

1700th meeting

Thursday, 25 September 1975, at 10.05 a.m.

Chairman: Mr. Christopher R. THOMAS (Trinidad and Tobago).

A/C.5/SR.1700

ORGANIZATION OF THE COMMITTEE'S WORK (continued) (A/C.5/L.1225)

1. The CHAIRMAN said that he intended to submit early in October a revised version of document A/C.5/L.1225 which would include the changes recommended by the Committee at the previous meeting and provide the references of the additional documents which would have been issued in the meanwhile.

AGENDA ITEMS 96 AND 97

Proposed programme budget for the biennium 1976-1977 and medium-term plan for the period 1976-1979 (A/9854 and Add.1, A/10006 and Add.1, A/10008 and Corr.2, A/C.5/1669, A/C.5/1671, A/C.5/1673-1675, A/C.5/1677 and Corr.1, A/C.5/1678, A/C.5/1679, A/C.5/1681, A/C.5/1682)

Review of the intergovernmental and expert machinery dealing with the formulation, review and approval of programmes and budgets: report of the Working Group on United Nations Programme and Budget Machinery (A/9646 and Add.1, A/10081, A/10117 and Corr.1)

General discussion

2. The CHAIRMAN invited the Secretary-General to open the general discussion on the proposed programme budget for the biennium 1976-1977 and medium-term plan for the period 1976-1979.

3. The SECRETARY-GENERAL made a statement.¹

4. The CHAIRMAN said that the Secretary-General had raised a number of questions of vital importance to the proper functioning of the United Nations. The questions raised in the first part of his statement were included in the Committee's programme of work; although the question of the general financial situation of the Organization was not specifically included in the programme of work, it was related in one way or another to practically every agenda item. He was sure that the suggestions made by the Secretary-General would be among those on which delegations would comment during the general discussion in the hope that some progress towards an acceptable solution could be made.

5. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions) made a statement.¹

6. The CHAIRMAN suggested that the statements made by the Secretary-General and the Chairman of the Advisory Committee on Administrative and Budgetary Questions should be issued as Committee documents.

*It was so decided.*¹

7. Mr. STUART (United Kingdom) said that his Government would examine carefully the important issues raised by the Secretary-General in his statement. Turning to the documents before the Committee he said that the more informative budgetary analysis produced by the Secretary-General in response to criticism of the quality of the information in the first programme budget was commendable, but he expressed alarm at the expansion of the proposal programme budget into seven volumes (A/10006).

8. His delegation did not dissent from any of the Advisory Committee's comments in its corresponding report (A/10008 and Corr.2) on the budgetary analysis and methodology employed by the Secretary-General, but would add two points.

9. With regard to the method for analysing the cost growth in the 1976-1977 biennium over the 1974-1975 biennium, the Advisory Committee pointed out that the Secretary-General had counted the cost in full of all new posts approved in the 1974-1975 budget in the cost of maintaining the 1974-1975 appropriations at 1975 rates, even though 50 per cent of the new posts had not been filled in the 1974-1975 biennium, and suggested that the extra costs arising in the 1976-1977 biennium from the higher manning level of those posts—95 per cent—might count under the heading of "real-terms growth" of the programme. The Secretary-General's methodology was seriously misleading because it conjured out of sight a substantial amount of real growth which ought to be revealed to the Fifth Committee. The correct calculation of growth expressed in real terms was given in paragraph 19 of the Advisory Committee's report, under methodology B. If the Secretary-General's representative agreed with the foregoing comments, then his delegation hoped that the report of the Fifth Committee would ask the Secretary-General to amend his methodology in future.

10. The second point related to the overhead costs of operational projects. Despite the wealth of analytical tables in the programme budget proposals for 1976-1977 (A/10006), it was still impossible to discover what was being spent, section by section, on overhead costs, for while annex VI to the foreword identified the administrative backstopping element it did not identify the technical backstopping element of such costs. Whereas the estimated value of projects to be delivered in 1976-1977 was compared throughout the proposed programme budget with the value of projects to be delivered in the current

¹ The complete text of the statement made by the Secretary-General was subsequently circulated as document A/C.5/1685 and that of the Chairman of the Advisory Committee as document A/C.5/1686.

biennium and proposals were made for the establishment of new posts, nowhere—least of all in the section dealing with UNIDO, where it was most important—was there a clear analysis of the cost of project delivery, the resources allocated to it from regular budget and extra-budgetary sources and the amount of the proposed new resources to be devoted to it, together with the justification. His delegation hoped that the revised budget proposals to be received from UNIDO later in the session would have regard to the need for such information.

11. As it was his delegation's understanding that the Secretary-General would propose later in the session more realistic assumptions about the rate of exchange of the United States dollar and the other currencies required for the budget, it would reserve its position on those assumptions and on the assumptions relating to rates of inflation in 1976 and 1977.

12. Turning to the medium-term plan for the period 1976-1979 (A/10006/Add.1) and the report of the Working Group on United Nations Programme and Budget Machinery (A/10117 and Corr.1) he recalled that his delegation had always considered that the plan was primarily the concern of the Economic and Social Council. The Working Group had been wise to conclude that the problems of structure related not to the budgetary institutions, which were working well, but to programming. In view of the large area of agreement between the report of the Working Group and that of the Group of Experts on the Structure of the United Nations System (E/AC.62/9) on what should be done about programme and budget machinery he proposed that the report of the Fifth Committee should draw the Working Group's report to the attention of the new *Ad Hoc* Committee on the Restructuring of the Economic and Social Sectors of the United Nations System; it should also suggest that, subject to the views of the Economic and Social Council and the Second Committee, the new *Ad Hoc* Committee should consider adopting the Working Group's recommendations as an interim solution.

