Nations and the WTO, it had not been possible for ITC to reflect in the WTO 2003 budget additional resources for the activities that it is required to perform following the Doha development agenda and the Monterrey Consensus. He also indicated that in real terms, the ITC budget has remained practically stable over the past 6 years. In spite of a stable budget, ITC increased its delivery of technical cooperation by 20% in 2001 and 2002. This was achieved through the collective hard work of staff and management as well as more focussed programmes, and in particular, to the tools and services ITC had developed and continues to develop. These can be easily adapted to multiple countries, and to multi-year, multi-agency interregional programmes which avoid duplications and enable participating organizations and technical co-operation recipients to benefit from synergies. He further confirmed ITC's intention to remain as a highly specialized niche player working closely with WTO and UNCTAD. Mr. Smadja then indicated that the proposed 2004 budget outline proposes an increase of 5.4 per cent over the 2003 budget and a 2005 budget outline with an increase of 1.35 per cent over the 2004 proposal. For comparison, the UN Secretariat proposed an increase of 5.2% in real terms for the part of the UN biennial budget related to international cooperation for development (the part that ITC's budget falls within).

43. Mr Smadja indicated that the ITC's 2004 budget outline had kept in mind (i) the Doha development agenda and the Monterrey Consensus, (ii) increased demands by beneficiaries and donors for ITC's services, (iii) increased support of/demand for interagency and inter-regional trade related activities (iv) ever increasing support for the private sector related activities of ITC and (v) the UN General Assembly's decision to give priority, for the biennium 2004-2005, to "the promotion of sustained economic growth and sustainable development". The proposed 2004 budget outline would strengthen the capacity of ITC in the areas indicated in the document ITC/BUD/45. Mr. Smadja also indicated that the presentation of the outline is not meant to force a decision on the part of Members but is rather an exchange of views and an occasion for clarification of the proposal in order to assist ITC management to finalize the budget in consultation with the Secretariats of WTO and the UN.

44. Members congratulated the ITC on its excellent work and fiscal responsibility and indicated that they would study the proposed increase in a positive light. One Member proposed that delegates in the Committee coordinate with their capitals and colleagues in the UN in New York in order that

ITC receive favourable consideration when its budget is discussed in the General Assembly. One Member requested ITC to provide in the future formal presentation of the budget a more quantitative analysis to substantiate the need for the new posts and a comparison of the ITC labour productivity as compared to the WTO and UNCTAD.

45. The Committee took note of the report and the positive remarks on the work of the ITC from the Members.

XIV. REVIEW OF THE SECRETARIAT RESOURCES

46. In view of time constraints, the item will be examined at the next meeting of the Committee.

XV. APPELLATE BODY OPERATING FUND

47. In view of time constraints, the item will be examined at the next meeting of the Committee.

POINTS FOR DECISION : **Paragraphs 17, 31, 33, 35, and 39.**
