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SUPPLEMENTARY ESTIMATES FOR THE FINANCIAL YEAR 1972

Report of the Advisory Committee on Administrative and Budgetary Questions to the General Assembly at its twenty-seventh session

1. The Secretary-General's report on the supplementary estimates for the financial year 1972 (A/8834) reveals that he will succeed in the objective he set himself shortly after he assumed office in January 1972 - namely to leave unspent at year-end at least an amount equivalent to the expected shortfall for 1972 in the receipt of assessed contributions.

2. That shortfall, which consists of (a) contributions withheld entirely by some Member States for certain activities and (b) contributions towards technical assistance programmes ^{1/} offered in currencies that can be only partly used, is now expected to amount to \$3.7 million, some \$300,000 less than estimated earlier. Against this amount the Secretary-General expects to achieve an unspent balance of \$4,474,210 under the expenditure sections of the budget. Income, however, is estimated to fall short of the approved estimate by \$536,250. Thus on a net basis the revised estimates show a reduction of \$3,937,960, sufficient to offset the shortfall in contributions and to leave a small margin. The budgetary situation as revealed in the Secretary-General's report can be set out in tabular form as follows:

(Figures in millions of US dollars)

Approved expenditure (Resolution 2899 A (XXVI)) . . .	213.1	Revised estimate of expenditure (A/8834)	208.7
Approved income (Resolution 2899 B (XXVI)) . . .	35.9	Revised estimate of income (A/8834)	35.4
Approved net budget	177.2	Revised net budget	173.3
<u>Difference between approved net budget and revised net budget</u>		<u>3.9</u>	

^{1/} Part V of the budget.

3. When the Secretary-General announced his objective, he estimated that the shortfall in contributions would amount to \$4 million and that requirements likely to arise during the year for which no provision was made in the budget would be of the order of \$2 million. Thus he planned the allotments to offices and departments in such a way as to establish a reserve of about \$6 million (see the table in paragraph 4 of the Secretary-General's report, column 3). In fact requirements for which no provision was made are now expected to amount to \$3.1 million (see the breakdown of this amount in A/8834, para. 5). By absorbing this amount and yet attaining the target unspent balance which he had set himself, the Secretary-General will achieve economies within the original appropriations of about \$7 million.

4. Most of the expected unspent balance is attributable to the temporary suspension of appointments to fill vacant posts in the Secretariat at the professional and higher levels. That measure was initiated early in the year and remained in effect until September, when it was replaced by a policy of voluntary restraint in new appointments. The Advisory Committee on Administrative and Budgetary Questions was informed that as a result of the suspension, professional vacancies under sections 3, 15 and 16 of the budget in September reached a level of 327; the unspent balances under those three sections and the related section 4 are expected to total about \$4.1 million (A/8834, para. 4, table). The smaller savings in other categories of expenditure have been realized, the Secretary-General stated, "as the result of a determined effort, with the co-operation of all units of the Secretariat, to keep to the essential minimum all expenditures which lent themselves to such control" (A/8834, para. 6). The aggregate under-expenditure of \$1.2 million under sections 12, 13 and 14 (part V) reflects the amount of contributions offered for technical assistance activities that the Secretary-General does not expect to be able to use in 1972.

5. Under some budget sections - especially sections 9 and 10 - the Secretary-General expects to overspend the appropriations by a considerable amount. The main reasons are losses on exchanges resulting from currency parity changes, the increased cost of certain contractual services at Headquarters as a result of wage increases, and higher utility and communications costs, for all of which no provision or only partial provision was made in the appropriations.

6. The estimated reduction of about \$0.5 million in income is mainly due to the fall in staff assessment income as a consequence of the reduced expenditure for salaries. There is however an estimated decrease of some \$150,000 in general income (income section 3), brought about in the main by reduced income from television and similar services and from the transmission of cables by specialized agencies and other organizations over the United Nations radio network. A small increase seems likely under income section 4 (Revenue-producing activities) despite very substantial decreases in expected income from the sale of publications, services to visitors and the Souvenir Shop, the Gift Centre and the catering services; those items are more than offset by much higher earnings than estimated from the sale of postage stamps and royalties on United Nations medals. The Advisory Committee reiterates here the concern it expressed in its first report

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on the budget estimates for 1973^{2/} over the decline in income from certain of the revenue-producing activities, and was glad to learn that the Secretary-General intends to submit a report on measures to increase such income.

7. The Secretary-General's achievement in reaching the goal he set himself - to attain an unspent balance at least equivalent to the shortfall in contributions - is no small one. This is particularly so bearing in mind that expenses for which no provision was made were \$1.1 million more than he had foreseen. The Secretary-General stated that the reductions which he applied to allotments were so calculated as to recognize all inescapable obligations and thereafter to "spread the burden of economy as evenly and fairly as possible in order that no single activity should suffer to any appreciable extent" (A/8834, para. 7). Discussing the temporary suspension of appointments - for which the same approach was taken - he observed that it was "obviously necessary to avoid the impairment of essential activities" (A/8834, para. 7). Beyond that the Secretary-General's report does not offer any indication as to the extent that the programmes of the United Nations had to be curtailed in order to arrive at such a substantial unspent balance at year-end. The Advisory Committee was informed, however, that the Secretary-General considers that notwithstanding the economies made he has been able during 1972 to fulfil his mandate to execute activities called for by the programme-formulating bodies. But a clearer picture will emerge when the Secretary-General submits his report to the Committee for Programme and Co-ordination on programme performance in 1972.

