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at 3 p.m.
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SUMMARY RECORD OF THE 6th MEETING

Chairman: Mr. KUYAMA (Japan)

Chairman of the Advisory Committee on Administrative and
Budgetary Questions: Mr. MSELLE

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The meeting was called to order at 3.20 p.m.

AGENDA ITEM 107: FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS (continued) (A/38/5/Add.1-3, Add.4 and Corr.1, Add.5 and Add.7; A/38/313 and Corr.1, A/38/433; A/C.5/38/L.3 and L.4)

- (a) UNITED NATIONS DEVELOPMENT PROGRAMME (continued)
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- (c) UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST (continued)
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1. Mr. BELYAEV (Byelorussian Soviet Socialist Republic) said that his delegation was in favour of enhancing the role of the Board of Auditors in improving resource management, tightening financial discipline, and identifying and eliminating waste in organizations of the United Nations system. The Committee should welcome the thoroughness and honesty shown by the Board, whose conclusions and recommendations his delegation was generally willing to support.

2. Although some of the factors responsible for the highly unsatisfactory state of UNDP's finances as at 31 December 1982 were not the immediate responsibility of the UNDP Administration, his delegation was perturbed to note that the financial difficulties UNDP was facing had arisen largely as a result of the cumulative and continuing excess of expenditure over income, projects which lacked clearly defined goals and implementation procedures, late and poorly drafted project documentation, and poor monitoring of project supplies. The audit had revealed many serious breaches of the Financial Rules which had led to losses and waste. The lack of financial discipline was shown in the fact that there had been 75 instances of fraud in 1982, together involving \$190,000. The Board had found that the staff rules on overtime had been violated in many cases. It had also suggested that some experts and consultants were doing administrative work that should be done by regular UNDP staff. The lack of clear-cut methods for determining the need for consultants left room for abuse. How was one to account, for example, for the fact that expert hiatus financing and extended sick-leave costs for a single year amounted to almost \$2 million?

3. In the circumstances, his delegation supported the recommendation made by the Board of Auditors in paragraph 20 of its report (A/38/5/Add.1), believing that the UNDP Administration should direct its efforts towards making rational and effective use of all the resources at its disposal. In particular, it could not agree to

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(Mr. Belyaev, Byelorussian SSR)

allow UNDP to pay less than 13 per cent to executing agencies in reimbursement for overhead costs, when actual overheads were known to be considerably higher than that. The practice meant that the regular budgets of the United Nations and its specialized agencies were supplying funds for technical assistance, which was not in keeping with the provisions of the Charter.

4. The problems with experts and consultants also extended to UNICEF, as indicated in paragraphs 20 and 21 of the relevant report of the Board of Auditors (A/38/5/Add.2), and paragraph 22 of the same report revealed that the financial rules on procurement were being ignored.

5. The Board's report on UNITAR revealed that the UNITAR Administration had not maintained proper accounts or financial control, that travel claims were not submitted in due time, that contract agreements with experts and consultants were not being signed before assignments commenced, and that the performance of experts and consultants was not evaluated. No wonder it had taken five months to submit the Institute's financial statements. In such circumstances, was it possible to hope for a comprehensive review of the Institute's financial dealings? The financial policies and practices of UNITAR were a source of particular concern to many members of the Committee. The Administration had so far produced nothing but lavish excuses instead of doing something to ensure that its expenditure was organized strictly in accordance with its income. The Institute had received two grants-in-aid from the regular budget in 1981 and 1982, supposedly to help it over its financial crisis, yet now the Executive Director was forecasting a deficit of \$700,000 in 1983. The UNITAR Administration should try to solve its problems on its own, without drawing on the budgets of other organizations. His delegation could not accept the practice of giving grants-in-aid, and was rather surprised that UNITAR's dubious financial policies had not been criticized by ACABQ.

6. Shortcomings in the management of the financial affairs of several United Nations agencies were leading to serious breaches of financial discipline and significant losses. His delegation hoped that steps would be taken to eliminate those shortcomings and ensure the proper, frugal use of the resources contributed by Member States.

