



Committee on Budget, Finance and Administration

REVIEW OF SELECTED FINANCIAL REGULATIONS OF THE WORLD TRADE ORGANIZATION

1 BACKGROUND

1.1. Financial regulation 4 stipulates that the financial regulations of the World Trade Organization shall be reviewed by the Committee on Budget, Finance and Administration (CBFA) at least every four years.

1.2. Financial regulation 4 further states that only the General Council has the authority to amend the financial regulations, on recommendation by the CBFA.

1.3. The Financial Regulations of the World Trade Organization that are currently in force are contained in document WT/L/156/Rev.3, dated 27 February 2015. Therefore, a review is due.

2 FINANCIAL REGULATIONS THAT ARE PROPOSED FOR REVIEW

2.1. Table 1 contains the proposed reformulation of selected financial regulations.

TABLE 1 – FINANCIAL REGULATIONS PROPOSED FOR REFORMULATION

FINANCIAL REGULATION	PROPOSED REFORMULATION OF SELECTED REGULATIONS
4	These regulations shall not be amended except by the General Council acting upon the advice of the Committee on Budget, Finance and Administration (the Committee). The Committee shall review these regulations at least every five years.
17	A Provision for contributions in arrears shall be maintained.
19	<p>Voluntary contributions, gifts or donations from WTO Members and Observers may be accepted by the Director-General provided that the purposes for which the contributions are made are consistent with the policies, aims and activities of the WTO, and provided that the acceptance of such contributions which directly or indirectly involve additional financial liability for the WTO shall require the consent of the Committee. The CBFA will be notified of all voluntary contributions that lead to the establishment of a new trust fund.</p> <p>Voluntary contributions, gifts or donations from Non-Governmental Donors are subject to the additional guidelines laid out in Annex C.</p> <p>Monies accepted for purposes specified by the donor shall be treated as trust funds. A standard overhead fee of up to 13% may be charged on direct expenditure incurred by trust funds to reflect supporting services provided by the Secretariat. The standard overhead rate can be reduced when implementing partners are being used and when defined in the agreement signed with the donor. The Programme Support Fund collects the overhead fees from all trust funds and pays expenditure incurred to support the trust fund's activities. The Programme Support Fund also releases a fee representing 10% of its expenditure to the WTO Secretariat, that will record it as miscellaneous income.</p> <p>Monies accepted in respect of which no purpose is specified shall be treated as miscellaneous income and reported as "gifts" in the accounts of the financial period.</p> <p>Monies received by a staff Member as honoraria in his/her official capacity shall be remitted to the Organization and be credited to the WTO Staff Assistance Fund.</p> <p>Unless otherwise provided, such voluntary contributions, gifts or donations shall be administered in accordance with the present financial regulations.</p>

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23	<p>The budgetary result is defined as the difference between assessed contributions plus projected miscellaneous income, and, the actual expenditure plus actual miscellaneous income.</p> <p>The actual expenditure does not take into account the variations in the actuarial provisions for the long-term liabilities associated with staff pensions and after service health insurance if they have not been included in the approved budget.</p> <p>The annual budgetary result shall be reported in the WTO financial performance report. The Director-General shall make specific recommendations for its redistribution to a specific part of the WTO's equity.</p> <p>The sum between the budgetary result for the period and IPSAS adjustments, including the actuarial provisions for pension and after service health insurance, determine the WTO year-end financial result.</p> <p>If at the end of a financial period the financial result shows a positive balance, the Director-General shall make proposals to the Committee with regard to its use which may be:</p> <ul style="list-style-type: none"> a) application as income against the budget for the next applicable financial period following that in which the surplus occurs, thereby reducing Members' contributions; b) transfer to the Working Capital Fund; c) transfer to the Surplus/Deficit Account; or d) use for any other purpose decided upon by the General Council. <p>If at the end of a financial period the financial result shows a negative balance, it shall be transferred to the Surplus/Deficit Account.</p>
27	<p>Sums advanced under financial regulation 26(a) above shall be reimbursed to the Working Capital Fund as soon as receipts from contributions are available for the purpose.</p> <p>Sums to be advanced by the Director-General as per financial regulation 26(b) shall be considered by the CBFA, which will make a recommendation to the General Council for its prior authorization.</p> <p>The replenishment of sums advanced in accordance with financial regulation 26(b) will require a decision by the General Council, on recommendation by the CBFA.</p>
28	<p>The General Council may only liberate all or part of the sums constituting the Working Capital Fund if the WTO equity has a positive balance. Sums so liberated, in so far as they are derived from monies placed in the Working Capital Fund under financial regulation 24(a), shall be returned to the Members which have contributed to the Working Capital Fund in proportion to their respective shares in the Working Capital Fund.</p>

