

Committee on Budget, Finance and Administration

REPORTS OF THE MEETINGS HELD ON 6, 11, 17, 19, 20, 26 AND 27 NOVEMBER, AND 4 AND 5 DECEMBER 2003¹

1. The WTO Committee on Budget, Finance and Administration met formally and informally on 11, 17, 19, 20, 26 and 27 November, 4 and 5 December 2003 under the chairmanship of Mr. Joshua C. K. Law from Hong Kong, China. The terms of reference and composition of the Committee are set out in document WT/L/44/Rev.1. The Agenda contained in documents WTO/AIR/2206, and WTO/AIR/2206/Corr.1 were adopted.

I. WTO SECRETARIAT AND THE APPELLATE BODY AND ITS SECRETARIAT

A. PERFORMANCE AGAINST BUDGET FOR 2003 AS AT 31 OCTOBER 2003.

1. A member of the Secretariat presented the Performance Against Budget Report as at 31 October 2003 (CRP(03)45). He drew the attention of the Members to the overall projected budgetary surplus of CHF 549,020. Over-expenditures occurred mainly under (i) Temporary Assistance, (ii) maintenance and insurance of building facilities, (iii) office automation, (iv) insurance and joint services, and (v) Ministerial Operating Fund. Under-expenditures occurred mainly under (i) salary and pension, and the Trade Policy Course. There would be savings under the International Trade Centre as the anticipated salary increase in the United Nations Common System had not occurred. Further, the Secretariat informed the Members that (i) saving in the salary was due to the vacancy factor, and (ii) saving in the Trade Policy Course was mainly due to the cancellation of one course which could not be held as foreseen

2. With regard to the expenditures of the Ministerial Conference, the Secretariat recalled the general principle that the host government would assume all costs that the Secretariat would not have to cover if the Conference was held in Geneva. The Secretariat recalled that an operating fund for Ministerial Conferences, following the same principle as the Appellate Body Operating Fund was set up, so that the exact and overall expenditures could be shown.

3. The Committee took note of the report.

B. DOHA DEVELOPMENT AGENDA GLOBAL TRUST FUND 2004

4. A member of the Secretariat presented document CRP(03)58, which provided the cost estimates for the WTO Technical Assistance and Training Plan for 2004, namely: (i) the cost of Geneva-based Training, (ii) Regional Technical Assistance and Training activities, (iii) Geneva-based workshops and symposia, and (iv) Other Partnership Arrangements. He also highlighted the methodology used in calculating the cost estimates. The implementation of the WTO Technical Assistance and Training Plan for 2004 would be financed by the regular budget (CHF 5.4 million) and by the Doha Development Agenda Global Trust Fund (DDAGTF - CHF 24 million). Further, he presented document WT/BFA/W/107, the draft recommendation on DDAGTF 2004.

¹ This report should be read in conjunction with document WT/BFA/70, which contains the recommendations to this report, and was approved by the General Council on 16 December 2003.

5. In reply to query, the Secretariat informed the Members that the projected balance of the DDAGTF of CHF 7 million at the end 2003 was based mainly on the anticipation of: (i) delay in implementation of the certain activities planned, and (ii) savings made due to lower rate of participation in some activities.

6. See Recommendation II, paragraph 3 of document WT/BFA/70.

C. 2004 AND 2005 BUDGET ESTIMATES

7. A member of the Secretariat introduced the Budget Estimates for 2004 and 2005, document WT/BFA/SPEC/100. He informed the Committee that it was the first time that the Director-General presented a biennial budget proposal, consisting of two annual financial periods, in accordance with the guidelines for biennial budgeting (WT/BFA/W/105/Rev.1). The primary concerns of the budget proposals were: (i) to have the necessary resources to be able to respond in the best possible manner to the pace of negotiations, (ii) to have necessary resources to deal effectively and efficiently with the Dispute Settlement Process, both at the Panel and Appeal levels, (iii) to assure a predictable and reasonable level of resources for the Appellate Body Operating Fund and the Ministerial Conference, and (iv) to continue reasonable and modest efforts to move closer to a situation where temporary assistance resources reflect what in reality are temporary or variable needs.