7. Mr. GARRIDO (Philippines) said that his delegation agreed with the Board of Auditors and the Advisory Committee that UNDP should take further steps to find new sources of income and manage its resources effectively. It regretted that UNDP's third-cycle programme had been limited to 55 per cent of the illustrative IPFs for 1982-1986, but was reassured that the Administrator would be able to control the financial situation. Improved internal audit procedures would help to prevent future cases of mismanagement of field resources and his delegation accordingly welcomed the completion of the audit manual recommended by the Board of Auditors. It also believed that UNDP should have a more reliable mechanism for forecasting currency movements, in view of the heavy losses it had incurred as a result of currency exchange transactions.

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(Mr. Garrido, Philippines)

8. He welcomed the financial stability of UNICEF during the reporting period, but said that the Fund should adhere to the Advisory Committee's recommendations on improving procedures for the issue of procurement contracts.

9. As the activities of the Office of the High Commissioner for Refugees expanded, its financial control procedures should be geared to overcoming current deficiencies by securing the timely collection of loans to refugees and implementing agencies, improving cash management, especially in the field, and screening parties with which UNHCR entered into contracts. His delegation hoped that the steps taken by the High Commissioner would rectify the shortcomings identified by the Board of Auditors.

10. He was pleased that the statement made by the Advisory Committee in paragraph 30 of its report (A/38/433) concerning the proposed changes to the annex to the Financial Regulations of the United Nations was properly reflected in the draft decision circulated as document A/C.5/38/L.4. His delegation supported both that draft decision and draft resolution A/C.5/38/L.3, which, he believed, correctly indicated the action that the General Assembly should take.

11. Mr. KASIRYE (Uganda) agreed that effective control was needed over the limited financial resources available to the organization. His delegation fully supported both the criticism and the suggestions made by the Board of Auditors. While some cuts in expenditure would be necessary to deal with the difficult financial situation, he hoped that they would not be at the expense of project activities and training opportunities needed by the developing countries. It was of some significance that, at the time when the least developed countries were crying out for help, there should be a surplus of \$2.6 million in the Special Measures Fund for the Least Developed Countries for the year under review. In conclusion, he thanked all those who had contributed to the Trust Fund for Children's Famine Relief in Uganda, and assured them that the aid had been very much appreciated by the Ugandan people and Government.

12. Miss ZONICLE (Bahamas) commented that, the instances of fraud listed in paragraph 60 of its report notwithstanding, the Board of Auditors had found no cases of misused resources in UNDP previously undiscovered by the Administration. The shortcomings found by the Board appeared to be mainly administrative in nature. The most serious shortcoming was the lack of an integrated evaluation function, as suggested in paragraph 5 of the report of the Board of Auditors (A/38/5/Add.1). The same conclusion had been reached by the Joint Inspection Unit, in a report transmitted by the administrator to the UNDP Governing Council earlier in the year. JIU had recommended a number of measures for improving the evaluation process in UNDP but the steps being taken by the Administrator fell short of the JIU recommendations. If all the recommendations of JIU had been acted upon, some of the shortcomings listed in the Board's report could have been avoided. She wondered whether full implementation of the recommendations of JIU was, in fact, envisaged.

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(Miss Zonicle, Bahamas)

13. The precarious financial basis of UNDP, as revealed in schedules 1 and 14, was striking. Viewed against the background of development rhetoric, those two schedules painted an incredible picture of pledges made but uncollected, which further attested to the crisis of voluntarism in the United Nations and reopened the question of how best to attain the objectives set forth in the Charter.

14. Mr. RALLIS (Greece), speaking on behalf of the States members of the European Economic Community, said he agreed for the most part with the views of the Advisory Committee on the reports of the Board of Auditors, as contained in document A/38/433. It appeared that the reports of the Board of Auditors showed the same shortcomings on the part of the organizations concerned as in previous years. He expressed particular concern at the number of projects which had been initiated without clear objectives and which had been poorly managed. Although his remarks were not directed at any one organization, he hoped that they would be taken to heart by all of them.

15. It would be useful if the reports of the Board of Auditors were issued sufficiently in advance to enable the governing bodies of the organizations concerned to take account of them during their regular sessions. To that end, he proposed that a new paragraph should be added to draft resolution A/C.5/38/L.3, to read as follows:

"Requests the timely release of the Board's reports and their submission to the governing bodies of the organizations concerned for early consideration during their regular sessions".

16. Finally, he had no objection to the recommendations of ACABQ regarding the proposed changes by the Board of Auditors to the annex to the Financial Regulations of the United Nations.

