



SUMMARY RECORD OF THE 12th MEETING

Chairman: Mr. OKEYO (Kenya)

later: Mr. VAN DEN HOUT (Netherlands)

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

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The meeting was called to order at 10.40 a.m.

AGENDA ITEM 118: JOINT INSPECTION UNIT (continued) (A/C.5/43/L.3)

1. Mr. VAN DEN HOUT (Netherlands), introducing draft resolution A/C.5/43/L.3, said that the draft resolution, in paragraphs 7 and 8, drew attention to the desirability of strengthening the evaluation function of the Joint Inspection Unit (JIU) and the need for it to focus on management, budgetary and administrative issues. Paragraph 13 introduced a new element in selecting candidates for appointment as inspectors, namely, knowledge of the United Nations or other international organizations. In that connection paragraph 14 stressed the importance of the consultation process, with particular reference to consultation between the President of the General Assembly, the President of the Economic and Social Council and the Chairman of the Administrative Committee on Co-ordination. Essentially the draft resolution reflected the desire of Member States to strengthen JIU so that it could make a more effective contribution to the United Nations system. He trusted that the Committee would adopt it by consensus.
2. The CHAIRMAN said that, if he heard no objection, he would take it that the Committee wished to adopt draft resolution A/C.5/43/L.3 without a vote.
3. It was so decided.
4. Mr. MARTOHADINEGORO (Chairman of the Joint Inspection Unit) said that in carrying out its work, JIU welcomed the guidance offered by the Committee. The Unit would try to meet the Committee's expectations. He noted, in particular, the invitation to focus more on evaluation and on management, budgetary and administrative issues. It was gratifying that the draft resolution reflected a realization that the Unit would need all its resources and staff to discharge those responsibilities.
5. The CHAIRMAN drew the attention of the Committee to the JIU report on autonomous research institutes of the United Nations (A/42/540) and to the related comments of the Secretary-General (A/43/397). He suggested that the Committee should recommend to the General Assembly that it should take note of the report and of the comments of the Secretary-General thereon.
6. It was so decided.
7. The CHAIRMAN said that the Committee had concluded its consideration of item 118, and he requested the Rapporteur to report directly to the General Assembly thereon.

AGENDA ITEM 49: REVIEW OF THE EFFICIENCY OF THE ADMINISTRATIVE AND FINANCIAL FUNCTIONING OF THE UNITED NATIONS (continued)

AGENDA ITEM 114: PROGRAMME BUDGET FOR THE BIENNIUM 1988-1989 (continued) (A/43/16 (Part I) and Add.1 and (Part II), A/43/286 and Corr.1, A/43/651; A/C.5/43/1/Rev.1 and Rev.1/Add.1)

8. Mr. TANIGUCHI (Japan) said that Japan had proposed the establishment of the Group of High-level Intergovernmental Experts to Review the Efficiency of the Administrative and Financial Functioning of the United Nations ("Group of 18") out of a deep commitment to building a stronger, more efficient and financially sound Organization. The objective was not to restructure and reduce posts per se but to make the Organization more effective and more responsive to emerging needs so as to maximize the benefits accruing from its activities.

9. Full implementation of the recommendations of the Group of 18 was all the more necessary at a time when the Organization was assuming great responsibilities, particularly with regard to peace-making and peace-keeping. For several months now the United Nations, despite the financial crisis, had been a more dynamic Organization. That momentum must not be allowed to dissipate. While adequate resources should be provided so that the United Nations could perform the role expected of it, the Organization should continue to improve its efficiency, particularly given the sharply increased financial burden arising from peace-keeping activities. If further efforts were not made along those lines there would either be an intolerable increase in the financial cost to Member States or major deficits would arise. There was no room for complacency, and his delegation was pleased by the assurances of the Under-Secretary-General for Administration and Management that no effort would be spared to implement resolutions 41/213 and 42/211.

10. Urgent action had long been necessary to eliminate duplication of the agenda items of intergovernmental bodies and to co-ordinate their work, as well as to reduce the number of such bodies and the meetings and documentation they generated. It was thus regrettable that the work of the Special Commission of the Economic and Social Council on the In-depth Study of the United Nations Intergovernmental Structure and Functions in the Economic and Social Fields had ended so inconclusively. Many rationalization measures had been agreed upon in individual forums during the course of the In-depth Study, in view of which his delegation saw no reason why implementation of those measures should be further delayed. The Secretariat should provide a thorough analysis of the measures in question to determine what economies could be achieved, so as to encourage further reform.

