

30. The CHAIRMAN proposed that the Rapporteur should be requested to report on the item directly to the General Assembly.

It was so decided.

AGENDA ITEM 87

United Nations salary system (A/9147 and Corr.1, A/9370):

- (a) Report of the Secretary-General (A/9147 and Corr.1);
(b) Report of the Advisory Committee on Administrative and Budgetary Questions (A/9370)

31. Mr. RHODES (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that the Advisory Committee had submitted an interim report (A/9370) on the question of the International Civil Service Commission because it had concluded that it was essential to have the opinion of the members of the Fifth Committee before it produced a final report on what was a crucial item. The question on which the Fifth Committee was called upon to take a decision was set out in paragraph 8 of the Advisory Committee's interim report.

32. In the annex to its report the Advisory Committee had attempted to show which powers were reserved under the draft statute of the International Civil Service Commission to the Commission as a whole and which powers were allocated to the 3 full-time members. Most articles of the draft statute itself merely referred to the Commission—a term that could apply either to the Commission as a whole or to its full-time members. The key article was article 18 which defined the powers to be reserved to the full Commission. By a process of exclusion one could then deduce which functions would be exercised by the full-time members. That was what the Advisory Committee had done in the annex to its report.

33. As indicated in paragraph 9 of the Advisory Committee's report, arrangements could be made for either of the approaches suggested in paragraph 8, but the Fifth Committee's choice would have a bearing on the number of full-time members of the Commission. The Advisory Committee was willing to accept a Commission with 13 members, but its position on the number of full-time members required was that set out in paragraph 9 of its report.

34. He reiterated the importance of a decision on the questions posed in paragraph 8. He recognized that the Administrative Committee on Co-ordination had already spent a good deal of time on the draft statute and that more time would be required if substantial changes were made in it because executive heads might wish to refer amendments to their executive bodies. The Fifth Committee should, however, consider the question on its merits. The International Civil Service Commission would be of great significance in the future of the United Nations and it was therefore vitally important to provide it at the outset with an appropriate constitution.

35. Mr. PALAMARCHUK (Union of Soviet Socialist Republics) said his delegation's view was that the International Civil Service Commission should have 13 members chosen according to the principle of equitable geographical distribution. Accordingly, his delegation supported paragraph 4 of the Advisory Committee's report. The Commission should not be subject to the Administrative Committee on Co-ordination, which was an interagency body under the Secretary-General, but should be an organ of the General Assembly.

36. His delegation was utterly opposed to any division of the members of the Commission into full-time and part-time members. All members should participate equally in decision-making and bear full responsibility for the Commission's decisions and recommendations. Accordingly, his delegation supported paragraph 8(b) of the Advisory Committee's report. Like the Advisory Committee, it was not convinced of the need for more than one full-time member of the Commission, who would be its Chairman. If there were more full-time members, there was a danger they might control the Commission. The Chairman's duties should include preparatory work for meetings of the Commission and the practical implementation of decisions taken by the Commission as a whole. He should be elected by the members of the Commission for a one-year term and be eligible for re-election.

37. Mr. CLELAND (Ghana) proposed that the meeting should be adjourned in order to enable members of the Group of 77 to hold consultations on the item.

The meeting rose at 12.20 p.m.

1618th meeting

Wednesday, 5 December 1973, at 10.55 a.m.

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

AGENDA ITEM 48

United Nations Industrial Development Organization:

- (a) Report of the Industrial Development Board (A/9008/Add.19, A/9016, A/9324, A/C.5/1555)

1. The CHAIRMAN drew attention to document A/C.5/1525/Add.2, where it was indicated that the General

Assembly had referred to the Fifth Committee certain parts of the report of the Industrial Development Board on the work of its seventh session (A/9016).