8. The Secretariat then provided an overview of the proposals, highlighting (i) the increased allocation in statutory elements, (ii) the need to replenish the Appellate Body Operating Fund, (iii) the requirements for the Ministerial Conference, (iv) the increased needs in temporary assistance, and (v) the need for 14 new posts in 2004. The 2004 budget estimates showed an overall increase of some 6.9 per cent over the 2003 budget. The 2005 budget proposals showed an overall increase of 4.85 per cent over the proposed 2004 appropriations, which took into consideration of (i) statutory elements, (ii) possibility of inflation, (iii) additional funding for language services (document translation and production, and meetings), (iv) an increase in the ITC budget, and (v) nine and one-half new posts.

9. The Secretariat informed Members that some restructuring of the Secretariat had been achieved along the lines envisaged by the human resources consultant's report. The number of Divisions had been reduced from 24 to 21 through merging divisions. Senior Management had adopted a policy of encouraging early retirement in selective cases. Further, the Secretariat drew attention of the Committee to two problems in the area of promotion: (i) the limited number of annual regardings, and (ii) promotion to grade 11 for non-director posts.

10. Members considered that the proposed increase in the budget proposals was high, and that it would be difficult for them to consider sympathetically the proposal of 14 new posts for 2004 and queried the necessity of some of them. They suggested that the possibility of absorbing these needs by the existing staff or through re-deployment should be further pursued. They emphasized the financial constraints which many governments were facing and felt that the uncertainty of the work programme in 2004 made it difficult to agree to the proposed increase in resources. Some Members requested information on the (i) justifications for proposed new posts, (ii) savings made through efficiency measures, (iii) expenditures by sectors on the previous Ministerial Conference, (iv) data used for calculation of salary increase, and (v) data used for calculation of resources for temporary assistance.

11. As requested, the Secretariat prepared and distributed documents CRP(03)47 and its corrigendum 1, and CRP(03)48, providing information on proposed new posts for 2004 and 2005 and on containment of costs and efficiency measures respectively. Members considered document CRP(03)48 useful and requested that similar information, accompanied where possible with savings figures, be provided in future presentations of budget proposals. Some Members suggested that efforts to be undertaken on savings/cost efficiency should be systematic and be institutionalised.

Others proposed that a review exercise of documents provided in hard copy should be undertaken by the Secretariat.

12. The Secretariat informed the Committee that the six approved new posts in 2003 were allocated in (i) Administration and General Resources Division, (ii) Development Division, (iii) Intellectual Property Division, (iv) Legal Affairs Division, (v) Market Access Division, and (vi) Trade and Finance Division. In addition, the Secretariat would propose to the Director-General to create a Steering Committee to examine and monitor efforts for cost savings and efficiency measures. Subsequently, informal meetings were organized in the course of which divisional Directors presented their respective requests for the new posts contained in document CRP(03)47/Rev.1.

13. The Committee then undertook a detailed line-by-line examination of the 2004 and 2005 budget estimates. The Secretariat informed the Members that (i) the proposed allocation for medical insurance costs was based on information that a 12 per cent increase in medical premiums could be anticipated, (ii) as in 2003, a total of 25 regradings were foreseen for 2004, (iii) the proposed consolidation of temporary assistance was based on the number of persons who has been serving for 4 consecutive years, (iv) over the past years, a re-evaluation of the staff profile had been applied, leading to decreases in the proposed allocations, (v) the financial implications of the Performance Award System were included in the proposals for 2004, and (vi) the salary adjustment in 2004 was based on the salary methodology adopted in 2003.

14. Subsequently, the Secretariat provided more information on: (i) estimates of regular budget resources devoted to technical assistance (CRP(03)49), as well as percentage of staff time on a divisional basis devoted to technical assistance (CRP(03)57), (ii) comparison of expenditures on the Ministerial Conferences (CRP(03)51), (iii) usage statistics for the WTO library (CRP(03)52), (iv) temporary assistance, (v) Appellate Body Members Fees (CRP(03)54), (vi) proposed new posts 2004-2005 (CRP(03)55), and (vii) schedule of temporary assistance (CRP(03)56).