11. The Group of 18 had described the structure of the Secretariat as being too complex, fragmented and top-heavy. According to the second progress report on the implementation of General Assembly resolution 41/213 (A/43/286), there was now a clear delineation of responsibilities in the political sector, while many recommendations had also been implemented in other sectors. Nevertheless, his delegation was under the impression that real reform had been initiated in only a limited number of areas, albeit significant ones. In other instances it appeared that the Secretary-General was still reviewing the issues involved and had simply

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announced a future programme of action. For example, despite the stated intention to reduce regular budget posts at the Assistant and Under-Secretary-General levels by 25 per cent - some 14 posts - and the expectation that provision would be made for further reductions in the budget outline for the biennium 1990-1991, by April 1988 only 11 such posts had been frozen, and no provision for further reductions had in fact been made. Indeed, three such posts had been created and filled during 1988 in respect of peace and security activities relating to Afghanistan and to Iran and Iraq. His delegation was concerned over the tendency to perpetuate a top-heavy and overly complex structure, thus risking erosion of recommendations 14 and 15(2) of the Group of 18. Appropriate rules applicable to senior appointments should be developed.

12. In response to the recommendations of the Group of 18, the Secretary-General had issued a series of guidelines for post reductions at various levels, with the exception of the P-2/P-1 levels. Yet none of those guidelines had been observed, and there had been virtually no change in the proportions of posts at various levels. His delegation trusted that the Secretary-General would continue to alleviate the top-heaviness of the staffing structure in the context of the restructuring of intergovernmental machinery and the Secretariat called for in recommendation 15(4).

13. Attrition, retrenchment, the regrouping of Secretariat components and post reclassification should be carried out within the coherent framework of the personnel policy recommended by the Group of 18. His delegation looked forward to the dissemination of an updated personnel manual, as the Group of 18 had called for in recommendation 42, and would like to know the state of its preparation. It would also like to be informed of recent progress in the implementation of recommendation 50: urgent action should be taken to introduce an element of comparison in the rating of staff, since competitive selection and recruitment were possible only if there were objective methods and clear criteria for evaluating candidates. That, during the current period of retrenchment, was particularly important for ensuring fair promotions. His delegation would appreciate a report on the situation relating to recommendation 43, as promised in paragraph 71 of document A/43/286. It would also like information on the latest steps taken towards the implementation of recommendations 49 and 50, on promoting staff mobility and developing and making optimum use of staff members' qualifications and experience.

14. The Secretary-General was to be congratulated on having sought the co-operation of all the offices which acted as substantive secretariats to intergovernmental bodies in encouraging restraint in the use of meeting and documentation services. Co-operation between the Department of Conference Services and the substantive secretariats should go further, so as to eliminate all duplication of work, from typing and proofreading to the provision of secretaries and the drafting of reports.

15. There was much to do to implement the reforms agreed upon at the forty-first session of the General Assembly, not least in restructuring the Secretariat. Like the Advisory Committee, his delegation hoped that the final report on the

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implementation of resolution 41/213 would be a comprehensive statement containing complete descriptions and justifications for all that had taken place during the reform process.

16. The Secretary-General's proposed target of 1,465 regular-budget posts for possible abolition (13.02 per cent of an adjusted base of 11,255 posts) represented a firm offer based on a thorough, internal, post-by-post review designed to facilitate the implementation of recommendation 15. Although the target agreed upon by the General Assembly had been 15 per cent, his delegation would accept the Secretary-General's proposals, adjusted to reflect a 10 per cent reduction in the staffing of Conference Services in New York and Geneva as recommended by CPC. It endorsed the view of CPC that further reductions should be made where possible during the implementation of resolution 41/213.

17. The Group of 18 had specified that the Secretary-General should be guided by an analysis of work-loads, with reference to the principle of equitable geographical distribution, in identifying posts for abolition. There was little evidence that those two points had been taken into consideration in the preparation of the Secretary-General's plans. No work-load standard appeared to have been used or developed; the plans took no account of the need to rectify a distorted staffing structure which ran counter to the interests of underrepresented States. Furthermore, the process agreed upon for restructuring the intergovernmental machinery had not yet been put into effect. A far-reaching consolidation and integration of the intergovernmental machinery would require the Secretariat to streamline its own structure further. If it wished to serve its Member States better and meet the changing needs of the international community, the United Nations must not be complacent about its achievements. No change in the staffing structure should be regarded as final or permanent.

18. His delegation concurred in the reinstatement of 100 posts under section 29, subject to the results of the in-depth study of the United Nations intergovernmental structure and functions in the economic and social fields. The arrangement should be reflected in the revised estimates for the following biennium, it being understood that the results of further restructuring in intergovernmental machinery and the Secretariat were basic to determining the actual level of resources for the biennium 1990-1991.

