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Held at Headquarters, New York, on Thursday, 20 October 2011, at 10 a.m.

Chair: Mr. Tommo Monthe . . . . (Cameroon)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Kelapile

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11-55712 (E)

The meeting was called to order at 10.05 a.m.

Agenda item 136: Improving the financial situation of the United Nations (*continued*) (A/66/521)

1. **The Chair**, recalling that the Under-Secretary-General for Management had briefed the Committee on the current financial situation of the Organization at its 7th meeting, held on 11 October 2011, said that her statement had since been issued as a report of the Secretary-General (A/66/521).

2. **Ms. Casar** (Controller) said that Austria and Monaco should be added to the Member States listed in paragraph 25 of the report as having paid their assessed contributions in full.

3. **Mr. Di Luca** (Argentina), speaking on behalf of the Group of 77 and China, said that, while the Group welcomed the decrease in the Organization's debt to Member States, it was concerned by the growth in outstanding peacekeeping assessments. Recognizing that many States, particularly developing States, had been adversely affected by the global financial crisis, the Group emphasized that most of the arrears in payment not just for the peacekeeping budget, but also the regular budget and tribunal budgets, were owed by a small group of developed countries, and by one of them in particular. Moreover, a number of the States with peacekeeping budget arrears were permanent members of the Security Council with special responsibility for maintaining international peace and security.

4. Payment of assessed contributions in full, on time and without conditions was an obligation under the Charter of the United Nations. All Member States in a position to honour their financial commitments should do so promptly. The Group rejected all unilateral coercive measures contrary to international law that obstructed or impeded payments from its members.

5. Although the Group was encouraged by the likely decrease in the Organization's debt to troop- and police-contributing countries, more action was needed to ensure that those countries were reimbursed as a matter of priority, in full and on time. Most of them were developing countries, and were unable to sustain their troop commitments and maintain contingent-owned equipment unaided for extended periods. The sacrifice and commitment of their many nationals working in the field should be acknowledged.

6. **Ms. Pakarati** (Chile), speaking on behalf of the Rio Group, said the Group believed that payment arrears risked harming the Organization's ability to fulfil its mandates and to operate effectively and efficiently. Member States must their meet financial obligations in full and on time, especially when their debt was substantial, as was repeatedly the case for one particular Member State.

7. While the Group welcomed the projected reduction in the Organization's debt to Member States providing troops and equipment to peacekeeping operations, it nonetheless urged the Secretary-General to ensure that those States were reimbursed in full and on time. In that connection, she noted that several Group members were making considerable sacrifices in order to sustain their troop commitments and maintain contingent-owned equipment. Recalling that several closed peacekeeping missions were in deficit, she reiterated the Group's request that all countries should settle their arrears soon as possible.

8. The Group noted with concern that, although more payments had been received, unpaid assessments for the international tribunals had increased. In order to ensure the timely execution of the capital master plan, the Group encouraged all Member States to pay their assessed contributions to the capital master plan in full and on time.

9. Lastly, it rejected all unilateral coercive measures contrary to international law and liable to obstruct or impede payments from its members.

10. **Ms. Marchuk** (Canada), speaking also on behalf of Australia and New Zealand, said that the three delegations noted with pleasure that the United Nations was expected to remain in a positive cash position at the end of 2011. However, they were concerned that the amount of unpaid assessments had increased across all categories. The level of unpaid peacekeeping assessments, which stood at $3 billion, was unacceptably high. Moreover, decreased liquidity in peacekeeping missions had led to an increase in the imprudent practice of cross-borrowing.

11. The three delegations urged all Member States to pay their assessed contributions in full, on time and without conditions. They also encouraged eligible Member States to consider multi-year payment plans in order to settle their budget arrears.

12. Improving the financial situation of the United Nations was not exclusively a matter of providing the Organization with the resources it required. Member States were also obliged to ensure that those resources were managed effectively. The three delegations therefore welcomed the Secretary-General's efforts to increase financial discipline within the Organization and to enhance oversight and accountability. They further welcomed all initiatives aimed at increasing the efficiency of the United Nations and making better use of available resources.