17. Mr. HOUNGAVOU (Benin) endorsed the timely recommendations made by the Board of Auditors. As the representative of a country which benefited from United Nations assistance in many forms, he wished to point out that shortcomings in the assistance programmes of the various agencies had the most serious consequences for recipient countries. Unfortunately, the fact that the Board's reports had been issued just prior to the beginning of the current session had made it difficult to consider them in depth.

18. The reports showed that, in a period of general financial difficulty, some rules had not been observed and liberties had been taken, resulting in enormous losses. While it might be true that unsound projects were being implemented in some countries, his own country attached special importance to careful project planning and was therefore often unhappy when forced to accept the services of experts over whose contracts it had not control. In some cases, experts became ill and thus unable to work, or were judged undesirable by the host Government, and yet the executing agencies refused to take any action. The resulting losses caused serious problems for Governments like his own which were experiencing financial difficulties. Furthermore, the salaries earned by consultants were often too high,

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(Mr. Hounouvou, Benin)

representing as much as 80 per cent of total project costs. At the same time, host Governments had no control over the level of such salaries. He hoped that the Board of Auditors would deal with that problem in its next series of reports.

19. Mr. BROWN (United Nations Development Programme) referring to comments which had been made concerning losses sustained from currency exchange transactions, said that, of the total loss of \$40.6 million, \$38.9 million represented losses sustained as a consequence of the revaluation of holdings in various currencies rather than as a result of transactions. Of the latter figure, some \$16 million related to holdings in the Operational Reserve of \$200 million. Since UNDP could not speculate on the value of the United States dollar, the holdings in the Operational Reserve were evenly distributed between United States dollars and other currencies. Fluctuations in exchange rates against the dollar necessarily entailed losses on one side or the other, although it was expected that over time the losses and gains on both sides would balance out. That method of managing the Operational Reserve had been reported to the Budgetary and Finance Committee of the Governing Council. A further \$6 million related to holdings in non-convertible currencies. If such currencies declined in value against the dollar, a loss in dollar terms was inevitable. Finally, \$16.8 million represented losses on exchange in respect of currencies held in operational accounts. Governments' contributions to UNDP were held in the national banks of the countries concerned and were moved only when they were needed for operational expenditures, never to offset fluctuations in exchange rates. Those policies had been endorsed by the Budgetary and Finance Committee of the Governing Council and any change would require its authorization.

20. Concern had been expressed over the large accumulation of non-convertible currencies, which had a negative impact on operational activities. The problem had been discussed in the Governing Council for many years, but to date no solution had been found. Under the current financial regulations of UNDP, Governments were entitled to make contributions in non-convertible currencies; however, if those currencies could not be spent, for reasons which were well known, they would of course continue to accumulate.

21. Some delegations had expressed concern that UNDP had outspent its revenue in 1982. From a purely accounting perspective, that was correct. However, UNDP kept its accounts according to a conservative system under which only cash actually received was recorded as revenue. At the same time, all commitments were listed as expenditures. Thus, although an operational deficit had been recorded for 1982, there had been no cash deficit within UNDP, nor had the Programme been obliged to draw upon its Operational Reserve. Moreover, UNDP viewed its programmes within the context of an entire programming cycle. For example, while the Programme had been criticized for underspending during the first three years of the 1977-1981 cycle, the money which had accumulated during those years had made it possible to meet expenditures in excess of income during the years 1980-1982. The practice of reviewing current and projected income and expenditures on a monthly basis was one of the most important tools of financial management utilized by UNDP.

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(Mr. Brown)

22. With regard to cost overruns and other problems in project operations, he pointed out that UNDP made a distinction between unanticipated overruns, which occurred in projects that were badly planned, and overruns that were deliberately planned when a project was expanded at mid-term. UNDP believed that expanding a project following a mid-term review represented the safest way to carry out such expansion.

23. On the question of travel advances, he noted that when UNDP had assumed responsibility for its accounts from the United Nations in 1975, outstanding travel advances had been in excess of \$1.5 million. In 1981, the amount had stood at approximately \$500,000 and had been reduced to \$57,000 as of June 1983. All outstanding travel advances for years up to and including 1981 would be fully cleared by December 1983. Travel advances in 1982 had amounted to \$1.3 million and as of June 1983 the balance outstanding had been \$99,000. The Budget and Finance Division of UNDP would be seeking new ways of reducing such advances in the future.

