

**PREPARATORY COMMITTEE
FOR THE
WORLD TRADE ORGANIZATION**

RESTRICTED
PC/BFA/M/1
22 August 1994
(94-1675)

**SUB-COMMITTEE ON BUDGET, FINANCE
AND ADMINISTRATION**

MINUTES OF MEETING

Held in the Centre William Rappard
on 4 August 1994

Chairman: H.E. Mr. A. Szepesi (Hungary)

1. Further to the arrangement of the Preparatory Committee for the World Trade Organization at its meeting of 22 July 1994 (PC/M/4, paragraph 21), the Sub-Committee on Budget, Finance and Administration of the Preparatory Committee met on 4 August 1994 in order to come to concrete conclusions on matters which had a particular urgency before the summer break.
2. The agenda distributed in PC/AIR/21 contained the following points:
 - A. Organizational structure and staffing requirements of the Secretariat
 - B. Guidelines on the assessment of contributions to the WTO budget
 - C. Choice of consultants for the management review and approval of the terms of reference thereof.
3. The Chairman said that each of the matters for discussion had been closely examined in both group and individual informal consultations which had taken place on numerous occasions in the past few months. A general consensus had developed with regard to the issues which should be resolved before the summer break. He hoped that the decisions proposed for the meeting would meet with the approval of the Sub-Committee and that the first period of intense activity leading up to the establishment of the World Trade Organization could thus be brought to a close. The Chairman said that he would take item C first, item A second and item B last.

Choice of consultants for the management review and approval of the terms of reference thereof

4. The Chairman introduced document CRP(SUB-ADM)(94)12 which provided a summary of the historical development of the issue as well as a recommendation on the choice of consultants. After having evaluated initial contacts with international consulting firms, and in view of the fact that Deloitte and Touche SA are locally-based with individual consultants of good reputation and experience, it was thought that they would be the best equipped to provide the required service.
5. With regard to the proposed mandate for an external management review (CRP(SUB-ADM)(94)13), the Chairman said that this had been extensively discussed in the course of informal consultations.
6. The Sub-Committee took note of document CRP(SUB-ADM)(94)12, and approved the proposed mandate for an external Management Review in document CRP(SUB-ADM)(94)13

6. The Sub-Committee took note of document CRP(SUB-ADM)(94)12, and approved the proposed mandate for an external Management Review in document CRP(SUB-ADM)(94)13 (attached hereto as Annex I) and the choice of Deloitte and Touche SA to undertake the Management Review. In reaction to some comments made during the informal consultations, the Chairman added that the consultants' subsequent report should be treated as confidential.

Organizational and staffing matters

7. The Chairman referred to the draft decision contained in document CRP(SUB-ADM)(94)14 and briefly described the points contained therein. The first point dealt with the extension of Uruguay Round, TPRM and other staff on fixed-term contracts terminating at the end of 1994. The second point concerned a list of new posts to be created in 1994. In this context, the Chairman said that the Secretariat had indicated that one Professional post would be reassigned to the Agriculture Division, allowing the recruitment of an expert in sanitary and phytosanitary matters. The third related to the management review which had been discussed earlier in the meeting. The fourth point committed the Sub-Committee to undertake a policy debate with regard to such conceptual issues as research and analysis, technical co-operation and accession. The last point noted that the staffing requirements for 1995 would be considered after the completion of the management review.

8. The Sub-Committee agreed on the following:

1. The contracts of UR, TPRM staff and other staff who have been recruited under similar conditions (fixed-term contracts terminating at the end of 1994) can be extended for two years. The contract policy of the WTO will be determined later in the year and will apply to all staff.