19. His delegation supported the Advisory Committee's recommendation that the Secretary-General should indicate, by budget section and grade level, 50 posts which could be cut to offset in part the restoration of the 100 posts under section 29. Any upward adjustment in staffing levels should be absorbed through vacancy management. Given the built-in and actual vacancy rates in the Secretariat, the full biennial costs of the posts reinstated under section 29 should be met from within existing appropriations. Even if the Secretariat could not offset half the increase under section 29 by trimming 50 posts in other areas, no additional appropriation should be made.

20. His delegation supported the thrust of the Secretary-General's plans for the restructuring of the Department of Public Information, and strongly supported the conclusions and recommendations of CPC in paragraphs 82, 83, 84 and 86 of its

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report (A/43/16 (Part II)). It could go along with the recommendation to reallocate D-1 posts to United Nations information centres and services, but believed that the availability of resources must be taken into account. As regards the proposed Bureau of Programme Operations, headed by a D-2, his delegation understood the concerns of the Advisory Committee but was convinced that a practical solution to the problem could be found, taking the real needs of the Department into account.

21. Ms. ABRAS (Pakistan) expressed her appreciation of the efforts by the Secretary-General to implement the recommendations of the Group of 18. Her delegation fully shared the Secretary-General's view that, for the reform process to go ahead in an orderly and planned way, it must be undertaken in a climate free of financial uncertainties. Member States could best express their full support for the process of reform by meeting their financial obligations to the Organization.

22. The implementation of recommendations 25 to 27 of the Group of 18 must await the final outcome of the in-depth study of the United Nations intergovernmental structure and functions in the economic and social fields. The results of any departmental reviews in that area must, therefore, await the report of the Special Commission of the Economic and Social Council. The reorganization of the Department of Public Information was a source of continuing concern, and deserved the Committee's close attention. Recommendation 47, on due representation of developing countries at senior levels of the Secretariat, must be fully respected in the reform process.

23. She noted with satisfaction that, in drawing up his revised estimates for the implementation of recommendation 15 (A/C.5/43/1/Rev.1), the Secretary-General had applied flexibility to the overall reduction of posts. Without such flexibility it would not be possible to avoid an adverse impact on programmes on the structure and composition of the Secretariat. Her delegation was concerned by the proposed reductions in posts in the small offices, especially in the areas of international peace and security, disarmament affairs, economic development and social programmes, including narcotics control, and the regional commissions. Disproportionately large cuts seemed to have been proposed for small departments, and more posts were proposed for abolition in the second and third largest regional commissions than in the largest. Such imbalances needed to be redressed, and her delegation would like further information on how the Secretary-General's targets had been arrived at.

24. Her delegation fully supported the recommendation by CPC that conference services posts in New York and Geneva should be reduced by 10 per cent; it wanted more details, however, on how the Advisory Committee's recommendation to offset the restoration of 100 posts to section 29 by cutting 50 posts elsewhere would be effected. The discrepancy between figures given in document A/43/16 (Part I)/Add.1, paragraph 8, and in document A/43/651, paragraph 17, for the effects of the CPC recommendation aroused concern about other aspects of the item.

25. Finally, the effect of post reductions on the equitable geographical distribution of posts in the Secretariat must not be overlooked.

AGENDA ITEM 113: FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS (continued) (A/42/5/Add.2, vol. II; A/43/5, vols. I, II and III and Add.1 to 8, A/43/445 and A/43/674 and Corr.1)

26. Mr. INOMATA (Japan) said that full financial accountability was of primary importance in ensuring that Member States had trust and confidence in the activities of the United Nations. Given the limited financial resources available, the active pursuit of reforms to ensure administrative efficiency and the proper use of funds was all the more necessary. His country, one of the major supporters of all United Nations voluntary programmes, wanted United Nations activities to be as efficient and as effective as possible, and resources to be spent to best effect as intended by Member States. Systematic external auditing was an effective management tool to which his delegation attached great importance. He was most pleased that, in response to the General Assembly's request, the Board of Auditors had placed equal emphasis on management auditing. The work of the Board provided Member States with a solid basis for addressing the broad areas of administration of management.