FINANCIAL REGULATION	PROPOSED REFORMULATION OF SELECTED REGULATIONS
29	Subject to a decision by the General Council, and only if the WTO equity has a positive balance, countries or separate customs territories which for any reason cease to be Members of the WTO shall be entitled to the reimbursement of the total amount of their shares in the Working Capital Fund under financial regulation 24(a) and, shall honour any liabilities attributable to them.
37	<p>The Director-General shall also provide to the Committee:</p> <p>a) Reports on the financial position and performance of the Organization, for the first 6 months and year-end. The year-end report shall include information on the financial performance of the Organization by activity (for example, technical assistance or dispute settlement).</p> <p>b) Annual reports on human resources, with details on the evolution of the grade structure, salary adjustments, employee benefits, diversity of staff, internal mobility of staff, external recruitment activities and learning and development.</p>
38	<p>The Director-General shall:</p> <p>a) establish an effective system of risk management to identify and address internal and external risks to the Secretariat;</p> <p>b) establish detailed financial rules and procedures in order to ensure effective financial administration and the exercise of economy;</p> <p>c) cause all payments to be made on the basis of appropriate supporting documents and other documents which ensure that the services or goods have been received and that payments have not previously been made;</p> <p>d) designate the officers who may receive monies, incur obligations and make payments on behalf of the WTO. All payments shall require a minimum of two signatories;</p> <p>e) maintain an internal control system which shall ascertain the accomplishment of established operational objectives; compliance with policies, procedures, rules and regulations; and safeguarding of assets. The internal control system shall also provide for an effective current examination and/or review of financial transactions in order to ensure:</p> <ul style="list-style-type: none"> the regularity of the receipt, custody and disposal of all funds and other financial resources of the WTO; the conformity of obligations and expenditures with the appropriations or other financial provisions approved by the General Council, or with the purposes and rules relating to trust funds and special accounts; the economic use of the resources of the WTO; the reliability and integrity of the information on which such use is based;

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	f) maintain an internal oversight function, which shall be responsible for providing independent and objective assessments of the adequacy and effectiveness of the Organization's internal control system, management practices, budgetary control and allegations of misconduct, in all its forms, at the WTO. For this purpose, the internal oversight function shall have unrestricted access to all functions, activities, operations, processes and information within the Organization.
42	<p>The Director-General shall establish rules for the procurement function. The procurement function includes all actions necessary for the acquisition, by purchase or lease, of property, including products and real property, and of services, including works. The following general principles shall be given due consideration when exercising the procurement function of the WTO:</p> <ul style="list-style-type: none"> • Efficient and effective use of the Organization's resources; • Non-discriminatory, fair, open competition and equal opportunity for vendors; • Transparency; • Best value for the money in terms of quality and price; and • Accountability. <p>Tenders for property and services shall be invited by a recognized method of solicitation, except where the Director-General deems that, in the interest of the WTO, a departure from this financial regulation is desirable. In such cases, a statement specifying the precise amount, the payee and the rationale for the departure from this financial regulation, shall be disclosed in the Financial Performance Report of the concerned year.</p>

3 RECOMMENDATION

3.1 The Committee invites the General Council to approve the revised Financial Regulations of the World Trade Organization, to be contained in document WT/L/156/Rev.4, with specific revisions to financial regulations 4, 17, 19, 23, 27, 28, 29, 37, 38 and 42.