24. UNDP had already provided explanations with regard to the instances of fraud referred to by the Auditors. However, he wished to point out that over 90 per cent of the fraud in money terms related to a single country. Of course, massive collusion on the part of clerks and supervisors was capable of undermining any system. UNDP's controls were not as bad as they had been made out to be since they had failed in only one of the more than 100 countries in which it operated. Additional controls were being instituted to render such collusion more difficult.

25. As to evaluation, the Administrator had established a Central Evaluation Unit in October 1983 in accordance with the recommendation of the Intersessional Committee of the Whole.

26. Turning to the question regarding the salaries of experts, he said that such salaries were determined within the common system, with executing agencies responsible only for determining the level at which an expert would be recruited. The matter of salaries was thus out of the hands of UNDP. However, he invited the Governments of developing countries to take a more active part in the finalizing of project documents and emphasized that UNDP took a very serious view of the right of Governments to give final approval to the statement of objectives and other aspects of development projects. At the same time, developing countries should notify UNDP of any projects which they believed to be inadequate. With regard to experts deemed undesirable by the recipient Government, he noted that experts enjoyed the same protections as members of the Secretariat when termination was sought. Furthermore, problems occasionally arose from the fact that resident representatives, agencies or Governments were unwilling to remove certain experts. Governments could exert some control by seeing that contracts were not issued for a period of more than two years; they should also feel free to inform UNDP if they were dissatisfied with the performance of an expert so that the Programme could take the matter up with the executing agency involved.

27. With regard to programme support projects, he stated that a project support budget was related solely to support of projects and project personnel. In the

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(Mr. Brown)

case of large-scale projects, provision was generally made in the project budget for the necessary support staff whereas smaller projects might be able to justify support staff only on a part-time basis. It was more efficient in such cases to pool the staffing requirements of several small projects and cover them under a project-support budget.

28. Turning to comments made on the subject of consultants, he said that, while it was true that consultants or individuals called consultants were used from time to time for administrative purposes, the costs involved were charged to the administrative budgets, and the practice was in no way intended to make such budgets appear to be lower than they actually were. Because there had been a freeze on hiring for several years and UNDP was operating with a leaner staff, it sometimes proved necessary to assign administrative duties to consultants.

29. The Board of Auditors had highlighted a number of problems relating to UNDP's resource situation. That matter had been discussed in great detail at the two most recent sessions of the Governing Council and the three meetings of the Intersessional Committee of the Whole.

30. Mr. HOUNGAVOU (Benin) expressed concern over UNDP's apparent lack of control over the contracts of experts and consultants, and asked about the reasons for that situation.

31. Mr. BROWN (United Nations Development Programme) said that there seemed to be a slight misunderstanding, which needed to be cleared up. UNDP had no control over the salary scales applicable to experts and consultants, since it did not set those scales. As to contracts, where there was an executing agency, the contract was concluded between the expert and the executing agency and not between the expert and UNDP. Thus, the hiring of staff was under the agency's control. However, UNDP determined the level and number of posts in a project budget. Recipient Governments were involved in the actual appointment of experts, since agencies had to submit to them for approval the names of several candidates. Following appointment, an expert's performance was very much a matter in which UNDP was involved. If an expert did not perform satisfactorily, the resident representative was bound to bring the matter to the attention of the executing agency and, if necessary, to take steps with the agency to have the expert removed. A recipient Government also had the right to complain to UNDP and the executing agency if it was dissatisfied with an expert's performance.

32. Mr. MILES (United Nations Relief and Works Agency for Palestine Refugees in the Near East) said that it was of the utmost importance that care should be taken to ensure that the relatively large resources made available to UNRWA were used in the most effective manner possible and that donor Governments should be assured that that was indeed being done. The Board of Auditors played an indispensable role in that endeavour and in helping the Agency to maintain support for its programmes in behalf of Palestine refugees.

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(Mr. Miles)

33. UNRWA had experienced a very difficult year, especially as a result of the emergency relief operation it had mounted in Lebanon, which had placed additional strains on its resources and staff. UNRWA therefore was gratified that, by and large, its high standards of administration and management had been maintained. Nevertheless, the Auditors had identified some shortcomings, and the Agency had already taken corrective action, or was in the process of doing so, in response to 6 of the 10 specific recommendations made by the Board of Auditors in its report (paras. 4-13) (those relating to budgetary control, salary computation, accounts, inventory, travel and temporary assistance). There were some differences of opinion between the Board of Auditors and UNRWA with regard to the four remaining recommendations, relating to procurement, contracts, property survey boards and vehicle accidents. The administration of UNRWA intended to discuss those matters further with the Auditors in the course of the next audit.