27. The importance of enhancing interaction between the Board, the secretariats of United Nations bodies, and Member States must be emphasized. The administrations concerned and Member States should co-operate fully in following up the Board's recommendations. The reports of the Board and the responses to them suggested, however, that there was still much to do to promote such co-operation. The United Nations organs concerned had accepted most of the Board's findings and recommendations, and promised to take corrective measures. Yet the question arose whether there was any institutional mechanism to enforce their implementation. The resources of the Board of Auditors were certainly too limited to provide follow-up. Certain legal measures were always available to executive heads, but disciplinary measures were a last resort; evaluations of the performance of staff who dealt with accounting information, although unpopular, were not totally impracticable; but it would be preferable for the secretariats concerned to strengthen internal audits as a means of promoting self-discipline. His delegation wondered to what extent the internal auditors had reported on cases dealt with by the Board of Auditors before the Board had reached its own findings on them. It would also like to know how, when the internal auditors reported, executive heads had responded to their findings.

28. Turning to the individual reports of the Board, he expressed full support for the recommendation that the criteria for raising and recording unliquidated obligations should be made consistent with the delivery principle for goods and services, as required by financial regulation 4.3. His delegation was concerned that the Board had given the United Nations the benefit of the doubt, but had not been willing to do so with UNDP and UNFPA. On the determination of the delivery and disbursement periods, his delegation concurred with the interpretation of the Advisory Committee. It agreed with the Advisory Committee that long lead times were common in the procurement of equipment for technical co-operation activities, and that entering into commitments well in advance of delivery did not necessarily represent an abuse. That did not, however, mean that unliquidated obligations should be certified without determining the delivery period and/or outstanding

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legal obligations. Agencies needed to introduce multi-year development plans and, to that end, enter into commitments well in advance of the delivery dates specified in their work programmes.

29. In contrast, his delegation did not regard as well-founded the argument by the UNDP Administration that the delivery concept was more easily applied to fellowships, consultancy and other personnel services than to equipment because "the actual date of delivery of equipment [was] not necessarily known at the time a purchase order [was] issued" (A/43/5/Add.1, para. 54). His delegation considered that a specific delivery date was set when a purchase order was made, and committing funds without a specific and demonstrated need should not serve as a means of retaining appropriations which must otherwise be surrendered.

30. In response to the financial crisis, allotments had recently been being issued for short periods, as the availability of funds permitted. The result had been savings of \$125 million over the past biennium. Every effort should be made, however, to prevent the process from affecting programmes, by matching allotment timing and size to programme implementation. That would require more active co-operation and communication between the Controller and the departments and offices concerned, in order to establish realistic plans for phased programme implementation, estimates of minimum costs, and the issuing of timely advice by Headquarters on the submission of allotments. Thus, the budgeting and accounting systems would have to be reinforced as the proposed management information system was established.

31. A clear delineation must be made between administrative expenditure, programme and project expenditure, and programme support costs for each organization. His delegation was pleased to note that the Board of Auditors and the Advisory Committee concurred on that point. It hoped that UNDP, UNFPA and the United Nations would accept the Board's comment that programme support resources should be used where a demonstrable relationship existed between support activities and the activities which had generated the programme support revenue. Providing adequate and identifiable resources for the implementation of substantive programmes was, therefore, highly important.

32. The number of cases reported of expenditures exceeding the respective allotments gave cause for concern. His delegation was pleased that the bodies concerned had agreed to introduce remedial measures based on the Board's recommendations. Those measures should aim not only at strengthening financial data systems but also at training personnel, and at the wide dissemination of comprehensible financial manuals including operational information and the interpretation of financial regulations and rules.

33. His delegation had also noted with concern the cases found by the Board of improper charging of permanent costs to general temporary assistance, instances of inter-programme borrowings of personnel and appointments made under the 200 series of the Staff Rules of individuals not being hired for service with projects in the various technical assistance programmes. The United Nations bodies concerned

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should take immediate steps to discourage such practices, to review the nature and functions of the posts concerned, and, if necessary, take appropriate personnel action, including reclassifying the posts in question.

34. In its report on the United Nations, the Board of Auditors examined payroll and personnel information systems. The Board reported that multiple functions relating to the production of payroll and distribution of the related documents were performed by one person. He was glad to note that the Secretariat had accepted the Board's recommendation in that regard with a view to strengthening internal controls on operations that affected some 75 per cent of the United Nations budget. His delegation was concerned, however, about a number of reported weaknesses in the control of expendable and non-expendable property in United Nations peace-keeping operations. It hoped that the United Nations would exercise more rigorous scrutiny over accounting practices in an area in which financial requirements were expected to grow significantly.

35. He noted that the Board and ACABQ were in agreement on the need for substantive user-units and user organizations to co-operate closely with the Conference Services Division of the United Nations Office at Geneva with a view to the efficient scheduling of meetings and efficient use of conference-servicing resources. His delegation hoped that the Geneva Office would also ensure transparency as to the availability of resources and the cost implications of different meeting schedules.