13. **Mr. Rosales Díaz** (Nicaragua) said that the challenges to peace and development could be met only by strengthening multilateralism and providing the United Nations with the necessary financial resources. Paradoxically, some Member States accumulated substantial arrears in payments to the regular budget, yet still made generous voluntary contributions carrying conditions that sometimes skewed legislative mandates. Furthermore, the trillions of dollars spent on rescuing an unjust economic system that caused millions of deaths each year dwarfed the assessed contribution of any of the Member States.

14. The Charter clearly obliged all Member States to pay their assessments in full, on time and without conditions so that the Organization could discharge its mandates. It was therefore a matter of concern that 88 per cent of the regular budget arrears was owed by the Organization's main contributor and hence its principal debtor. Even more disturbing was the high level of arrears to the peacekeeping budget and its concentration with Member States whose position as permanent members of the Security Council gave them special responsibility for the maintenance of international peace.

15. No State that had failed to meet its financial obligations to the United Nations, or made it difficult for others to do so, was in a position to point to management shortcomings as the cause of inefficiencies within the Organization. It was time to lift once and for all the unjust and irrational embargo that prevented Cuba from paying its assessed contributions by placing innumerable hurdles in its way. It was time to turn the page on a chapter of history that persisted as a sad relic of an apparently unending cold war.

16. The situation of the regular budget would be much improved if a separate account were established for special political missions, the cost of which since 2000 had increased from $100 million to an estimated $1.2 billion. Without troop-contributing countries, the vast majority of them developing countries, there would be no peacekeeping operations. They should receive reimbursement for their services as a matter of priority.

17. The United Nations could not be strong and effective when its finances were precarious. Nicaragua, a small but dignified nation that faced many challenges, had nevertheless paid in full its assessments to the regular budget, the international tribunals and the capital master plan and would continue to meet its obligations despite the burden on its national budget and the need to eradicate poverty in the country.

18. **Mr. Bayat Mokhtari** (Islamic Republic of Iran) said that, early in 2011, a New York bank had taken the unprecedented and illegal decision to close the accounts of the missions of several Member States, including that of the Islamic Republic of Iran. As a result of that action, which was contrary to the host country's legally binding commitments, his Government had experienced severe difficulties in maintaining day-to-day operations at its Permanent Mission and had been unable to honour its financial commitments to the United Nations.

19. After several months of trying to extricate itself from a predicament that had not been of its making, it had succeeded in opening an account at another bank. Unfortunately, owing to complications arising from the transfer of the Permanent Mission's account to the new bank, the Government had not yet been able to transfer any funds, including those it intended to use to pay its assessed contribution, to the United States of America.

20. Recalling that it had always fulfilled its financial obligations to international organizations, he said that the Government was striving to remove the remaining obstacles that prevented it from transferring the funds required to operate its Permanent Mission and pay its assessed contribution.

21. **Mr. Diallo** (Senegal) said that his delegation welcomed marked improvement the Secretariat had made in recent years in its management of the Organization's financial and human resources. The Secretariat should be managed on the basis of the highest standards of efficiency, transparency and cost-

effectiveness, as well as in accordance with the provisions of General Assembly resolution 64/259.

22. Recalling that the Organization's debt to Member States providing troops and equipment to peacekeeping operations was projected to be $448 million at the end of 2011, he said that those countries should be reimbursed without delay. Doing so would enable those States, most of which were developing countries, to maintain equipment and continue supporting the Organization's peacekeeping and peacebuilding efforts.

23. His delegation called on all Member States to pay their assessed contributions to the international tribunals in order to enable them to complete their remaining work no later than 31 December 2014, in accordance with Security Council resolution 1966 (2010).

24. **Mr. Yamamoto** (Japan), recalling that each Member State was responsible for paying its assessed contributions in full and on time, said that Japan had faithfully fulfilled that obligation. The overall improvement in the cash position of the Organization could be attributed to the similar efforts of other Member States. His delegation called on the Secretariat to utilize Member States' contributions efficiently and effectively when implementing legislative mandates.