34. UNRWA agreed that the system of vendor evaluation cards recommended by the Board of Auditors would be ideal but doubted that it could be implemented without additional staff. With regard to contracts, the Board of Auditors had commented on two cases in which, in its opinion, changes in contract prices should have been submitted to the Legal Adviser before being authorized. The administration of UNRWA was of a different opinion regarding those two specific instances, but nevertheless noted the Auditors' comments and would continue to refer all matters relating to legal obligations and liabilities to the Legal Adviser.

35. The views of the Board of Auditors concerning the property survey boards involved an interpretation of their functions, and that question, together with the question of the liability of staff members for vehicle accidents, would be pursued further with the Auditors.

36. The comments of the United States representative on the need to strengthen contracting and procurement practices had been noted and would be given the most careful consideration.

37. Mr. WITTRIN (United Nations Fund for Population Activities) thanked delegations, the Board of Auditors and the Advisory Committee for the many valuable suggestions they had made, which would be taken into account by the Administration of UNFPA.

38. The recommendation of the Board of Auditors that UNFPA should obtain the prior concurrence of the Advisory Committee for any transfer of credits at year's end from one appropriation line to another caused some difficulties, since the exact amounts involved were often not known in advance. He was pleased therefore that the Advisory Committee had suggested that, as long as overall appropriation levels were respected, post facto reporting was the most practical approach.

39. A number of comments had been made by the Board, the Advisory Committee and some delegations concerning UNFPA's working relationship with UNDP. UNFPA and UNDP shared the same Governing Council and had common services in such areas as finance, accounting and travel. UNFPA had continued to work closely with UNDP in the past

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(Mr. Wittrin)

year in seeking to improve that working relationship, and considerable improvements had indeed been made. As to the suggestion that the various aspects of that relationship should be codified, UNFPA would endeavour to include clearer definitions of its relationship with UNDP in the appropriate sections of its Policies and Procedures Manual, which was currently being revised.

40. Mr. VREBOS (Chairman of the Board of Auditors) said that the Board of Auditors fully agreed with the Advisory Committee's recommendation concerning the proposed changes to the annex to the Financial Regulations of the United Nations.

41. Commenting on the amendment proposed by the representative of Greece to draft resolution A/C.5/38/L.3, he said that it would be difficult to alter the timetable for the audits carried out by the Board and the submission of its reports unless the organizations were required to submit their accounts earlier than they currently did.

42. Mr. GARRIDO (Philippines) agreed that the amendment proposed by Greece would create problems for all concerned.

43. Mr. FORAN (Controller) said that, for an organization like the United Nations, with offices in many countries, the finalization of accounts was a world-wide operation. The process began in mid-January when all offices were required to complete their financial transactions and recording for the previous year so that accounts could be finalized and ready for auditing by the current deadline, 31 March. It would be very difficult, if not impossible, for the United Nations to advance that date very much, and he was certain that the other organizations would be in a similar position.

44. Mr. TAKASU (Japan) said that his delegation, too, doubted the practicality of the Greek amendment. However, it also shared the concern that there should be an organic link between the General Assembly's consideration of the reports of the Board of Auditors and the action taken in response to those reports by the governing bodies of the various organizations. He suggested that paragraph 4 of draft resolution A/C.5/38/L.3 might be amended to request the executive heads of the organizations also to report to their governing bodies on the steps taken in response to the audit findings, thereby establishing a link between the governing bodies and the General Assembly.

AGENDA ITEM 111: FINANCIAL EMERGENCY OF THE UNITED NATIONS (continued)

(a) REPORT OF THE NEGOTIATING COMMITTEE ON THE FINANCIAL EMERGENCY
OF THE UNITED NATIONS (continued)

(b) REPORT OF THE SECRETARY-GENERAL (continued) (A/C.5/38/9 and
Add. 1)

45. Mr. SHUSTOV (Union of Soviet Socialist Republics) said that the financial situation of the United Nations was a source of concern to all who were sincerely striving to enhance the prestige and effectiveness of the United Nations as an

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(Mr. Shustov, USSR)

instrument of international peace and security. His delegation was prepared to do its utmost to improve the finances of the Organization and provide a sound administrative and budgetary basis for its activities. However, that objective could be obtained only if the provisions of the Charter were fully observed.