2. Mr. RHODES (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that the Fifth Committee had been asked to consider three subjects arising out of different paragraphs in the report of the

A/C.5/SR.1618

Industrial Development Board. As indicated in paragraph 1 of the Advisory Committee's report (A/9008/Add.19), those subjects were the regular programme of technical assistance of UNIDO; the expansion and financing of industrial development field advisers of UNIDO and the administrative autonomy of UNIDO. The first two items had been referred to the Second Committee, whose views on them were now before the Fifth Committee. The question of the regular programme of technical assistance of UNIDO had already been dealt with under agenda item 79, during consideration of the revised budget estimates, and the Advisory Committee had nothing to add to the comments it had already made on that point (A/9008/Add.9, para. 36). The expansion and financing of industrial development field advisers of UNIDO was being examined by UNDP and, until that examination had been completed and a further report had been received from the Secretary-General, the Advisory Committee could not proceed further.

3. The remaining question was the administrative autonomy of UNIDO, dealt with in paragraphs 5, 6 and 7 of the Advisory Committee's report. The General Assembly had made no reference to consideration by the Second Committee of the question of the administrative autonomy of UNIDO, but the Second Committee had nevertheless sent the Fifth Committee its comments on the proposal (see A/C.5/1555), with a suggestion that the Secretary-General should be asked to prepare for consideration at the next session of the General Assembly a report on the question of the separate preparation and submission of the programme and budget of UNIDO, and the wider question of administrative autonomy for UNIDO. The Second Committee had expressed the strong hope that if the proposal for a report by the Secretary-General were approved, that report would be made available to the Second Committee before being referred to the Fifth Committee. The Advisory Committee had stated in paragraph 7 of its report that it agreed that it would be useful for the General Assembly to have a report from the Secretary-General, as suggested by the Second Committee, but that such a report might have administrative and budgetary repercussions for the United Nations as a whole, reaching beyond the specific question under consideration. The Advisory Committee therefore believed that, although it would be valuable to have the Second Committee's views, the detailed consideration of the Secretary-General's report should take place in the Fifth Committee, after it had received the comments of the Advisory Committee in the normal way.

4. Mr. NAUDY (France) said that his delegation was opposed to the recommendation made by the Advisory Committee in paragraph 3 of its report concerning the UNIDO regular programme of technical assistance. He agreed with the Advisory Committee's comments on the expansion and financing of the programme for industrial development field advisers. With regard to the question of administrative autonomy for UNIDO, he said he could not support the Advisory Committee's approval of the recommendation that the Secretary-General should prepare and submit a report on a separate programme and budget for UNIDO, because approval of that recommendation would in itself prejudice any decision that might be taken later on the question. He fully endorsed the Advisory Committee's

views, expressed in paragraphs 6 and 7 of its report, on the prerogatives of the Fifth Committee in respect of the proposed report of the Secretary-General.

5. Mr. STOTTLEMYER (United States of America) fully supported the Advisory Committee's recommendations concerning the report of the seventh session of the Industrial Development Board. The Advisory Committee, he felt, was right to defer action on the Second Committee's recommendation for an increase in the number of industrial development field advisers until UNDP had completed its consideration of the question. The Fifth Committee should have the views of the secretariats of UNDP and UNIDO before taking action on a matter which had such significant financial implications. Regarding the Advisory Committee's comments in paragraphs 5 to 7 of its report, he said that his delegation opposed such administrative autonomy for UNIDO. While there might be some justification for introducing administrative reform to speed up project implementation, the matter should first be discussed by UNIDO, UNDP and the United Nations, particularly the Department of Administration and Management. If the Executive Director of UNIDO felt that he needed more operational flexibility, the relevant technical and administrative questions should not be debated in intergovernmental bodies such as the Fifth Committee, but should be the subject of direct consultations between the parties concerned. The Secretary-General could then submit to the Fifth Committee for approval the arrangements agreed upon. Meanwhile, he was firmly opposed to consideration of the UNIDO programme budget separately from the United Nations programme budget, and he strongly opposed any attempt to set up a separate personnel system for UNIDO, which might well entail additional expense and administrative duplication. He saw no reason why the present General Trust Fund agreement should be discontinued in favour of a United Nations industrial development fund. If, however, the Fifth Committee decided to support the recommendation made by the Second Committee that the Secretary-General should prepare a report on the questions of a separate budget and administrative autonomy for UNIDO, he would agree with the Advisory Committee that detailed consideration of that report should take place in the Fifth Committee.