36. The Board's report on UNDP was subject to a number of qualifications, a position that the Board had maintained since 1986. His delegation hoped that the question of the certification of programme expenditures executed and reported by United Nations executing agencies could be resolved so that the Board would be able to comment on such expenditures. A similar solution was needed in regard to UNFPA programme expenditures. His delegation welcomed the steps being taken by UNDP to minimize overruns on allotments but felt they should be intensified so as to eliminate rather than minimize accounting weaknesses. It would like to know which of the measures had already been carried out. The liquidity position of UNDP continued to be of concern. Although currency developments over the past few years were a major cause of the situation, low delivery of programmes in the least developed countries and other countries with weak infrastructures had also been identified as a problem. Steps were apparently being taken to overcome difficulties in delivery but they would be facilitated by a reversal of the current tendency to redeploy funds from field offices to headquarters.

37. The Board had also rendered a qualified opinion on UNFPA, on grounds similar to those for UNDP. Again, his delegation trusted that the issue of the certification of programme expenditures executed by United Nations executing agencies would be resolved among the parties concerned. Regarding the review of overall staffing requirements in the field and at headquarters, as well as the reorganization at headquarters, he reiterated his delegation's support for the recommendations of ACABQ in its report to the UNDP Governing Council at its thirty-fifth session. The use and management of consultancy services should be

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subject to stricter discipline. His delegation could not accept the argument of UNFPA that it had a contractual obligation to pay consultants in full even though the finished product might turn out to be poor. Evaluation and authorization to pay should constitute a single process.

38. His delegation congratulated UNICEF on having significantly improved its financial statements in response to the recommendations of the Board, which had been able to deliver a clean opinion as a result of the expanded audit for the year ended 31 December 1986. However, in view of the magnitude and causes of the errors identified by the Board, much remained to be done to strengthen the accounting system. Regarding the question of temporary allocations by UNICEF from general resources to supplementary-funded projects, his delegation was concerned about the risk of establishing an institutional mechanism for transferring resources from general resources accounts to supplementary-funded project accounts in quasi-automatic fashion. At the most recent meeting of the UNICEF Executive Board, his delegation had pointed out that temporary allocations would adversely affect the stability of general resources, thus limiting the implementation of regular projects funded from them. It supported the ACABQ recommendation that the UNICEF Administration should clarify the matter and seek the guidance of its Executive Board at the 1989 session.

39. His delegation understood that action by United Nations bodies such as UNICEF and UNHCR must often be taken speedily and under difficult circumstances, which was not always compatible with elaborate budgetary procedures. It did not intend to question the value of activities simply because they were not undertaken in conformity with budgetary provisions. However, it believed that financial accuracy and a strengthened management system would, in the end, improve the efficiency and productivity of the work done. For that reason, full and positive co-operation by the administrations concerned in putting the Board's recommendations into effect was essential.

40. Ms. ABBAS (Pakistan) said that the audit process, which began with the auditing of accounts, was not complete until the governing bodies and administrations of the audited bodies had implemented the Board's recommendations. Her delegation was encouraged by the co-operative relationship that existed between the administrations of audited organizations and the Board and endorsed the Canadian suggestion that a member of the Board should be present at meetings of governing bodies to clarify issues and respond to questions. The points of view of both the Board and the administrations concerned should be given fair and equitable treatment in the Board's reports.

41. With regard to the summary of the Board's principal findings and conclusions for remedial action (A/43/445), her delegation shared the view that it would be useful to name the organization or programme to which the findings applied. It also welcomed the inclusion in the Board's reports of the responses of administrations regarding the implementation of earlier recommendations. In that way, Member States were kept informed of remedial action to be taken and compliance with the Board's recommendations.

(Ms. Abbas, Pakistan)

42. In some cases, the persistence of irregularities in financial procedures was due to structural difficulties. Procedures must be devised, therefore, to fulfil the dual objective of meeting financial requirements and at the same time enabling organisations and programmes to proceed with their activities. Unfortunately, the Board had been obliged to issue qualified opinions in respect of UNDP and UNFPA. While her delegation appreciated those organizations' difficulties with government-executed projects, it believed that audit requirements must be met. Improvements were therefore called for in the existing system to enable that objective to be attained to the extent possible. While noting that UNDP had received a qualified opinion for the second year in a row, her delegation was pleased with the improvements reported by the Board in 1987 and encouraged by the Administration's positive attitude to the Board's recommendations.

43. Her delegation was also gratified by the clean opinion on the UNICEF 1986 accounts. As in the case of UNDP, the co-operation between the UNICEF Administration and the Board was encouraging. Problems remained, however, concerning temporary allocations from general resources to supplementary-funded projects. Her delegation awaited with interest the response of UNICEF to the comments of the Board and ACABQ in that regard.