46. The search for solutions to the financial emergency required a study of its underlying causes. Only such an approach could prevent a recurrence of the causes which had led to the current difficulties. Attempts had been made in the past, and were still being made, to divert attention from the real causes of the financial emergency and to advance imaginary ones. It had been asserted in the report of the Secretary-General and in the statements made by some delegations that one of the main reasons for the situation was the late or partial payment by States of their assessed contributions. That was inaccurate, to say the least. The main cause was the inclusion in the regular budget of expenditure on illegal activities undertaken in violation of the Charter and the unjust imposition on all Member States of the costs arising from Israel's aggression against the Arab States. The refusal of States to bear the costs of such activities was a legitimate means of preventing future violations of the Charter. If there had been no illegal expenditures, there would be no withholding of contributions, and the search for a solution had to take that fact into account.

47. His delegation had on previous occasions proposed a genuine and fair way of resolving the financial emergency. First, the costs connected with the so-called United Nations bond issue should be deleted from the regular budget and the financing of those costs should be placed on a voluntary basis. Second, the developed countries which held United Nations bonds should agree to forgo repayment; as it would be unfair to expect developing countries to make such a sacrifice, they should be repaid through voluntary contributions. Third, the costs of technical assistance should be deleted from the regular budget. His delegation assumed that those States which had been paying their assessed contributions to the regular budget in respect of technical assistance would make additional contributions to UNDP, with which the regular programme of technical assistance should be combined. It should be left to States to determine the currency in which they would make their contributions to that programme. Fourth, the budget should be set at a level acceptable to all States, including the major contributors, and strict control should be exercised over expenditures.

48. The Soviet Union, which was one of the major contributors to the Organization's budget, bore no responsibility for the current unsatisfactory situation, which was the result of arbitrary actions taken in violation of the Charter. It was, however, prepared to help to find a solution to the problem. His delegation was puzzled by the one-sided description of the problem in the report of the Secretary-General and did not understand why there was no mention in that report of the position of a number of countries on the reasons for the Organizations's financial difficulties. Such a premeditated silence on the part of the Secretariat with regard to the position of a large number of States could only be seen as a lack of respect for their point of view. Such an approach was hardly likely to strengthen the financial position of the United Nations. He hoped that his comments would be taken into account by the Secretariat when it prepared the future reports on the financial emergency.

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49. Mr. GARRIDO (Philippines) said that the cash liquidity position of the Organization had improved owing to more timely payment of contributions by Member States in response to the appeal made by the Secretary-General, and owing to an increase in the Working Capital Fund and the suspension of financial regulations 4.3, 4.4 and 5.2.

50. The Secretary-General's capacity to comply with General Assembly resolutions having financial implications would depend on the timely payment of assessments by Member States. Yet the positive attitude demonstrated so far in 1983 should not lull the Organization into complacency, since only 49 per cent of total assessments for the year had been received. The General Assembly should urge the Secretary-General to intensify his efforts to secure the prompt payment of contributions, particularly by those Member States which had not heeded earlier appeals.

51. It was alarming to note that the short-term deficit on 31 December 1983, could reach \$335 million if the current pattern of withholding contributions continued. Most of the increase in the deficit stemmed from the withholding of contributions for peace-keeping activities. Such activities formed part of the United Nations regular budget, and should therefore be supported under Article 17 of the Charter.

52. The regular programme of technical assistance had suffered from the withholding of contributions by some Member States. Technical assistance under the regular budget was part of the overall programme of the United Nations system to help developing countries in planning and implementing their economic and social programmes. UNDP, which was largely responsible for that task, was having difficulty because of its limited resources, which would prevent many developing countries from attaining their development objectives.

53. The Organization's continuing deficit and cash flow problem hampered its smooth running. It was important to consider the financial emergency before taking up the budget proposals for the forthcoming biennium, since it was necessary to appreciate the impact of the Organization's financial situation on its activities. With regard to the status of contributions referred to in document A/C.5/38/9/Add.1, it should be noted that the Philippines had paid half of the amount outstanding for 1983, and that the table should be amended accordingly.