6. Mr. FARRELL (New Zealand) said that, although UNIDO had not been outstandingly successful, its mandate to promote industrial development and narrow the gap between the industrialized and the developing countries was extremely important. It was essential to determine what had hampered progress and whether UNIDO could fulfil its mandate effectively. Just as the international community was taking a fresh look at the significance of industrialization for the developing countries, the United Nations should take a fresh look at UNIDO's administrative and budgetary arrangements. In view of the work of the Group of High-Level Experts on a Long-Range Strategy for UNIDO, and the approaching Second General Conference of UNIDO, the Committee should consider the request of the Industrial Development Board that paragraphs 1 and 3 of its decision II (VII) should be examined. In that connexion, he expressed full support for the proposal that the Secretary-General should prepare a report on the questions of a separate programme and budget and administrative autonomy for UNIDO. There would be some

advantage in having the Second Committee consider that report before the Advisory Committee and the Fifth Committee considered it; alternatively, there might be advantage in having a joint Second and Fifth Committee meeting.

7. Mr. CHERPOOT (India) recalled that his delegation had participated actively in the work of the Board's Permanent Committee and at the seventh session of the Industrial Development Board and, like other developing countries, attached special importance to the work of UNIDO in contributing to the process of industrialization. The situation in respect of UNIDO was now, however, one of rising expectations and diminishing achievements. The crux of the problem was the lack of a clear definition of the role of UNIDO in the international community. It was essential that UNIDO should have the authority and financial resources it required to ensure implementation of its programmes. Yet, during the consideration of section 15 of the proposed programme budget for the biennium 1974-1975, several representatives had expressed concern over the large amount requested for UNIDO, even though its programme was a small one and was being further reduced as a result of inflation. UNIDO was responsible for drawing up its programme, but it did not have the corresponding authority to ensure its implementation. The limited funds available to UNIDO could not be used flexibly because they were divided up into funds for the regular programme, the Special Industrial Services, the General Trust Fund and the Funds-in-Trust. In those circumstances, UNIDO had no opportunity to undertake new activities.

8. During the debate on sections 9 and 15 of the proposed programme budget, his delegation had referred to the desirability of giving more autonomy to organizations such as UNCTAD, UNIDO and the regional economic commissions so that they would have more flexibility in the administration and performance of their activities. General Assembly resolution 2152 (XXI) stated that UNIDO should function as an autonomous organization; yet UNIDO, in practice, had no autonomy.

9. He fully supported the decision adopted by an overwhelming majority in the Second Committee that the Secretary-General should be requested to prepare a report on the questions of the separate preparation and submission of the programme and budget of UNIDO and administrative autonomy for the organization. He firmly believed that UNIDO should have a separate programme and budget, that it should have control over its own finances, and that it should have autonomy in administration and personnel matters, including the appointment of staff and experts. He would like to see a separate system of geographical representation among the staff of the UNIDO secretariat. He endorsed the recommendation contained in decision III (VII) of the Industrial Development Board for an increase in the number of industrial development field advisers.

10. Mr. VAN DER GOOT (Netherlands) said he wished to reiterate for the record the position of his delegation regarding the separate preparation and submission of the programme and budget of UNIDO, and the administrative autonomy of UNIDO within the United Nations system. The Netherlands had participated in the discussion at the

seventh session of the Industrial Development Board, which had taken the decision to that effect in principle. The Netherlands had opposed that decision for two reasons, which it had advanced again in the Second Committee. First, his delegation felt that the majority decision by the Industrial Development Board had been unfortunate, in view of the fact that the first steps were then being taken towards the formulation of the long-range strategy. It was not only premature to take a decision about UNIDO's position within the common United Nations system, but it did not follow that greater autonomy necessarily resulted in greater efficiency. Secondly, the United Nations was now engaged for the first time in programme budgeting on a biennial basis and any decisions as to the autonomy of one part of the system might have a disintegrating effect, in conflict with the centralizing purpose of the programme budget. His delegation was consequently opposed in principle to any decision on the administrative autonomy of UNIDO. However, since many of the aspects that had been referred to deserved further consideration, the Netherlands delegation in the Second Committee had supported the request that the Secretary-General should be asked to report on the question; consequently it would take the same position in the Fifth Committee, and support the Advisory Committee's recommendation.