25. **Mr. Bamba** (Côte d'Ivoire) said that, although the overall financial situation of the United Nations had improved in 2011, the same could not be said of peacekeeping operations. According to the Secretary-General's report, cross-borrowing from the accounts of peacekeeping operations has been required for six active missions, for a total of $130 million, leaving only $53 million available for possible cross-borrowing. In view of the small amount available for possible cross-borrowing and the unpredictable nature of the demand for peacekeeping activities, it must be acknowledged that the Organization's ability to finance peacekeeping operations was by no means guaranteed. The situation was even more alarming given that peacekeeping operations had a different financial period, from 1 July to 30 June, while most contributions for such operations were received in April and May. His delegation therefore reiterated that assessed contributions, particularly those for peacekeeping operations, should be paid in full and on time, in order to maintain international peace and security, promote development, foster respect for human rights and support humanitarian activities.

26. In accordance with the new foreign policy announced by President Alassane Ouattara, which called for Côte d'Ivoire to settle its arrears with all international organizations, his Government had paid its assessed contributions to the United Nations in full. In that connection, the Government had recently concluded an agreement with the United Nations Operation in Côte d'Ivoire (UNOCI) whereby it would provide the Operation with headquarters premises free of charge. Those actions not only demonstrated the commitment of Côte d'Ivoire to the purposes and principles of the Charter, but also heralded its return as an active member of the international community.

27. **Ms. Lee** (Singapore) said that the United Nations continued to operate in unsatisfactory financial conditions that were entirely avoidable. While some Member States faced genuine difficulties in paying their assessments, their contributions accounted for a small part of the budget. The real reason for the situation was late and non-payment by the major contributors, which could do much to put the Organization on a sound financial footing if they were to pay their assessed contributions in full, on time and without conditions.

28. Much also depended on how well the Organization managed its financial resources, particularly in view of the difficult global economic conditions. Member States had a right to demand their efficient and effective use; the Secretariat, in turn, must be accountable and deliver results. Rather than indulging in excessive spending at Headquarters, the international community should instead channel the Organization's resources to crisis-affected areas of the world.

29. Under the Charter, all Member States were obliged to pay their assessments in full, on time and without conditions. To demand more of the United Nations while continuing to withhold contributions only served to undermine Member States' commitment to the Organization. It was not enough for Member States proclaim their commitment to the United Nations; they must demonstrate their commitment through deeds.

30. **Mr. Cumberbatch** (Cuba) said that it was significant that the largest share of unpaid assessments was owed by a single Member State, one that also benefited from the greatest distortion in the methodology for calculating the scale of assessments.

Financial obligations should be met in full, on time and without conditions. Most States that had suffered a decline in their capacity to pay were the victims, not the cause, of the current economic crisis.

31. It was particularly striking that those Member States which used the crisis to justify arbitrary cuts in the budget were not at all concerned that extrabudgetary resources constituted nearly 60 per cent of the Secretariat's resources in the biennium 2010-2011, a proportion that was set to increase in the proposed programme budget for the biennium 2012-2013. Moreover, the principle of the responsibility to protect was being used to justify the expenditure of vast sums on the bombardment of civilians, while financial burdens, in the form of special political missions, were being transferred to Member States that opposed such interventionism and the budgets of programmes aimed at delivering social services and promoting sustainable development were being cut. The Organization's development pillar must be strengthened in the interests of peace and security.

32. Despite the challenges it faced as a developing country and as a victim of the economic crisis, Cuba maintained its commitment to multilateralism by actively participating in the United Nations and meeting its financial obligations. It had fully paid its assessments under the regular budget and the capital master plan and for the international tribunals, and made every effort to pay its assessed contributions for peacekeeping operations in a timely manner, despite the unjust and criminal economic, commercial and financial embargo imposed by the United States of America. Because it was unable to use the United States dollar or make direct transfers, its payments were subject to currency fluctuations and must be made through a third party. The embargo violated international legal norms and the United Nations Charter and was the principal obstacle to Cuba's sustainable development. The General Assembly's repeated calls for it to end had gone unheeded.

33. Lastly, he welcomed the establishment of the web portal enabling Member States to track the status of their contributions.