54. Mr. MWANAMBALE (Zambia) said that his delegation endorsed the Secretary-General's efforts to encourage Member States to pay their assessed contributions in good time. The issue of special postage stamps had been a success, and such endeavours should be continued.

55. Although the cash flow situation for the first six months of 1983 represented an improvement over the same period in 1982, the United Nations still faced difficulties in meeting its cash requirements for the remainder of the year. The projected deficit left no doubt as to the seriousness of the situation. Still more alarming was the fact that there was no solution in sight.

(Mr. Mwanambale, Zambia)

56. One way of alleviating the situation would be to make voluntary contributions to the United Nations Special Account. All Member States wished to see the United Nations perform successfully, which would only be possible if assessed and voluntary contributions were paid in a timely manner.

57. The Secretary-General's report on the financial emergency (A/C.5/38/9) listed those Member States which had made a particular effort to make voluntary contributions to the Special Account. All Member States should follow their example, since that would greatly reduce the need for the Secretary-General to finance United Nations activities by more expensive means. His delegation appealed to those Member States which had not yet paid their assessed contributions to do so. Member States which withheld their contributions for peace-keeping activities should reconsider their position, in the interest of a strong and healthy Organization.

58. Mr. KAZEM (Afghanistan) said that the financial situation of the United Nations and specialized agencies was of concern, since it threatened to restrict their activities and prevent the effective implementation of programmes and plans. Afghanistan had always supported the Secretary-General in his attempts to improve the financial situation, and welcomed, for example, the issue of postage stamps to that end. The efforts to encourage the early payment of contributions were also commendable.

59. It was regrettable that the deficit for 1983 would be some 6.5 per cent greater than in 1982. The Secretary-General and ACC should take measures to curtail unnecessary expenditure and ensure that Member States fulfilled their obligations. Those Member States which had withheld their contributions should review their position, and those countries which were responsible for the deficit should consider how it could be eliminated. Afghanistan had consistently met its obligations to the United Nations and specialized agencies and had always supported them to the fullest extent possible.

60. Mrs. LISBOA (Venezuela) said that the financial situation of the United Nations was critical. Attempts had been made to undermine the Organization's prestige by harping on its failures, yet United Nations activities were fundamental to all countries given their increasing interdependence. It was unrealistic of certain States to seek to isolate themselves from the problems of others.

61. All countries thus bore a responsibility for the financial emergency of the Organization, especially the developed countries. Even though Venezuela's contribution had not been calculated in accordance with the criteria laid down in resolution 36/231 it had met its obligations, since it appreciated the importance of ensuring a sound financial basis for the Organization. All countries, particularly developed countries, should pay their contributions promptly.

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62. Mr. BRUGAL ALMANZA (Cuba) said that every year, when the matter of the financial emergency of the United Nations was taken up, the Committee heard the same distorted views, in which cause and effect were confused. The real reasons for the financial crisis lay in a series of factors which had caused the budget to increase dramatically.

63. Firstly there was the chronic inflation in the developed capitalist countries, particularly those in which United Nations headquarters were situated and where most of the Organization's expenses were incurred. His delegation had made an urgent appeal for the phenomenon to be studied, so that such adverse effects, which afflicted a large number of countries having no responsibility in the matter, could be corrected. The resolution on the effects of inflation on the United Nations budget adopted by the General Assembly at its thirty-seventh session provided an appropriate basis for such an analysis. He trusted that the report which the Secretary-General would submit on the question in due course would provide all the information needed. As the budget continued to grow, it became more and more difficult for many Member States to meet their budget obligations, particularly those States which felt the direct impact of the international economic crisis.

64. Currency fluctuations, particularly those of the United States dollar, were another factor aggravating the Organization's financial situation. Administrative considerations, including the disproportionate growth in staff, unnecessary post reclassifications, indiscriminate salary increases, administrative failings and poor investment decisions, and the persistence of obsolete and marginal activities, were also relevant.

65. At the thirty-seventh session, some delegations had attempted to introduce incentives for the prompt payment of contributions, such as the charging of interest on outstanding amounts. Cuba had rejected such initiatives since they were not viable. It was gratifying that the Administration now shared that view. His Government trusted that no such proposals would be reintroduced.