11. Mr. DAMASCENO VIEIRA (Brazil) said that his delegation had expressed its views in the Second Committee regarding the administrative autonomy of UNIDO and the question of increasing the number of industrial development field advisers. Referring to paragraph 7 of the Advisory Committee's report, he said that, although his delegation was not opposed to detailed consideration of the question by the Fifth Committee, it believed that the Second Committee's views were of basic importance and his delegation therefore had some reservations regarding the Advisory Committee's recommendations that the main discussion about the administrative autonomy of UNIDO should take place in the Fifth Committee.

12. Mr. OSMAN (Egypt) said that he had gathered from consultations with some developed countries that they were concerned about the Industrial Development Board's decision II (VII) on administrative autonomy. He emphasized that all that was being proposed at the present time was a careful study of the administrative and financial implications of proposals to ensure appropriate financial flexibility and administrative decentralization in the appointment and promotion of staff and the recruitment of experts, and in the publications programme.

13. Further consideration by the General Assembly would not prejudice the final decision, but the introduction of appropriate financial and administrative autonomy for UNIDO would be in full conformity with General Assembly resolution 2152 (XXI), establishing UNIDO. He wished to associate himself with the comments made by Brazil and India; he shared their doubts about the implications of paragraph 7 in the Advisory Committee's report and considered that the views of the Second Committee should be taken into consideration, as well as those of the Fifth Committee.

14. Mr. OUEDRAOGO (Upper Volta) said he too felt that further clarification was needed about paragraph 7 of the

Advisory Committee's report. The appropriate course would be for the Secretary-General's report to go first to the Second Committee for its consideration, and then to be referred to the Fifth Committee, which would deal with the report in the field of its own constitutional competence, in the light of the comments of the Second Committee. His delegation would support that course, but could not support any proposal that the report should be submitted first to the Fifth Committee. He pointed out that the Second Committee, at its 1553rd meeting, had decided by 72 votes to 9, with 11 abstentions, to adopt a draft proposal—which was not a decision—that the Secretary-General should prepare a report on the questions of the separate preparation and submission of the programme and budget of UNIDO, and administrative autonomy for that organization. It was now for the Fifth Committee to take a decision, but it should first be made clear what would be involved in endorsing paragraph 7 of the Advisory Committee's report.

15. The CHAIRMAN referred to paragraph 5 of the Advisory Committee's report, and said that the item in question had been specifically referred to the Fifth Committee, after consultation between the Chairman of the Fifth Committee and the Chairman of the Second Committee. A preliminary agreement had been reached between those officers and submitted to the President of the General Assembly, who had asked for a meeting of the General Committee. The General Committee had recommended to the General Assembly that, in allocating the UNIDO items, the item on separate preparation and submission of the programme and budget, and administrative autonomy, should not be referred to the Second Committee. Paragraph 7 of the Advisory Committee's report stated that detailed consideration of the proposed report by the Secretary-General should take place in the Fifth Committee, but did not state that the report should be considered first in the Fifth Committee.

16. Several delegations had expressed the view that the report in question should be discussed first by the Second Committee. Although the Second Committee had not been asked by the General Assembly to consider the item, it had nevertheless made a proposal to the Fifth Committee. The two Committees were sovereign bodies, and the Fifth Committee would undoubtedly benefit from hearing the views of the Second Committee, on the understanding that the ultimate decision would be taken by the Fifth Committee and not by the Second, since it was an item within the competence of the Fifth Committee. He believed that the Second Committee had recognized that fact when it had submitted its proposal to the Fifth Committee with suggestions as to how the Fifth Committee might deal with the question.