15. Following the discussions, the Secretariat provided a revised 2004-2005 Budget Estimates, documents CRP(03)59 and its Add.1 and 2 and CRP(03)61. The revised 2004 budget estimates showed an overall increase of 4.9 per cent over the approved budget for 2003. The increases would be for: (i) statutory increases, (ii) replenishment of the Appellate Body Operating Fund, (iii) 2 new posts and the consolidation of 6 posts which had originally been included in the new posts, (iv) the Ministerial Conference, (v) other increases, and (vi) the ITC. The revised 2005 proposals, which were re-based on the revised 2004 budget estimates, showed an increase of 4.6 per cent and took into account of the deletion of the inflation factor.

16. Members stressed the importance of re-deployment of existing resources to priority areas rather than seeking new resources even in case of an increased workload. Members, though acknowledging the prerogative of the Director-General in the allocation of two new proposed posts, requested that they should be informed of the allocation of these posts.

17. The Secretariat subsequently submitted a second revised proposal, document CRP(03)63, limiting the overall increase in 2004 to 4.4 per cent over the approved budget for 2003 and a 3.11 per cent increase in 2005 over the second revised 2004 budget estimates. The second revision of 2004 budget estimates was based on a further reduction in: (i) vacancy factor, and (ii) a postponement of replacement of computer equipment.

18. Members accepted the second revised 2004-2005 budget proposals. Two Members requested their statements be put on the formal record and their statements are attached hereto as Annexes I and II.

19. In concluding, the Chairman highlighted that Members (i) felt that the uncertainty with regard to the up-coming workload and pace of negotiations, the 2005 budget would consequently require an

in-depth re-examination in the context of the mid-term review referred to in the guidelines for biennial budgeting, (ii) brought up the problem concerning their Governments' own resources, which were becoming more limited than in the past, and (iii) felt that further efforts at efficiency, cost-effectiveness and rationalization in the WTO were necessary.

20. The Committee welcomed the papers prepared by the Secretariat on containment of costs and efficiency measures in the WTO, and requested that the same information with greater details in terms of actual figures on savings, would become an integral part of the budget proposal document. It also looked forward to having information on the establishment of a Steering Committee within the WTO Secretariat which would be charged with examining possibilities for cost savings on an on-going basis. In addition, it also would follow the development of a programme to lessen reliance on hard/paper copies of documents.

21. With regard to staff resources, the Committee noted that the Director-General would bear in mind the views expressed by the Members particularly with regard to the proposed post for the Rules Division, and would inform the Committee on his decision on the allocation of the two new posts for 2004 as soon as he had made up his mind. Also, the Committee would welcome further initiatives on the Director-General's efforts in the area of redeployment of resources, out-sourcing and structural rationalization, as well as the question of control of long-term temporary assistance posts. The Committee noted that the Director-General would report on the issue in early 2004.

22. See Recommendation IV, paragraphs 5 and 6 of document WT/BFA/70.

II. INTERNATIONAL TRADE CENTRE UNCTAD/WTO

A. PERFORMANCE AGAINST BUDGET AS AT 30 SEPTEMBER 2003

23. The Deputy Executive Director of the International Trade Centre UNCTAD/WTO (ITC) introduced the document ITC/BUD/46. He drew the attention of the Members that the projected overall balance at the end of the year was CHF 748,523, which was 97.56 per cent of the approved 2003 budget estimates. The savings resulted from the impact of currency fluctuations of the US dollar versus the Swiss franc which led to lower expenditure in CHF for the US dollar portion of ITC expenditures (mainly related to pensions). In addition, lower expenditure in common staff costs and posts were incurred due to savings arising from hiring short term staff pending the filling of the posts. The above savings are partially offset by higher expenditures under Contributions to joint activities due to higher than budgeted charges from United Nations Geneva for costs relating to the implementation of IMIS.

24. In reply to queries, the Deputy Executive Director informed the Committee that the temporary assistance mainly covered the workload in the following arrears: (i) peak periods, (ii) sickness and (iii) maternity leave.