66. Those States which deliberately delayed payment of their contributions in an effort to weaken the Organization and diminish its role in the conduct of international relations bore primary responsibility for the financial crisis. The largest contributor had recently decided, unilaterally and irresponsibly, to reduce its contributions to the United Nations, stating that the decision had been taken because of the inflation affecting its country and in particular the Headquarters city. Considering the matter objectively, United Nations and Member States should be compensated by the host country for the additional costs which they incurred as a result of such inflation.

67. The payment of certain items of United Nations expenditure, particularly those relating to so-called peace-keeping forces, was a matter for the sovereign decision of Member States, and was not governed by the Financial Regulations.

68. The Israeli aggressors and their supporters were solely responsible for the subsistence of a state of war in the Middle East and should take full responsibility for their actions. If the United Nations, particularly the Security

(Mr. Brugal Almanza, Cuba)

Council, had not been hampered by one of its members, there would be no reason for peace-keeping forces to exist and no deficit would have arisen on that account. The best course of action would be to stay the hand of the aggressor.

69. Mr. RAKAU (German Democratic Republic) said that although the Committee had before it a detailed analysis of the financial emergency, it contained no explanation of the real underlying causes. His delegation was surprised, in particular, that part III of document A/C.5/38/9 contained no reference to the well-known position of a certain group of States.

70. His Government's position on the financial emergency remained unchanged. It would not be possible to resolve the financial emergency by shifting blame on to those countries which bore no responsibility in the matter. There was a need for flexibility, co-operation and understanding. His Government, for its part, was willing to seek a realistic solution.

71. Miss ZONICLE (Bahamas) said that palliatives such as the sale of postage stamps and the suspension of provisions of the Financial Regulations were inadequate to resolve the financial crisis. Solutions, to be effective, had to tackle the root causes, which lay in various political and legal considerations. Ultimately, however, the legal considerations were the most significant, in that the fulfilment of obligations for the sharing of the expenses of the Organization in a timely fashion, international co-operation in solving international problems of an economic, social, cultural and humanitarian character, and the provision of assistance to the United Nations in any action it took in accordance with the Charter, would immediately eliminate the deficit. Yet the fact that Member States were still deciding how to give practical effect to the Charter made it possible too often for politics to triumph over Charter obligations.

72. In the short term, those Member States referred to in annex IV of the Secretary-General's report should enter into negotiations to cancel outstanding commitments. Such a procedure was in line with accepted accounting principles for contributions unpaid or unacknowledged over a long period of time, while there was recognition that the United Nations, however imperfect, embodied indispensable checks and balances for international society.

73. In the long term, the financial crisis was another warning sign that deteriorating international relations could be mended only by setting comprehensive priorities, with an accompanying commitment to implement the principles contained in the Charter. Questions of principle and other reasons for withholding could, in such a context, be re-examined in the light of their relevance to the realization of the goals of the Charter. Such measures should, of course, be accompanied by the timely payment of contributions.

74. Mr. ELIASHIV (Israel), speaking in exercise of the right of reply, said that it was regrettable that certain delegations had abused the Fifth Committee, which dealt with administrative and budgetary matters, in order to wage political warfare against Israel. Those delegations had had the audacity to contend that expenses incurred for peace-keeping forces should be defrayed by the State they held responsible for the situation.

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(Mr. Eliashiv, Israel)

75. Peace-keeping forces were, in fact, the responsibility of the United Nations. They had been established at the specific request of the international community, embodied in the relevant decision of the Security Council. Israel had not made that request, although it had accepted the decision and paid its share accordingly.

76. It was not surprising that the Soviet Union, which had not supported the creation of UNIFIL, should refuse to pay a penny towards its budget or that of UNDOF, since it had no interest in peace-keeping anywhere in the Middle East. In fact, the Soviet Union had been exacerbating the conflict in the region for almost three decades, making every effort to prevent the establishment of peace and security.

77. A permanent member of the Security Council should certainly set an example for other Members of the United Nations and heed majority decisions, rather than mask its policies behind empty rationalizations which merely made a mockery of the principles embodied in the Charter. It was precisely because certain Member States which could and should contribute refused to do so that the Committee was currently obliged to discuss the financial emergency of the Organization.

78. The CHAIRMAN appealed to delegations to refrain from making political statements in the Fifth Committee, which was not the appropriate forum for that purpose.

The meeting rose at 6.15 p.m.