34. **Mr. Kim** Seo Jung (Republic of Korea) said that, although the overall financial situation of the United Nations had improved in 2011, his delegation was concerned by the regular and substantial increases in the budget of the past decade, a trend that could not be sustained in view of the financial difficulties facing Member States. It was therefore incumbent on the Organization to make every effort to fulfil its mandates in a more efficient and effective manner. His Government would do its utmost to pay its outstanding assessed contributions for peacekeeping operations as soon as possible and pay its assessed contribution for the regular budget on time.

35. **Mr. Pankin** (Russian Federation) said that, although the overall financial situation of the United Nations had improved in 2011, there were still several causes for concern. In that connection, his delegation noted that unpaid assessments were much higher than at the end of 2010 for all categories. That shortfall affected the cash reserves available to finance the Organization's operations. Recalling that the majority of unpaid assessments was concentrated with a few Member States, he said that the failure of those States to honour their financial obligations could have an adverse impact on the work of the United Nations. On the other hand, his delegation noted with pleasure that a greater number of States had met their financial obligations in full and on time in comparison with 2010.

36. Member States were assuming a financial burden at a time of unstable domestic economic conditions and therefore could and should expect the Secretariat to strive for rational financial planning and realistic forecasts of the human and financial resources needed to fulfil the mandates approved. The decrease in the Organization's debt to troop-contributing countries was positive, but it was too early to speak of a definitive solution to the problem of such debt. Only the payment of assessed contributions in full, on time and without conditions would enable the Organization to react credibly to challenges and threats and to undertake the projects and programmes entrusted to it by the Member States.

37. **Mr. Lieberman** (United States of America) said that his Government took its international obligations seriously and had made great effort to pay its assessed contributions in full and on time.

38. It was well known that the amount owed by his Government was distorted because it used a financial year that was different than that used by the United Nations. His country, which was the Organization's largest contributor, had made over $7.5 billion in assessed and voluntary contributions in 2010 across the

United Nations system. Since January 2011, his Government had paid over $2 billion in peacekeeping operations and international tribunal assessments and expected to pay its 2011 regular budget assessment in the coming months. To suggest that his Government was not meeting its financial obligations to the United Nations was therefore both wrong and absurd.

39. The United States remained committed to the United Nations and the vital role it played in maintaining international peace and security, providing development and humanitarian assistance and promoting human rights.

Agenda item 134: Proposed programme budget for the biennium 2012-2013 (*continued*)

Administrative expenses of the United Nations Joint Staff Pension Fund and transitional measures concerning the Fund's financial reporting under the International Public Sector Accounting Standards (A/66/7/Add.2 and A/66/266 and Corr.1; A/C.5/66/2)

40. **Ms. Nikoi** (Chair of the United Nations Joint Staff Pension Fund Board), introducing the report of the United Nations Joint Staff Pension Fund Board on the administrative expenses of the United Nations Joint Staff Pension Fund and transitional measures concerning the Fund's financial reporting under the International Public Sector Accounting Standards (A/66/266 and Corr.1), said that, with the exception of one ad hoc item recommending a transitional measure for reporting under the International Public Sector Accounting Standards (IPSAS) beginning 1 January 2012, the Board's report had covered only the Pension Fund's programme budget for 2010-2011 and its proposed programme budget for 2012-2013.

41. The Fund had experienced steady growth since its inception and unprecedented growth in the past 10 years in the number of persons to whom it provided services. At the same time, the Fund had been expanding its provisions not only to cover a greater number of individuals, but also to address a wider range of unique circumstances. The growth in the volume of the related work and the increasing complexities had coincided with a steady loss in institutional memory owing to a high number of retirements and other separations in recent years.

42. Although the market value of the Fund's assets had recovered from a low of $31.3 billion at the end of 2008 to $41.4 billion at the end of 2010, recent market trends had left that value at $38.1 billion as at 30 September 2011.

43. With regard to the Fund's budget, she said that the administrative expenses were separated into three main components: administrative, investment and audit costs. The current budget submission followed the results-based budgeting format adopted by the Fund in its submission for the biennium 2008-2009. Resources had therefore been requested in line with the Fund's programmes. In its resolution 65/249, the General Assembly had approved the redeployment of appropriations to meet the Fund's requirements for the biennium 2010-2011. The revised appropriation comprised administrative costs ($92,308,500), investment costs ($81,197,500), audit costs ($2,645,000) and Board expenses ($167,500). The amount chargeable directly to the Fund and the share of costs borne by the United Nations remained unchanged at $154,749,100 and $21,569,400, respectively.