25. The Committee took note of the report.

B. PROPOSED REGULAR PROGRAMME BUDGET OF THE ITC FOR 2004 AND 2005

26. The Deputy Executive Director of the ITC introduced the document ITC/BUD/47. He highlighted the fact that the impact of the expanded activities called for in the Doha Declaration had not been programmed into ITC's 2002-2003 budget which had been approved by the United Nations prior to the Doha Ministerial Conference. The ITC proposed budget for 2004 was estimated at CHF 32,486,000, and for 2005 was CHF 32,848,400 reflecting a total increase of CHF 3,963,700 over the biennium 2002-2003. For 2004, the WTO share of the proposed budget would amount to CHF 16,125,250, a nominal increase of 5.9 per cent over 2003. Further, he highlighted that the proposed increase was mainly related to: (i) creation of six professional posts: three P-4, two P-3 and

one P-2 level posts; and five General Service (GS) posts, and (ii) three reclassifications: two posts from P-4 to P-5 level and one from P-2 to P-3 level. In this respect, he drew the attention of the Members to the United Nations Advisory Committee on Administrative and Budgetary Questions' recommendation to the General Assembly of the acceptance of: (i) the creation of four professional new posts instead of six as requested, (ii) the creation of three GS posts instead of five as requested, and (iii) reclassification of the three posts. The General Assembly had yet to decide on the issue.

27. The Committee undertook a line-by-line examination of the budget estimates. The ITC informed that, since the Doha Declaration, the workload had substantially grown and that ITC's resources were stretched to the limit. At the request of the Members, the ITC subsequently submitted the following documents: (i) ITC.CRP(03)01 on the containment of costs and efficiency measures in the ITC, and (ii) ITC.CRP(03)02 on additional information provided to the United Nations ACABQ and the Fifth Committee with regard to the ITC proposed budget for 2004-2005.

28. In a subsequent informal meeting, the respective ITC Directors who had requested new posts and reclassification of posts provided further information regarding their requests.

29. See Recommendation I, paragraphs 1 and 2 document WT/BFA/70.

III. OTHER ITEMS

A. ADMINISTRATIVE UP-DATES AND PROGRESS REPORTS

30. A member of the Secretariat presented the cash situation, the statement of outstanding contributions as at 31 October 2003, the progress report of instalments for countries in arrears, the contributions of Observer countries towards the cost of services provided by the Secretariat, and report on the scheme to facilitate the payment of pre-1988 arrears. As at 31 October 2003, the total contributions received from Members amounted to CHF 120,566,878. One Member had made a payment since 31 October 2003. With regard to the contributions received from the Observers to the WTO towards the cost of services provided by the Secretariat, it stood at CHF 550,434 as at 31 October 2003. The Working Capital Fund stood at CHF 9,009,577. He drew the attention of the Members to the cash situation as of end October, which would only be sufficient to cover expenses of the Organization for the month of November. The WTO was in serious need of payment of contributions from Members for its operation for the coming months. Members with outstanding contributions were urged to make payments as soon as possible.

31. One Delegation observed that some Members listed in the category IV had not made payments for the past few years and requested that the Secretariat draw their attention on the obligations to liquidate arrears. The Secretariat informed that reminders letters on arrears were sent out twice annually to the Members concerned.

32. Another member of the Secretariat presented the document CRP(03)42. The services of an outside consultant had been retained in order to assist Human Resources Section in the preparation of a training programme for 2004 and 2005. The Management Board of the Pension Plan would be meeting on 12 November 2003 to finalize its annual report for 2002 and to approve the draft contract with the investment analyst/consultant. Further the Secretariat was considering an on-line recruitment tool in order to facilitate the processing of job application.

33. Some Members expressed the wish to receive more information on the situation of the WTO Pension Plan and also on the Performance Award System. Some Members recalled the deliberations on the salary methodology earlier this year and stressed the importance of developing the Performance Award System.

34. A member of the Secretariat presented documents CRP(03)43 and 46, and WT/BFA/SPEC/103. He drew the attention of the Members to the Programme Support Fund (document WT/BFA/SPEC/103), which recorded a deficit and informed that the Secretariat would monitor the situation. The expenditures indicated in the document WT/BFA/SPEC/103 included both paid and committed expenditures for activities planned until the end of the year. The additional activities that could still be undertaken in November and December 2003 would be mainly national activities and should not involve any significant additional costs compared to the figures presented in the above-mentioned documents. With regard to the Doha Development Agenda Global Trust Fund (DDAGTF), one Member made a payment since the finalization of the document CRP(03)43. Taking into account the balance available at the end of 2002, the pledges initially made for 2002 to be cashed in 2003, as well as the pledges for 2003, the DDAGTF registered a total pledges of CHF 23.8 million in 2003. Cash wise, the DDAGTF showed an uncommitted cash balance of CHF 3.2 as at 31 October 2003.