44. Her delegation urged all organizations and programmes to respond positively to the observations of the Board and the Advisory Committee. External auditing was an essential management tool which could lead to major improvements. In conclusion, she endorsed the suggestion that for a change in the format of future audit reports, with greater emphasis being placed on the management aspects. Delegations were in a better position to evaluate and examine those aspects than to review the accounting policies and practices of organizations.

45. Ms. LOKHAUG (Deputy Executive Director, United Nations Children's Fund) said that the management of UNICEF had taken careful note of the concerns and issues raised in respect to the audit of UNICEF's financial statements. The constructive and positive comments of delegations would assist UNICEF greatly in implementing the Board's recommendations. She concurred fully with the statements made about the seriousness of the errors in UNICEF's 1986 financial statements and noted with satisfaction the recognition by delegations of the steps taken by the UNICEF management to improve its control systems and ensure that there was no recurrence of the 1986 audit experience. UNICEF recognized the need for financial accountability and would continue to take corrective action on the basis of the lessons learned from the expanded audit of 1986. She assured the representative of Tunisia that UNICEF would make every effort to ensure that it retained its good name and reputation.

46. In response to the representative of the Ukrainian SSR, she said that the UNICEF management was committed to a full evaluation of internal control procedures in the areas of accounting, budgeting, programme management and finance. The process had in fact started before the 1986 audit and was moving steadily towards completion. The fund balance statement referred to by the representative from Canada was only one example of the improvements being made. Many internal

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improvements had been implemented that would lead to more transparent and effective financial management.

47. In response to the Canadian representative's question about "global affordability" and the way in which UNICEF intended to implement that concept in a specific and predictable manner, she welcomed the opportunity to review UNICEF's financial planning process. As the Committee was aware, UNICEF's general resources income was not guaranteed from one budget cycle to the next. Each year, based on the pledges made by the donor Governments at the annual pledging conference and other data available to its financial planning staff, UNICEF estimated its likely income for the coming year. Those data were analysed on the basis of historical performance and future indications. Assuming that the cash amounts of those pledges would be received in the coming year, and within the provisions of the liquidity policy set by the UNICEF Executive Board, the Administration then determined the level of expenditures which met those parameters for general resources. That level of expenditures was, in actual fact, what UNICEF could afford to spend. The term "global affordability" thus meant that UNICEF could spend that amount.

48. The UNICEF financial plan approved each year by its Executive Board was defined as a framework of projections in which expenditures were planned subject to the availability of resources. Those resources were, in fact, the cash available to UNICEF at any given time. Thus, as a result of exchange rate changes, delayed receipts of funds and other factors beyond UNICEF's control, available resources could vary from the planned levels. One of the purposes of the liquidity reserve was to buffer the organization against an unexpected decline in available resources. On the expenditure side, the projection in the financial plan, also called the level of global affordability, was actually an upper limit for expenditure during the year. In other words, if the resources available remained close to those planned for a given year, the expenditure targets remained the same. However, if resources declined, as had happened in 1984 and 1985, UNICEF would, within the year, revise its total expenditure targets downward. The effect would be to slow administrative expenditures and extend the time frame for the delivery of country programmes. It would not affect the total resources eventually expended for each country programme approved by the Executive Board. However, if the projections of available resources indicated a rise, UNICEF did not increase the total level of allowable expenditure but took the prudent step of saving them to be spent in the following year. In other words, UNICEF did not spend such increases in anticipation but only after it was sure of them. In short, UNICEF's Executive Board had given its secretariat the ability to revise expenditure targets on the basis of revised estimates of available resources. If the estimates decreased, the Administration exercised the option of decreasing approved country-level expenditure targets. However, expenditure targets in a given year were not increased if the opposite situation occurred and available resources increased. The Canadian question had been asked in the context of predictability. Given the uncertainties of the world economy, predicting income and the level of expenditure that was affordable was unpredictable by its very nature. Accordingly, UNICEF felt that the most prudent practice was to stand ready to decrease

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expenditures if projected income fell and to save any unexpected increases for future requirements.

49. The representatives of the European Economic Community, the United States, Pakistan and Japan had asked questions about issues remaining outstanding in respect of the 1986 audit, in particular in relation to income recognition and the temporary allocation of general resources to supplementary-funded projects. Reference had also been made to those points in the report of ACABQ (A/43/674). In a letter to the Chairman of the Advisory Committee, dated 13 October 1986, a copy of which would be circulated to the Fifth Committee, UNICEF had informed the Advisory Committee that the question of the temporary allocation of general resource funds had been reviewed at the 1988 session of UNICEF's Executive Board and a policy on the matter adopted in resolution 1988/11. All other outstanding issues from the 1986 audit had been resolved and UNICEF had reported in that sense both to ACABQ and the Executive Board.