2. Posts to be created in 1994:

(i) At Director level (2 posts)

- one in the Intellectual Property and Investment Division
- one in the Trade and Environment Division

(ii) At the Professional level (16 posts)

- two in the Legal Affairs Division
- one in the General Council and Appeals Division
- one in the Market Access (Goods) Division
- one in the Rules Division
- two in the Technical Cooperation and Training Division
- two in the Trade Policy Review Division
- one in the Statistics and Informatics Division
- one in the Intellectual Property and Investment Division
- two in the Trade and Environment Division
- three in the Services Division

(iii) At the General Service level (5 posts)

- one in the Legal Affairs Division
- one in the Agriculture Division
- one in the Trade Policy Review Division
- one in the Trade and Environment Division
- one in the Services Division

As two posts, one at the Director level in the Market Access (Goods) Division and one at the General Service level in the Textiles Division can be cancelled in 1994, the net requirement is 21 new posts (1D + 16P + 4GS). In due course, the GATT Budget Committee will be invited to provide funds.

3. There should be an external Management Review conducted by Deloitte and Touche SA. In due course the GATT Committee on Budget, Finance and Administration will be invited to provide funds for the Review.

4. In September 1994, the Sub-Committee will have a policy debate on such conceptual issues as research and analysis, technical co-operation and accession. The outcome of this debate will form part of the contribution of the Members to the Management Review.

5. The staffing requirements for 1995 will be considered after the completion of the Management Review. In determining the staffing requirements, Members will bear in mind the results of the Review and will commit themselves to financing the additional staff and related resources that they may approve.

Guidelines for the assessment of contributions to the WTO budget

9. The Chairman reported that a working group chaired by Mr. Pierre Gosselin, Chairman of the GATT Committee on Budget, Finance and Administration, had devoted many hours to the question of trying to incorporate international trade shares in services and intellectual property rights into the calculation of assessments to the WTO budget. The draft decision contained in document CRP(SUB-ADM)(94)15 was the fruit of the group's consultations and reflected a consensus on points of view which had been initially quite divergent.

10. In essence, the draft decision expresses the view that, in principle, assessments to the WTO Budget should reflect shares in international trade in goods as well as in services and intellectual property. However, given the fact that the data with regard to services and intellectual property still required further study, the calculation of assessments for the 1995 budget of the WTO will follow existing GATT practice. The Sub-Committee as well as the WTO Committee on Budget, Finance and Administration will continue to examine this question so that changes can be and will be introduced in one year, that is, in the assessments to the 1996 Budget of the WTO. Finally, the WTO Committee on Budget, Finance and Administration will review the functioning of the new system of assessments three years after its introduction. After this presentation made by the Chairman, the Sub-Committee approved the decision contained in Annex II.

Comments by Members

11. After the adoption of these decisions, the following comments were made by the participants. The representative of Singapore said that his Government still had residual problems with the proposed system of assessments to the WTO, but that they would not block a consensus on the matter. He said that any method should be equitable and should technically, statistically and accurately reflect the relative share of a country's international trade in goods, services and intellectual property rights. representatives of Malaysia (speaking on behalf of the Informal Group of Developing Countries) Switzerland, and Venezuela (speaking on behalf of Latin American and Caribbean States) also expressed the view that further study needed to be undertaken with regard to the proposed system of assessments to the WTO.

12. The representative of Egypt noted her Government's concern at not having been invited to take part in the informal discussions on the assessment of contributions for the WTO. However, she said that Egypt would go along with the interim solution proposed and agreed upon by the Sub-Committee as reflected in the attached decision (Annex II).

13. In commenting on the new posts to be created in 1994, representatives of Malaysia (speaking on behalf of the Informal Group of Developing Countries), Egypt, Tanzania, Brunei Darussalam (speaking on behalf of ASEAN), Nigeria, Bangladesh, and Venezuela (speaking on behalf of Latin American and Caribbean States) expressed the view that there was a need to have a more equitable geographical representation among the Professional staff of the Secretariat. They were of the opinion that the forthcoming recruitment exercise would provide an opportunity to correct what they perceived as a current imbalance. They agreed that it was ultimately the prerogative of the Director General to engage the most qualified individuals, but requested that the Chairman of the Sub-Committee bring their concerns to the attention of the senior management of the Secretariat.