35. The Committee took note of the reports and the various comments.

B. DRAFT/TENTATIVE BUDGET COMMITTEE WORKPLAN FOR 2004

36. The Chairman referred to document CRP(03)44 which proposed a list of items to be discussed in 2004. No dates were scheduled, as the date of the General Council had not yet been fixed. He indicated that if in the course of the year more meetings were required, or additional issues necessitated discussion or review, they would be added to the proposed schedule. The work plan would be reviewed again early next year with proposed dates.

37. The Committee took note of the draft work plan for 2004.

C. LETTER FROM THE CHAIRMAN OF THE APPELLATE BODY

38. The document CRP(03)50 containing a copy of a letter addressed to the Chairman of the Committee from the Chairman of the Appellate Body on the proposal of adjusting the compensation package to the Appellate Body Members was distributed to the Members. However, in view of time constraints, the issue would be taken up in 2004.

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

39. The Chairman recalled that the Committee had discussed the issue in September 2003. At that time, Some Members suggested that the process of accepting voluntary contributions could be streamlined and that the Committee could look into the criteria for accepting voluntary donations. It was decided that the question would be further examined in 2004.

E. WTO ANNEXE

40. The Chairman recalled that the General Council approved on 19 December 2001, the recommendation of the Committee to authorize the Director-General to launch, in cooperation with the Swiss authorities, a draft project study aimed at producing a building plan and putting together the financial package needed for its implementation. The Secretariat presented document CRP(03)62, which was subsequently redistributed as document WT/BFA/SPEC/104 and highlighted that the project "Golden Eye", which cost could be accommodated within CHF 50 million was retained for the construction of the WTO Annexe.

41. See Recommendation III, paragraph 4 of document WT/BFA/70.

ANNEX I

UK STATEMENT ON 2004 BUDGET

The UK can confirm its agreement to an increase in the WTO budget of 4.4% for 2004 and 3.11 % for 2005.

We note that these increases follow a rise of 8% in 2003 and an increase of resources provided to the WTO since 1998 of some 30%. In the same period, most Geneva-based international bodies were subject to zero real or zero nominal grants. We recognise the increased workload of the WTO, but regret that more has not been done by the organisation to meet these additional demands by re-deploying existing resources to priority areas. This is a daily necessity for most of the administrations - not least those from developing countries – whose contributions fund the organisation.

The UK requests the Secretariat to take seriously the comments from a large number of delegations on the need for real efforts in the next year to re-deploy resources, rather than every year seek new resources from members, whose capacity to provide them is increasingly limited.

ANNEX II

Statement on Biennial Budget by Delegation of China At WTO Committee on Budget, Finance and Administration (5 December 2003)

Mr. Chairman,

The Delegation of China reported what we discussed and the sentiment of the house yesterday back to my capital. The Government of China, however, still has serious concern over the issue of addition and consolidation of new posts, and the successive conversion for years of temporary assistance service staff. (TASS) into regular staff, which is in fact also some hidden way of increasing new posts. This will certainly have long-term implications on the budget of the secretariat and the financial burden of Members.

The Government of China believes that it is not appropriate for the WTO secretariat to have great increase of its staff, either in one way or the other, while many Member governments and intergovernmental organizations have been cutting the numbers of their staff. The prevailing state of affairs of the WTO in this connection should be effectively corrected.

To address this concern of my Delegation and other Members, the secretariat promised to provide some specific proposals and ideas for the consideration by Members at the first Committee meeting in the year 2004. With that understanding, Mr. Chairman, my capital advised this delegation to join the consensus on the revised budget proposal of the secretariat for the year of 2004.

With regard to the revised budget proposal for the year 2005, our understanding is that it needs further consideration by delegations so as to see whether there is a need for further adjustment at the mid-term review of the biennial budget. This will take place at the latter part of 2004. It is only by then can a final decision be made in light of the developments and evolutions of the organization.

Please put my statement in the record of the meeting.

Thank you, Mr. Chairman.