17. Mr. CHERPOOT (India) said he was inclined to agree with the representatives of Brazil and Egypt that paragraph 7 of the Advisory Committee's report appeared to imply that the report in question should be discussed only in the Fifth Committee. Now that the Fifth Committee was considering the item, it could decide that it would like, before its discussion at the twenty-ninth session, to have the benefit of the views of the Second Committee. He understood that that was also the Chairman's interpretation and suggested that it might be reflected in the Fifth Committee's report.

18. The CHAIRMAN said that he understood the reference in paragraph 7 of the Advisory Committee's report to refer to the detailed consideration of the report by the Fifth Committee, which would not preclude prior consideration by the Second Committee. That view could certainly be expressed in the Fifth Committee's report.

19. Mr. RHODES (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that the important point that the Advisory Committee wished to make was that the question could have considerable administrative and budgetary implications and repercussions. The Advisory Committee believed that the Fifth Committee, unless it wished to abdicate its authority for administrative and budgetary affairs, should take the decision. However, the Advisory Committee recognized that the Second Committee's views were also of value and saw no problem in working out a procedure for obtaining those views before the matter came before the Fifth Committee. Nevertheless, the Advisory Committee believed that the final decision should rest with the Fifth Committee.

20. Mr. CHERPOOT (India) said there appeared to be no disagreement that the final decision must rest with the Fifth Committee. He thought that the Fifth Committee's report should indicate that when the Secretary-General's report was available, it should be considered first by the Second Committee, so that the Fifth Committee would have the Second Committee's views before it.

21. Mr. RHODES (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that the General Assembly had allocated the item to the Fifth Committee and it was not for the Advisory Committee to say how the item should be allocated at the twenty-ninth session. He believed it should be allocated to the Fifth Committee, but if the General Assembly wished to refer it first to the Second Committee, it was free to do so. The allocation was within the power of the General Assembly; it was not a matter on which the Advisory Committee could make suggestions.

22. The CHAIRMAN hoped that the representatives who had expressed doubts about the implications of paragraph 7 of the Advisory Committee's report had been reassured by his explanation that the paragraph in question did not in any way rule out the prior consideration of the Secretary-General's report by the Second Committee.

23. Mr. DAMASCENO VIEIRA (Brazil) said that his delegation was prepared to accept the Chairman's interpretation.

24. The CHAIRMAN proposed that the Fifth Committee should recommend to the General Assembly: first, that it should request the Secretary-General to prepare a report on the question of the separate preparation and submission of the programme and budget of UNIDO, and the administrative autonomy for that organization, covered, respectively in paragraphs 1 and 3 of decision II (VII) of the Industrial Development Board, and to submit the report to the General Assembly at its twenty-ninth session; and secondly, that it should endorse the observations contained in paragraph 7 of the related report of the Advisory Committee (A/9008/Add.19).

25. He asked whether the Fifth Committee would agree to the course of action he had proposed, in the light of the interpretation he had given.

It was so decided.

AGENDA ITEM 79

Proposed programme budget for the biennium 1974-1975 and medium-term plan for the period 1974-1977 (continued) (for the earlier documentation, see 1589th meeting; A/9008/Add.9, 11, 12, 16, 17 and 18, A/C.5/1509/Add.2, A/C.5/1540, A/C.5/1543 and Corr.1 and 2, A/C.5/1544, A/C.5/1545, A/C.5/1547, A/C.5/1554, A/C.5/1566 and Corr.1, A/C.5/1571, A/C.5/1573, A/C.5/L.1146)

The effect of continuing currency instability on the budgets of organizations in the United Nations system (A/9008/Add.16, A/C.5/L.1146)

26. The CHAIRMAN invited the Chairman of the Advisory Committee on Administrative and Budgetary Questions to introduce the Advisory Committee's report (A/9008/Add.16) on the effect of continuing currency instability on the budgets of organizations in the United Nations system.