44. The appropriation for that same period had been revised owing to an increase of $94,600 in general temporary assistance expenditure to cover the cost of one post at the P-4 level related to the implementation of IPSAS. That amount had been offset by a decrease in contractual services of $94,600. Total expenditure for the biennium 2010-2011 was estimated at $154,545,700, consisting of administrative costs ($80,478,500), investment costs ($71,289,000), audit costs ($2,532,900) and Board expenses ($245,300), and resulting in an underexpenditure of $21,772,800, or 12.3 per cent of the total appropriation. In addition, the projected expenditure of $144,300 for extrabudgetary costs would result in an underexpenditure of $13,900, or 8.8 per cent of the appropriation.

45. With regard to the proposed budget for the biennium 2012-2013, she noted that the administrative costs included all the services provided to and the activities carried out on behalf of the participants, retirees and other beneficiaries of the Fund. The investment costs, which were charged fully against the principal of the Fund, related to the activities of the Investment Management Division. The audit costs related to both internal and external auditing of the Fund's operations.

46. Responding to a request the Board had made at its previous session, the budget working group had

begun reviewing the proposed budget 90 days before the Board's 2011 session, thereby allowing sufficient time for a thorough review. Based on the proposal of its working group, the Board had approved the budget for 2012-2013 as set out in the report that was before the Committee. The proposed budget amounted to $194,164,000, comprising administrative costs ($98,407,600), investment costs ($92,938,200), audit costs ($2,613,800) and Board expenses ($204,400). Of that amount, $173,260,600 would be apportioned to the Pension Fund and $20,903,400 to the United Nations under the cost-sharing agreement, a decrease of $666,000 from the amount that had been allocated to the United Nations under the budget for the previous biennium. The Board had also approved extrabudgetary costs, to be funded by the member organizations, amounting to $156,800 for the after-service health insurance system.

47. The proposed budget fully reflected the priorities that had been outlined in the Fund's first strategic framework, as approved by the Board. The objectives, expected accomplishments, indicators of achievement and planned outputs for the forthcoming biennium were summarized in table 13. The priorities continued to be the new Integrated Pension Administration System (IPAS), implementation of IPSAS, providing responsive client services and improving operational efficiencies, risk evaluation and management, e-learning, training and knowledge management. Although the Board had not recommended the creation of a new post for Administration, it had recommended that the post of Budget Officer should be reclassified from P-3 to P-4 and had approved two additional general temporary assistance posts for client services in Operations. In addition, it had agreed on the continuation of one extrabudgetary post, to be funded by member organizations, for the after-service health insurance system.

48. The bulk of the requested funding for the Fund secretariat was related to the Integrated Pension Administration System. Detailed costs relating to hardware, software, contractual services and other costs required for the project, as well as 18 temporary posts, one of which had been abolished in 2011, had been approved in the budget for the biennium 2010-2011. With regard to investment costs, the Board recommended the creation of seven new posts and the funding of two additional general temporary assistance posts for the Investment Management Division. As in previous budget proposals, the Board was also requesting authorization to supplement contributions to the Emergency Fund for the biennium 2012-2013 by an amount not exceeding $200,000.

49. Recalling the Board's decision to adopt the IPSAS accounting rules beginning January 2012 and noting that the Fund utilized the Financial Regulations and Rules of the United Nations, she said that a transitional measure would need to be adopted on the financial rules that the Fund would follow until the Organization itself adopted IPSAS. The transitional measure recommended by the Board was included in section V.

50. **Mr. Berridge** (Acting Director, Programme Planning and Budget Division), introducing the report of the Secretary-General on the administrative and financial implications arising from the report of the United Nations Joint Staff Pension Fund Board (A/C.5/66/2), said that, according to the Board's report, the Organization's share of the administrative and audit costs related to the Joint Staff Pension Fund amounted to $20,903,400, of which $13,378,200 represented the share of the regular budget, while the balance of $7,525,200 represented the share of the funds and programmes.

