

55. It should be pointed out that, thanks to the important contributions made by the Inspector in his report, the Board of Auditors had been able to achieve a fuller presentation of historical financial data on trust funds. The Secretary-General hoped that Member States would find the new presentation an improvement over previous statements.

56. He paid a tribute to the Advisory Committee, which had considered the question of trust funds in detail and had made constructive recommendations which received the Secretary-General's full support.

The meeting rose at 1.05 p.m.

1564th meeting

Friday, 28 September 1973, at 10.55 a.m.

Chairman: Mr. C. S. M. MSELLE (United Republic of Tanzania).

A/C.5/SR.1564

AGENDA ITEM 79

Proposed programme budget for the biennium 1974-1975 and medium-term plan for the period 1974-1977 (continued) (for the documentation see 1563rd meeting)

General discussion

1. The CHAIRMAN invited the Secretary-General to open the general debate on the proposed programme budget for the biennium 1974-1975 and medium-term plan for the period 1974-1977.

2. The SECRETARY-GENERAL made a statement.¹

3. Mr. RHODES (Chairman of the Advisory Committee on Administrative and Budgetary Questions) made a statement.¹

4. The CHAIRMAN suggested that the statements made by the Secretary-General and the Chairman of the Advisory Committee should be issued as Committee documents.

*It was so decided.*¹

Report of the Joint Inspection Unit on trust funds of the United Nations (concluded) (A/8840 and Add.1-3)

5. The CHAIRMAN drew attention to the reference to China on the first page of annex A to the report of the Joint Inspection Unit (see A/8840), and said that the following foot-note should be added:

"In the present document, reference to China is to be understood in the light of General Assembly resolution 2758 (XXVI) of 25 October 1971. By that resolution the General Assembly, *inter alia*, decided 'to restore all its rights to the People's Republic of China and to recognize the representatives of its Government as the only legitimate representatives of China to the United Nations, and to expel forthwith the representatives of Chiang Kai-shek from the place which they unlawfully occupy at the United Nations and in all the organizations related to it'."

¹ The complete texts of the statements made by the Secretary-General and the Chairman of the Advisory Committee on Administrative and Budgetary Questions were subsequently issued as documents A/C.5/1526 and A/C.5/1527 respectively.

Such a reference had been included where appropriate in all documents which had appeared since 31 May 1972. The Committee would note that, although the Secretary-General's covering note to document A/8840 was dated October 1972, the report itself was dated February 1972.

6. Mr. CLELAND (Ghana) said that his delegation was of the view that the establishment of trust funds for programmes favoured by donor countries could distort the order of United Nations priorities, since such programmes might not necessarily reflect the desires of the collective membership of the Organization. For example, the issue of narcotics and drug abuse gave cause for concern in a number of developed countries and funds had been made available by certain donor countries to deal with that problem. He recalled that in 1972 the Secretary-General had recommended four priority themes for the attention of the Office of Public Information:² disarmament; the Second United Nations Development Decade, including trade and development, population and the human environment; decolonization; and human rights, including the struggle against racism and *apartheid*. Although his delegation would not wish to underrate the deleterious effects of narcotics and drug abuse, the issue did not yet constitute a priority item for the membership of the United Nations in general. Therefore, his delegation supported recommendation 12 made by the Joint Inspection Unit in the introduction to its report that "Special care should be exercised to ensure a continuation of the present policy of using trust funds only for projects and programmes independently agreed to by United Nations organizational units and developing countries, *not* for projects and programmes dictated by the donor as a condition for making a contribution." Finally, his delegation endorsed the recommendations of the Advisory Committee on Administrative and Budgetary Questions as set out in paragraph 19 of its report (A/8840/Add.2).

7. Mr. STOTTLEMYER (United States of America) said that, although time had overtaken some of the Inspector's findings and recommendations since his report had been issued in February 1972, the subject of trust funds and non-monetary contributions was one which had been ignored by the Committee for too long. The Inspector, Mr. Macy, had taken a complex subject, reduced it to its

² Document A/C.5/1452 (of 17 October 1972), para. 4.

essential elements and suggested what might be done so that Member States and the Secretariat could deal with the question satisfactorily. In his delegation's view, the most important recommendation in the report was recommendation No. 4: "The General Assembly should approve in principle a move toward placing the United Nations budget on a 'gross and net' basis." In addition, the Advisory Committee, in paragraph 2 of its report, had pointed out that it would be "highly desirable that the activities financed from voluntary contributions should be properly related to those under the regular budgets of the organizations of the United Nations system". It had also agreed with Mr. Macy's conclusion that voluntary funds should be integrated with those provided under the regular budget of the United Nations, as was done in several of the specialized agencies.