50. In conclusion, she reiterated UNICEF's appreciation of the insight and guidance received from the Committee's discussion. She also expressed appreciation of the work of ACABQ and the Board of Auditors, whose analytical capacity and constructive support were important elements in the continuing progress of UNICEF.

51. Mr. MICHALSKI (United States of America) asked whether delegations would have an opportunity to raise further questions after receiving copies of the UNICEF's representative's statement and the letter to the Chairman of ACABQ.

52. Ms. LOCKHANG (Deputy Executive Director, United Nations Children's Fund) said that UNICEF stood ready to respond to any further questions delegations might wish to ask.

53. Mr. van den Hout (Netherlands) took the Chair.

AGENDA ITEM 120: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (continued) (A/43/11)

54. Mr. KHAN (Saudi Arabia) said that his delegation had drawn attention, at the forty-second session of the General Assembly, to the need to use real capacity to pay as the principal criterion for the assessment of contributions. A scale which treated a country with a high per capita income but a smaller overall gross national product as having a greater capacity to pay than a large country with a huge gross national product presented a moral contradiction. The principle of fairness was at stake. His country's rate of assessment in absolute terms had been increased by an astronomical factor of 1,517 per cent between 1976 and 1986, including exorbitant increases over successive scales in direct contravention of paragraph 4 (c) of General Assembly resolution 36/231 A. The recommendation that its assessment should be increased by a further five index points showed that insufficient consideration had been given to the marked decline in his country's national income over recent years.

(Mr. Khan, Saudi Arabia)

55. As a major voluntary contributor to the United Nations system, his country was not so much concerned to limit its financial obligations as to ensure that the assessment of contributions should be fair. Accordingly, the inequities inherent in the current assessment methodology should be removed to ensure that a number of the large Member States which were currently entitled to relief should bear a fairer share of the Organisation's regular budget. The use of per capita national income figures had led to serious distortions in the scale of assessments over a long period of time. A shorter statistical base than the current 10-year period would provide a more realistic reflection of the current economic and financial situations of Member States, and adjustments were also required in the calculation of national incomes of countries whose revenues were mainly generated by the export of a few depletable natural resource products.

56. Given those considerations, he hoped that note would be taken of the already excessive increase in his country's assessment and that no further increase would be applied to its assessment for the period 1989-1991.

57. Mr. MENON (Singapore) said that the United Nations was entering a new era of co-operation among Member States. Since the Organization's more active role in addressing various international and regional issues could also mean an expanded budget, it was natural that Member States should take a closer look at the scale of assessments. Unfortunately, past experience showed that the Fifth Committee had been increasingly unable to achieve consensus on that subject.

58. In contesting any particular scale, individual Member States were usually dissatisfied either with the transparency of the system by which their contribution was determined or with the perceived degree of fairness in the final outcome. The concerns expressed by developing countries were valid in the light of an analysis of changes in the scale of assessments between 1983 and 1991. The analysis showed that, if the latest recommended scale were to be adopted, developing countries would have been subject to a total increase of 67 index points in their contributions to the regular budget, while the contributions of members of the Organization for Economic Co-operation and Development would have increased by only 44 index points and those of the centrally planned economies would have been reduced by 107 points. To a considerable extent, the problem lay in the use of national income statistics to measure capacity to pay. However, despite the fact that they did not perfectly reflect the situations of individual countries, such statistics appeared to constitute the fairest guide which was currently available.

59. It should be possible to overcome some of the anomalies in the current methodology if greater objectivity were achieved in the mitigation process, which was arguably the most controversial, least transparent and perhaps least equitable phase of the work of the Committee on Contributions. Although the Chairman of the Committee had stated that exchange rate anomalies and external debt burdens were taken into consideration in the process, it was not clear whether such consideration was systematic or objective. Although some had argued that it would be best to abolish the mitigation process entirely, the existence of many intangible and qualitative factors which were not reflected in national income

(Mr. Meron, Singapore)

statistics required that some system should be retained. It might be useful if the Committee were to prepare a comprehensive list of weighted socio-economic indicators which could be considered during the mitigation process - including, for example, capital losses due to natural disasters and the effects of famine and drought - and might wish in doing so to make use of the list which it had drawn up in 1984.