14. The representative of Tanzania raised the question of the minimum assessment to the budget. He was of the opinion that assessments on the Least Developed Countries (LLDCs) should mainly be related to their trade structures. He felt that commodity exports which were in effect loss-making should be excluded from trade figures and that the inclusion of statistics for imports for LLDCs should be studied as these countries were being penalized for not having a manufacturing capacity. He said that those at the minimum contribution, mostly LLDCs, were the only ones which were assessed at more than their share of overall trade. He thought that there was a case for special and differential treatment to be accorded to the LLDCs. He felt that LLDCs contribution should be symbolic and that there was sufficient support for further discussion of this subject.

15. Representatives of Bangladesh and Venezuela supported the idea of having a more equitable assessment for LLDCs and the Bangladesh representative said more specifically that there should be a uniform assessment for all LLDCs.

16. In reply to the request addressed to him, the Chairman said that the concern expressed by several members of the Sub-Committee on the question of regional representation of the staff within the Secretariat would be communicated to the Director-General. He added that the problem of the minimum contribution should continue to be raised in the Committee on Budget, Finance and Administration of the GATT and subsequently in the appropriate Committee of the WTO. Before closing the meeting the Chairman indicated that a number of important issues will have to be examined by the Sub-Committee in the fall.

Annex I

CRP(SUB-ADM)(94)13
3 August 1994

Mandate for an External Management Review
of the GATT/World Trade Organization Secretariat

Taking into account:

- the existing and continuing GATT functions and structure;
- the new functions as a result of the implementation of the Uruguay Round agreements and the creation of the World Trade Organization;
- the need to ensure an allocation of staffing resources consistent with maintaining a high level of efficiency and quality of service;
- the interests of Members in limiting budgetary increases associated with the creation of the new organization;
- the conclusions of the policy debate on certain Secretariat functions to be organized by the Sub-Committee on Budget, Finance and Administration of the WTO Preparatory Committee in September 1994;

Consultants shall undertake the following:

1. Review organizational structure, staffing requirements and resource allocation of the Secretariat, with a particular emphasis on:
 - a. creating an efficient organization, with due regard for the economic use of resources;
 - b. creating an efficient management hierarchy;
 - c. identifying overlapping functions and eliminating redundancies, if any, in posts;
 - d. identifying, wherever possible, core activities which may require long-term staffing and activities which may be temporary;
 - e. identifying possibilities for improving internal procedures within the Secretariat, including decision-making and communication processes.

2. With a view to accomplishing the tasks defined above:
 - a. propose options providing for the optimal use of available resources;
 - b. include an assessment of the Director-General's Proposal on the Organization of the Secretariat dated June 1994 and the requested increases in staffing contained therein;
 - c. make suggestions regarding the phasing of the implementation of any changes.
3. Make recommendations on 1. and 2. above in a final report, to be preceded by:
 - a. interviews with representatives of Members and Secretariat staff;
 - b. periodic progress reports to the Sub-Committee on Budget, Finance and Administration and the Secretariat allowing for the assessment of consulting activities and development of client guidance on desirable changes or refocusing in such activities; and
 - c. a draft final report to be reviewed and commented upon by Members and by Secretariat officials.
4. Start the work on 1 September 1994 and submit the draft final report on 15 November 1994 and the final report on 15 December 1994.

Annex II

Assessments for the WTO

The Sub-Committee agreed that:

1. in principle, the assessment of contributions to the WTO budget should reflect shares in international trade in goods, services and intellectual property. However,
2. further study of the data available for calculating assessments to the WTO budget to reflect trade in services and trade in intellectual property rights, including the components thereof, is required. Therefore,
3. the calculation of assessments for the 1995 budget of the WTO should follow existing GATT practice. In the meantime,
4. the basis for assessing contributions, incorporating the principle in (1) above, would continue to be examined and reviewed by the Sub-Committee on Budget, Finance and Administration of the WTO Preparatory Committee and subsequently by the WTO Committee on Budget, Finance and Administration so that changes would be introduced to reflect the above principle not later than one year after the creation of the WTO, i.e. in the assessment of contributions to the 1996 budget of the WTO; and
5. a full review of the functioning of the new system of assessments would be undertaken by the WTO Committee on Budget, Finance and Administration three years after its introduction.