8. The adoption of General Assembly resolution 3043 (XXVII) and the presentation of the first programme budget constituted a major step towards implementing the Inspector's recommendations. While full integration of funds had not yet been achieved, his delegation was optimistic that the Secretary-General would take further steps in that direction in preparing his submission for the biennium 1976-1977. The change, when complete, would provide Member States for the first time with a clear picture of the programmes and total resources available through the United Nations. To date Member States and Secretariat officials had not had such a picture; nor had they been able to exercise adequate control over the programming of total funds. In fact, the only real control exercised over voluntary funds had been *ex post facto* and depended to a large extent upon the audit reports, which were historical in nature.

9. There were two types of funds available to the United Nations: the first was subject to intergovernmental controls, the second was essentially bilateral. In the case of the latter type, the United Nations system became the mechanism through which programmes were implemented at the initiation of one country, foundation or other type of donor, and it was that category of funds which gave cause for concern. At present, information on what those funds were and how they were used was fragmented and difficult to find. Similarly, there was no particular pattern for determining or making overhead reimbursements for such funds to the administering United Nations agency. As a first step towards correcting the situation, his delegation urged fuller reporting and the establishment of standards, so that the overhead costs of administering such voluntary funds could be fully defrayed from the resources of the funds themselves. His delegation therefore fully supported the view expressed by the Inspector in paragraph 96 *a* of his report, which had been endorsed by the Advisory Committee. It also agreed that overhead costs should be determined on the basis of certain consistent standards. The sooner the Administrative Committee on Co-ordination or the Advisory Committee completed work on that question, the better it would be for all concerned. His delegation's objective was to ensure that unilateral or bilateral contributors did not distort the regularly funded programmes of the United Nations system. By calling for a clear definition of terms and for tighter policy control over the operation of trust funds, Mr. Macy's report went a long way toward

meeting that objective, which he believed was shared by other delegations. Certain existing problems could be eliminated by establishing a pattern of operation for those funds, so that Member States fully appreciated their impact on the other activities of the United Nations system.

10. His delegation also agreed with the position of the Advisory Committee, expressed in paragraph 7 of its report, that "subject to such arrangements as may be made by way of decentralization, control over funds solicited by individual organizational units should be vested in the Office of Financial Services and not in the organizational units concerned". Similarly, his delegation agreed with the Advisory Committee's conclusion in paragraphs 12 and 15 of its report, on the recruitment of personnel and the future audits of trust funds. Finally, his delegation supported the Advisory Committee's recommendations summarized in paragraph 19 of its report.

11. Mr. NAUDY (France) said that the Inspector had carefully and methodically analysed various complex and little-known aspects of the financial practices of the United Nations and suggested improvements to the current system. In so doing, he had performed a useful task, which was in accordance with the mandate given to the Joint Inspection Unit. One of the advantages of the new presentation of the budget was that it indicated the volume of voluntary contributions made to each programme. The French delegation welcomed that improvement, which had the effect of showing clearly the part played by such funds in United Nations activities. However, in the future more detail should be given on the sources of such funds, so as to show the relative importance of each source. Mr. Macy's work, together with the observations made by the Secretary-General and the Administrator of UNDP as well as the report of the Advisory Committee, whose conclusions his delegation endorsed, drew the attention of Member States to delicate problems. The evolution of those problems must be closely followed, since the increase of trust funds could have important repercussions on the activities, the priorities and even the structure of the United Nations. The documentation on the item constituted a valuable guide and provided generally appropriate recommendations for the continued study of the problems involved and their treatment.

12. Mr. SILVEIRA DA MOTA (Brazil) said that it was evident from the tenor of the statements made in the Committee that members generally felt that Mr. Macy had carried out commendable work. He asked whether it would be possible to insert some expression of the Committee's appreciation of Mr. Macy's work in the recommendation it would make to the General Assembly.

13. The CHAIRMAN suggested that the Committee should recommend to the General Assembly that it approve the recommendations of the Advisory Committee contained in paragraph 19 of its report (A/8840/Add.2). Paragraph 19 *a* could be amended to read "Take note with appreciation of the report by Mr. Macy . . .".

It was so decided.

The meeting rose at 12.35 p.m.