60. His delegation remained firmly committed to the principle whereby all contributions should be based on capacity to pay. As a developing country made economic and social progress, it should bear a greater share of the Organization's financial burden, but only such a share as was equitable. The least developed countries, meanwhile, should continue to be assessed at the floor rate, and special consideration should be given to the plight of developing countries facing serious economic and financial problems. His country also shared the view expressed by one member of the Committee on Contributions to the effect that a distinction must be made, in apportioning the burden of relief to countries with a per capita income above \$2,200, between developed and developing countries. By failing to do so, the Committee was in effect unilaterally promoting developing countries with a higher per capita income to the status of developed countries.

61. Under the current methodology, a poor developing country which suddenly discovered huge resources of oil could be liable to bear the same burden of relief as a developed country. Given the enormous expenses involved in the development of infrastructure for a developing country, that situation would be manifestly unfair. The situation of oil-exporting countries was equally valid for several other middle-income developing countries, including his own, which were susceptible to the vicissitudes of the world economy and the world trading system. He therefore urged the Committee on Contributions to develop a scheme for the systematic application of a limit on the burden of relief to be borne by developing countries.

62. It was regrettable that the Committee on Contributions had once again been unable to develop a systematic and objective method to correct distortions in national income and per capita income statistics arising from exchange rate anomalies. The Committee should complete its work in that area as soon as possible. Its decision to use the annual statistics submitted by Member States to the United Nations Statistical Office, however, was commendable, and it was to be hoped that the practice would be retained in the preparation of future scales of assessment. Those Member States which had adjusted the rates used for conversion of their national incomes in order more closely to reflect internationally accepted exchange rates should also be commended.

63. In view of the difficulties inherent in quantification of the basic principle of capacity to pay, it would be impossible for any scale completely to meet the criteria of transparency and equity. Nevertheless, the Committee on Contributions should strive to apply those criteria to the fullest extent possible.

64. Mr. GREGG (Australia) said that, despite the description of it by the Chairman of the Committee on Contributions as "far from perfect", the machine scale was as perfect as the methodology and the available statistics allowed. The various elements of the methodology were not in themselves so complex as to defy comprehension and were applied to the basic data in a straightforward and orderly manner. Moreover, Member States had, collectively and by consensus, provided the Committee with a very clear mandate in the form of General Assembly resolution 42/208. The Committee had clearly carried out its mandate to the letter, using what was probably the most comprehensive and accurate data base ever made available to it. It was unfortunate, therefore, that a number of developing countries with large and growing economies seemed unwilling to accept that their rates of assessment must also rise. Despite the rhetoric concerning increases in assessments for the Group of 77, the fact remained that the traditional 10 major contributors would pay 77.82 per cent of future budgets.

65. As a result of attempts to redefine capacity to pay and to ensure political acceptability, distortions - of which those arising from the scheme of limits deserved particular attention - had crept into the scale. However, the methodology applied by the Committee on Contributions represented a political compromise attained after years of negotiation in the Fifth Committee and could not simply be discarded without regard for the consequences. The General Assembly had deliberately chosen an approach which combined technical and political considerations in order to ensure the widest possible level of support from Member States. Mindful of the views expressed in the Fifth Committee in recent years, the Committee on Contributions had decided further to refine the adjustments made to reflect external indebtedness and exchange rate anomalies. The scarcity of relevant data meant that the proposed scale was not yet technically perfect, but it did constitute a vast improvement on the old method and had benefited from the best available technical advice from the United Nations Statistical Office and the International Monetary Fund. Price-adjusted rates of exchange should alleviate the exchange rate problem, but would have to be introduced gradually if significant changes were to be avoided in the current pattern of assessments.

66. His delegation shared the concern expressed by others with respect to the mitigation process and felt that future improvements in data and refinement of the methodology should make it possible substantially to reduce the extent of the process. There would continue to be a number of deserving cases, such as that of the Sudan in the proposed scale. However, the Fifth Committee was not the appropriate forum in which to negotiate such a delicate and complex matter as mitigation.

67. The representative of Norway's proposal for a new methodology based on simplicity, transparency and more equitable sharing of burdens appeared to imply the removal of most of the current adjustment mechanisms and a more rigorous application of the principle of capacity to pay. His delegation would be pleased to support such changes and to participate in informal consultations with a view to reaching agreement on a new set of guidelines for the Committee on Contributions. The Committee could be requested to submit a preliminary report to the General Assembly at its forty-fourth session and should subsequently be in a position to

(Mr. Gregg, Australia)

recommend a scale of assessments for the period 1992-1994 based on the revised methodology. In the mean time, adoption of the recommended scale of assessments for the period 1989-1991 remained the best available option.

The meeting rose at 1.05 p.m.