27. Mr. RHODES (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that most of the document consisted of the report—contained in the annex—prepared by the Administrative Committee on Co-ordination, which had spent a considerable amount of time collecting the relevant information through the Consultative Committee on Administrative Questions. As the Advisory Committee stated in paragraph 2 of its own report, ACC had not come to any conclusion on the matter, but it had illustrated the complexity of the subject and suggested possible approaches to partial solutions. In paragraphs 3 and 4 of its report, the Advisory Committee had attempted to set out the cause of the problem and to show how it varied in intensity between different organizations, depending upon such factors as geographical location and the degree of decentralization of each organization. A further complication stemmed from the fact that the standardized salary scales for Professional staff were expressed in United States dollars irrespective of duty station. However, since the staff were usually paid, and incurred most of their commitments, in local currency, it became necessary to compensate them if the currency in which their salary was expressed was devalued. That was done through the post adjustment mechanism, which was described in appendix IV to the ACC report.

28. Since the Advisory Committee had not tried to summarize all the material in the ACC report, there was no alternative but to read it carefully in order to appreciate fully the impact of currency changes on the organizations and possible solutions to the problems they caused. The Advisory Committee had drawn attention to two possible short-term measures. The first was that of collecting contributions in more than one currency, normally the United States dollar, which was still the standard unit of account, and the currency of the country in which the organization in question was operating. To attempt to

collect in more than two currencies would be cumbersome, but it should be possible to devise procedures for collecting contributions in two currencies. Again, the fact that Professional salaries were expressed in United States dollars would give rise to complications, but it would be possible to treat Professional salaries as a local currency commitment. While the Advisory Committee did not consider that those difficulties were insuperable, it did feel that they would require further examination before the system of dual collection was adopted. It had therefore suggested, in paragraph 10 of its report, that the Secretary-General and his colleagues in ACC should explore the question and report their findings to the General Assembly at its twenty-ninth session.

29. The second possible measure was that of absorption of extra dollar costs incurred as a result of currency instability. The Advisory Committee felt that increases in expenditure arising from currency instability were not essentially different from increases due to price changes; it was a question of degree and suddenness, in that devaluations and revaluations took place overnight while price changes did not. The Advisory Committee felt, therefore, that the remedies proposed by the *Ad Hoc* Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies in relation to increases attributable to inflation were relevant to the question of increases due to currency changes. As it stated in paragraph 12 of its report, however, it did not consider that it was possible to prescribe a system-wide policy in regard to absorption of the extra dollar costs, for there were too many variations in the absorptive capacity of the budgets of the agencies in the system. If absorption were to be used as a way of dealing with the problem, it would be necessary to ensure that there was close collaboration between the executive heads of agencies and their legislative bodies.

30. By singling out two of the possibilities canvassed by ACC, the Advisory Committee had not intended to preclude the adoption by individual agencies of other measures suggested in the ACC report. Attention should, however, be paid to the warning given in paragraphs 6 and 13 of the Advisory Committee's report. In paragraph 13, the Advisory Committee had said that care should be taken to avoid weakening the common system; in paragraph 6 it had drawn attention to the fact that IMF was discussing means of re-establishing a more stable relationship between currencies and suggested that it would be premature to regard the prevailing currency instability as a permanent feature of the United Nations budgetary system and to react too drastically by adopting measures which might be found to have been unnecessary or to have responded too violently to what might be found to have been a passing phase.

31. In conclusion, he drew attention to the substance of paragraph 14 of the Advisory Committee's report. Resort to supplementary estimates might be necessary to meet part of any extra costs attributable to currency changes. Should the situation be reversed, however, and the dollar improve to such an extent as to generate savings in the United Nations budget, those savings should be surrendered.

32. Mr. SERRANO (Cuba) said that his delegation was greatly disappointed in the Advisory Committee's report. In

the first place, the Advisory Committee, like ACC, had dealt in its report only with the effects of currency instability on the budgets of the organizations in the United Nations system; it had not considered the impact of inflation on the finances of the United Nations or the adverse effects of currency devaluations and depreciations on investments of organizations in the system. Secondly, instead of examining the long-term measures necessary to solve the problems under discussion, the Advisory Committee had only briefly analysed two of the short-term measures explored by ACC, which appeared to offer possibilities, both in terms of the support they commanded in terms of their effectiveness. The two measures were described in paragraph 7 of the Advisory Committee's report.