51. A provision of $14,276,100 was already included under section 1 of the proposed programme budget for the biennium 2012-2013 to cover the share of the regular budget in the expenses of the Fund's central secretariat, excluding reimbursements anticipated from United Nations funds and programmes.

52. Should the General Assembly endorse the Board's proposals, the appropriation under section 1, Overall policymaking, direction and coordination, of the proposed programme budget for the biennium 2012-2013 would reflect a reduction in the amount of $897,900.

53. **Mr. Kelapile** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the Advisory Committee's related report (A/66/7/Add.2), said the Advisory Committee had been informed that the Fund's investments in emerging market equities had increased from 13 per cent as at 31 March 2010 to 15.5 per cent as at 31 August 2011. Recalling its previous recommendations in that regard, the Advisory Committee welcomed the progress achieved to increase diversification of the Fund's portfolio towards equities in emerging markets and

reiterated its position that decisions concerning the investments should be based on the four main criteria for investment, namely, safety, profitability, liquidity and convertibility.

54. The Advisory Committee did not object to the Board's recommendations in respect of the Fund's staffing for the biennium 2012-2013. The Committee was nevertheless concerned by the high number of vacant posts and the difficulties encountered by the Fund in recruiting candidates with the requisite specialized skills and experience.

55. With regard to non-post requirements, the Advisory Committee had been informed that, although implementation of IPAS was not expected to be concluded until the end of 2014, the total cost of the project of $22,660,300 had not increased. While recognizing the need to mitigate risk in the investments area and enhance service delivery, the Committee expected that, with the completion and anticipated benefits of the System, the requirements for resources would be reduced proportionately in future budget submissions.

56. The Advisory Committee concurred with the proposals of the Secretary-General concerning the appointment of members of the Investments Committee.

57. Lastly, recalling that the Fund intended to implement IPSAS in January 2012, he said that the Advisory Committee did not object to the Board's proposal that the Fund should be authorized to continue applying the Financial Regulations and Rules of the United Nations in a manner that allowed it to comply with IPSAS.

58. **Mr. Di Luca** (Argentina), speaking on behalf of the Group of 77 and China, said that the Group welcomed the progress the Fund had made to increase its investments in developing countries and countries with economies in transition. The Group looked forward to learning the outcome of recent research on market opportunities in Africa and the Middle East, emphasizing that investment should be based on the four main criteria for investment, namely, safety, profitability, liquidity and convertibility. The Group welcomed the improvements in the presentation of the Fund's proposed budget for the biennium 2012-2013, which had followed the results-based budgeting format, and encouraged the Board to make further improvements in that regard in future budget submissions.

59. The Group shared the Board's concern regarding the significant challenges facing the Fund in both the volume and the complexity of its work, resulting, on the one hand, from the increase in the population served and the longevity of its beneficiaries, and, on the other hand, the steady loss in institutional memory owing to a high number of retirements and other separations. It therefore encouraged the Fund to make every effort to fill all vacancies in a timely manner.

60. Lastly, the Group would welcome further information on a number of initiatives that the Fund was planning for the forthcoming biennium, including IPAS, implementation of IPSAS, providing responsive client services and improving operational efficiencies, risk evaluation and management, e-learning, training and knowledge management.

61. **Mr. Sach** (Representative of the Secretary-General for the Investments of the Fund) said that the Board welcomed the support of the Advisory Committee and the Group of 77 and China for its efforts to diversify the Fund's portfolio through the addition of emerging markets equities. The Fund believed that opportunities for good returns at appropriate risk levels were shifting from North America and Europe to other regions of the world. It was therefore important that the Fund should continue diversifying its portfolio in order to be able to meet its investment goals. The Investments Committee had met twice in recent years to discuss the question of diversification and would address that question once again at its forthcoming meeting in February 2012.

62. The drive towards diversification was part of a careful plan to pursue the best possible investment opportunities. With approximately 15 per cent of its investments in emerging markets, the Fund was slightly ahead of the recognized benchmarks, such as the Morgan Stanley Capital International World index. The Fund would continue to conduct the research and due diligence required to maintain a leading position in respect of equity investments and to update the Committee in that regard.

The meeting rose at 12.05 p.m.