8. The Committee concurs in operative paragraph 1 of draft resolution A and operative paragraph 1 of draft resolution B recommended by the Secretary-General on the supplementary estimates for the financial year 1972 (A/8834, annex I).

Secretary-General's proposal to retain 1972 surplus

9. The Secretary-General's action in seeking an unspent balance in 1972 was inspired by the critical financial situation of the Organization and his desire to halt the deterioration of the cash position under the regular budget. Had he spent the full amount appropriated, there would have been a cash shortfall in respect of the 1972 budget for the reasons stated in paragraph 2 above. But

^{2/} Official Records of the General Assembly, Twenty-seventh Session, Supplement No. 8 (A/8708 and Corr.1), para. IS 4-7 to IS 4-9.

under financial regulations 5.2 (d), 4.3 and 4.4^{3/} the Secretary-General is required to credit Member States - by means of adjustments to their assessments - with any budgetary surplus that arises at year-end. By the same token he is required, under financial regulations 5.2 (b) and (e), ^{3/} to adjust upwards the contributions payable by Member States to the extent that income falls short of the approved estimate. Thus in the present case the Secretary-General would, under the regulations, be required to give net credit to Member States for 1972, against their contributions for 1973, of \$3,937,960, that being the difference between the unspent balance foreseen under the expenditure sections of the 1972 budget, and the expected shortfall in income.

10. Should the Secretary-General be required to return to Member States a net credit of \$3.9 million, his goal of arresting the deterioration of the cash position would be frustrated: it would amount, in the Secretary-General's words, to the "surrender... ^{/of/} amounts which are not actually received or considered receivable" (A/C.5/1442, para. 8), and would automatically result in a further reduction in the cash available to meet obligations authorized in the budgets for 1973 and future years. The only resort open to the Secretary-General would be to cover the cash shortfall by further borrowings, which would have to be made from extra-budgetary funds at his disposal, the Working Capital Fund being completely exhausted.

^{3/} Financial regulation 5.2 reads: "In the assessment of the contributions of Member States, adjustments shall be made to the amount of the appropriations approved by the General Assembly for the following financial year in respect of:

- (a) Supplementary appropriations for which contributions have not previously been assessed on Member States;
- (b) Miscellaneous income for which credits have not previously been taken into account, and any adjustments in estimated miscellaneous income previously taken into account;
- (c) Contributions resulting from the assessment of new Member States under the provisions of Regulation 5.8;
- (d) Any balance of the appropriations surrendered under Regulations 4.3 and 4.4;
- (e) Members' credits in the Tax Equalization Fund estimated to be not required to meet charges for tax refunds during the year, and any adjustments in the estimated credits previously taken into account."

Financial regulation 4.3 reads: "Appropriations shall remain available for twelve months following the end of the financial year to which they relate to the extent that they are required to discharge obligations in respect of goods supplied and services rendered in the financial year and to liquidate any other outstanding legal obligation of the year. The balance of the appropriations shall be surrendered."

Financial regulation 4.4 reads: "At the end of the twelve-month period provided in Regulation 4.3 above, the then remaining balance of any appropriations retained will be surrendered. Any unliquidated prior year obligations shall at that time be cancelled or, where the obligation remains a valid charge, transferred as an obligation against current appropriations."

11. The Secretary-General accordingly proposes to the General Assembly that it postpone the application of financial regulations 4.3, 4.4 and 5.2 (b), (d) and (e). He has included provisions to that effect in the two draft resolutions which he recommends to the General Assembly on the supplementary estimates for the financial year 1972 (A/8834, para. 11 and annex I). The Advisory Committee was informed that the proposal applies only to the net surplus of \$3,937,960 foreseen for 1972, and that, should it be accepted by the General Assembly, the Secretary-General would credit that amount to a separately identified temporary account of the United Nations. The amount would remain in suspense until such time as the General Assembly takes a further decision as to its disposal.

12. Ever since he undertook to achieve an unspent budgetary balance in 1972, it has been the Secretary-General's intention to request the Assembly to suspend the requirement under the Financial Regulations that the balance in question be surrendered. That intention was formally spelt out in the Secretary-General's foreword to the budget estimates for the financial year 1973, ^{4/} and repeated in his statement to the Fifth Committee on 29 September 1972 (A/C.5/1442, para. 9). In further support of his proposal he argued that when the Financial Regulations were approved by the General Assembly it was assumed that assessed contributions would be paid in full, which is not now the case.

13. In the view of the Advisory Committee the efforts deployed by the Secretary-General in 1972 to achieve savings represent a determined attempt to arrest by methods available to him the deteriorating trend of the past several years. The Secretary-General's goal of stabilizing the cash position is of course only a temporary expedient: it will not provide a permanent solution of the Organization's long-standing financial difficulties, which can only be resolved by concerted efforts by the Member States.

14. The proposal to postpone the application of the relevant provisions of the financial regulations listed in paragraph 11 above raises important questions of policy and principle. Accordingly the Committee has limited itself to the above observations on the financial and administrative aspects of the proposal, in the hope that they will help the General Assembly to a better appreciation of the Secretary-General's proposal.

^{4/} Official Records of the General Assembly, Twenty-seventh Session, Supplement No. 6 (A/8706), vol. I, para. 14.