33. After indicating, in paragraph 9 of its report, some of the difficulties in the way of adoption of the first measure, the Advisory Committee had formulated the recommendation to be found in paragraph 10 of its report. The importance the Advisory Committee had attached to that measure was a source of great surprise to his delegation, first because of the drawbacks the Advisory Committee itself had indicated and, secondly, because there was no need for additional studies that would further delay achievement of the purpose for which the measure was designed. Nor was there any need to reform the existing system of assessment of the contributions of Member States. All that was required was that the United Nations should, promptly and diligently, by means of appropriate banking operations, convert the dollars it received, and which it needed in order to make external payments, into the currencies in which such payments had to be made and, in order to cover itself against exchange risks, make any future transactions that might be required by selling at prevailing rates of exchange for delivery at a later date the dollars it expected to receive from Member States. Another drawback of a system whereby Member States would pay their assessments in various currencies was that the burden of the extraordinary costs generated by currency realignments and depreciations, as at present, fell on all Member States. Accordingly, in the opinion of his delegation, no more time or resources should be spent on studying that measure.

34. As to the second measure, namely, absorption of the extra dollar costs incurred as a result of currency instability, his delegation considered that it should be rejected since it would result in either an increase in the budget or a cutback in programmes.

35. The statement in paragraph 14 of the Advisory Committee's report that resort to supplementary estimates might be necessary to meet part of any extra costs attributable to currency changes was unacceptable to his delegation, which considered that such costs should be met by the States whose currencies were undergoing realignments and fluctuations.

36. In his statement to the Fifth Committee at the 1564th meeting (A/C.5/1526), the Secretary-General had referred to the serious financial difficulties facing the Organization as a result of currency fluctuations and inflation and had appealed for the understanding and co-operation of all delegations in seeking solutions to that very difficult issue.

In response to that appeal, his delegation had studied the question carefully and had come to the conclusion that certain measures must be adopted if the problems facing the Organization were to be solved. Those measures were set out in subparagraphs (a) to (g) of operative paragraph 1 of the draft resolution submitted by the Cuban delegation (A/C.5/L.1146). They related to three subjects, namely, currency realignments, inflation and investments. The measures designed to obviate the adverse effects of currency realignments and fluctuations on the finances of the United Nations were to be found in subparagraphs (a), (b), (c) and (e) of operative paragraph 1 of the draft resolution. He explained, with reference to subparagraph (a), that 0.88671 grams of fine gold had been the gold value of the United States dollar prior to the two devaluations it had undergone. With reference to subparagraph (e), he explained that, in the opinion of his delegation, the whole international community should not be required to finance expenses incurred and losses sustained as a result of currency realignments and fluctuations.

37. In order to obviate the adverse effect of inflation on the finances of the United Nations, his delegation suggested that all expenses incurred by the United Nations as a result of inflation should be paid in full by the countries in which expenses were incurred and in proportion to them, bearing in mind their responsibility for generating inflation and the economic benefits they derived as a result of such expenditure. The whole international community should not be required to finance such expenses.

38. In order to obviate the adverse effects of currency devaluations and depreciations on United Nations short- and long-term bank deposits and investments, such deposits and investments should be made in currencies which were not in crisis.

39. Lastly, his delegation felt that variations and trends in United Nations contributions, advance payments, income and expenditure would be better understood if they were expressed both in monetary terms, in relation to the unit of account to be established, and in real terms.

40. As the Fifth Committee would not be able, in the short time remaining to it, to come to definitive conclusions on the matter, an *ad hoc* committee should be established with the composition and terms of references set out in draft resolution A/C.5/L.1146.

41. Mr. STOTTLEMYER (United States of America) considered that the Advisory Committee had dealt in its report with the problem of the effect of currency instability on the finances of the United Nations in a most responsible manner. He fully supported that report and in particular the recommendation, contained in paragraph 10, that the possibility of assessing contributions in a mix of currencies should be explored further.

42. Commenting on the draft resolution introduced by the representative of Cuba (A/C.5/L.1146), he said that he opposed it because it was based on insupportable premises which advocated actions that would not solve the problem of financing periodic budget deficits arising out of currency realignments and inflation. He did not agree that the reformed monetary system would lead to permanent

instability of exchange rates. The significant changes in exchange rates which had occurred in the past two years had been largely the result of the fact that exchange rates had been pegged at almost the same rate from 1950 to 1971. Under the reforms being considered by IMF, countries would no longer be able to postpone needed adjustments of their exchange rates, so that the exchange rates would be changed gradually. The United Nations budget would therefore not be faced with large shortfalls as it had been in the past two years. Moreover, there was nothing in the proposed reforms to suggest that changes in the dollar rate were likely to be any greater than those for any other currency.

43. He rejected the proposal in the draft resolution that countries whose currencies fluctuated or in which inflation took place should bear full responsibility for any resulting deficit in the United Nations budget. Periodic exchange rate adjustments were inevitable and were of benefit to all nations transacting business with each other. It was not logical that only those countries in whose territory United Nations expenditure took place should be penalized if they experienced inflation.

44. Turning to the question of the monetary problems facing the United Nations, he said that the draft resolution implied that the United Nations could avoid the burden of any changes in exchange rates by using, for United Nations accounting purposes, a composite unit of account, or some currency other than the United States dollar. He believed that the burden could not be avoided. If any currency appreciated against the United Nations unit of account, the United Nations would have a shortfall in its budget if it had

to meet obligations denominated in the appreciating currency. The shortfall would occur regardless of what unit of account was used. As for the United Nations itself, the size of the shortfall might vary depending on the unit used. All Member States would, however, bear a greater burden if such an appreciation occurred and their own currencies did not appreciate by as much as those in which the United Nations had to meet its obligations.

45. Subparagraphs (b) and (c) of operative paragraph 1 of the draft resolution might originally have been intended to require Member States to pay their contributions in currencies equal in value to their assessments as measured in gold or in the United Nations unit of account, but the two provisions as drafted would almost certainly mean that the United Nations budget would always be in deficit. The deficit would occur because countries would pay their contributions in the convertible currency whose market rate had fallen below the proposed fixed rate between that currency and the unit of account, so that when the United Nations exchanged the convertible currency received for the currencies it required to meet its obligations, it would receive less of the currency it required than was necessary to clear its accounts. In other words, it was simply not possible to introduce a fixed exchange rate between the currency of each Member State and a United Nations unit of account, so long as the exchange rates that governed those currencies fluctuated against each other in foreign exchange markets. He noted that in the ACC report the same problem was alluded to and a similar solution was considered by that body to be inappropriate.

The meeting rose at 12.35 p.m.

1619th meeting

Thursday, 6 December 1973, at 10.55 a.m.

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

A/C.5/SR.1619

AGENDA ITEM 49

Operational activities for development:

(a) United Nations Development Programme (A/C.5/1565)

1. The CHAIRMAN recalled that the General Assembly had decided that the Fifth Committee should consider certain parts of the reports of the Governing Council of the United Nations Development Programme on its fifteenth and sixteenth sessions. Accordingly, the Committee had before it a note by the Secretary-General (A/C.5/1565) summarizing those parts of the reports. He proposed that the Committee should recommend to the General Assembly that it should take note of the Secretary-General's note. If he heard no objection, he would take it that the Committee agreed to that proposal.

It was so decided.

ADMINISTRATIVE AND FINANCIAL IMPLICATIONS OF THE DRAFT RESOLUTION SUBMITTED BY THE SIXTH COMMITTEE IN DOCUMENT A/9409 CONCERNING AGENDA ITEM 93* (A/C.5/1560)

2. The CHAIRMAN said that, in his note (A/C.5/1560), the Secretary-General had estimated that an additional appropriation of \$70,000 under section 25 of the programme budget for the biennium 1974-1975 would be required to implement the provisions of the draft resolution submitted by the Sixth Committee in its report (A/9409, para. 11).

3. Mr. RHODES (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that the

* United Nations Conference on Prescription (Limitation) in the International Sale of Goods.