13. Mr. MAJOLI (Italy) noted that when the Committee had discussed the first biennial budget, covering the years 1974-1975,² it had been confronted with an estimate of \$513,440,000, representing an increase of 19 per cent over the figure for the previous two years. Since that time, however, the real value of the estimated figures had changed substantially, and appropriations of \$606,033,000 had been approved by the General Assembly in its resolution 3359 (XXIX). The Committee was currently faced with a proposed programme budget for the 1976-1977 biennium amounting to an estimated gross expenditure of \$737 million. Taking into account an estimated income of \$116,542,000, Member States would have to bear a net burden of about \$620 million. Moreover, in its report on the proposed programme budget, the Advisory Committee had proposed a cut in the Secretary-General's estimates of about \$15,700,000. But the Chairman of the Advisory Committee had just confirmed that the estimated figure would be exceeded for two reasons: first, because an exchange rate of 3.10 Swiss francs to the United States dollar was used with regard to the expenses incurred by the

Organization abroad, whereas the current rate was lower and it was not certain that the forecast rate would be reached; secondly, because of various expenses already foreseen, including those for the next session of the United Nations Conference on the Law of the Sea, for the implementation of decisions taken by United Nations bodies which would probably be ratified by the current session of the General Assembly, and for new decisions to be taken during the coming three months.

14. Leaving aside details of methodology, the main point of interest to Member States, i.e. the taxpayers, was how much more they would have to pay for the United Nations in the next two years as compared with the current biennium. The figure of \$620,463,000 was \$114,949,000 higher than the net amount of \$505,514,000 approved by General Assembly resolution 3359 (XXIX), in other words, an increase of 22.7 per cent. The proposed programme budget explained repeatedly that the increase was mainly due to inflation, and that the real growth of the programme was only 3.5 per cent. That was no great consolation, and the fact remained that most Member States—with the exception of a few whose currencies might have been revalued with respect to the dollar—would have to appropriate larger amounts in order to pay their dues to the United Nations. They would therefore have to apply heavier fiscal burdens to their citizens, and the result would be a further contribution to inflation. In any event, whether the "fiscal increase" of 22.7 per cent or the "real growth" of 3.5 per cent was taken into account, it was essential to bear in mind that for most nations economic conditions had worsened in the past two years, and that even greater attention should therefore be paid to how the money was spent. More than ever there was an urgent need to streamline the administrative apparatus in the interests of efficiency and economy.

15. Figure 2 in the report of the Advisory Committee showed that while 5.4 per cent of the budget was devoted to political and peace-keeping activities, the highest percentage, 35.7 per cent, was allocated to common services, such as administration, conference and general services. He noted in that connexion that the budget filled seven volumes; he wondered whether it was really necessary to make it so long, and how many delegations would have favoured such an extensive format had their opinion been asked.

16. One of the main concerns in the preparation of the programme budget proposals had been to show how much of the increase was due to currency fluctuation and inflation thus far and how much should be added for the anticipated effects of increased inflation in the following three years. His delegation doubted whether that practice should be endorsed; in any case, the explanations of the increase could have been satisfactorily dealt with in the foreword and in its annexes. Instead, they had been extended to all sections and programmes, resulting in repetition of data and a lavish use of paper, even though everything should be done to devote every dollar to substantive activities.

17. At the same time, despite the wealth of information, one figure which could be highly interesting was missing. In response to a request made by the Fifth Committee, extra-budgetary resources were mentioned for the first

² Official Records of the General Assembly, Twenty-eighth Session, Supplement No. 6 and corrigendum.

time. But at the end of annex VI to the foreword, the total given for extra-budgetary funds—\$80,657,000—presented only half the picture, since it covered overhead reimbursements but not project costs. It would have been of great interest to know the total financial resources available to the Secretary-General for the next two years.

18. He reserved his delegation's comments on the various sections until such time as they came up for discussion, but in its first over-all look at the proposed budget, it could not fail to note a total of 826 requests for new posts, an increase of 8.6 per cent over the total number of posts approved for 1974-1975. Moreover, there were further requests for temporary assistance, consultants and expert groups, and for the upgrading of 63 posts. It had always been difficult to reconcile the various figures referring to staff members: annex IV to the foreword indicated that 10,412 posts were financed from the regular budget, and 1,513 from extra-budgetary funds. On the other hand, in the section headed "Composition of the Secretariat" in the Secretary-General's report on the work of the Organization it was stated: "As at 31 December 1974, the Secretariat of the United Nations consisted of 15,092 staff members holding permanent appointments or temporary appointments of one year or more, including 12,736 regular staff and 2,356 project personnel".³ The ever-increasing size of such a bureaucracy called for reflection, especially at a time when public and private administrations were trying to meet the current economic crisis by dismissing thousands of workers or adopting other austerity measures. The cost of the over-growing staff could not be measured only in money, since the more people were employed, the slower the pace of the Organization. The closest scrutiny should therefore be given to requests for the enlargement of existing units or the setting up of new offices. The reassessment of priorities and redeployment of resources should be a continuing exercise, and a clear definition of objectives and of their relation to available resources was of paramount importance. The Secretariat should therefore not hesitate to assume responsibility for making the substantive bodies of the Organization well aware of the financial consequences of their decisions, in particular by drawing their attention to the statements of financial implications. The scarce means at the disposal of the Organization must be carefully used to help needy nations, keeping in check any particular ambitions of programme managers, and with a strict evaluation of the input-output ratio.

19. His delegation agreed with the Secretary-General, the Joint Inspection Unit and the Advisory Committee that the basis of the plan was the determination of an over-all rate of growth, and for that reason wondered whether the current cycle of the plan should be reconsidered. He doubted whether it made much sense to include in the

medium-term plan the biennium already covered by the proposed biennial programme budget. The "rolling" plan should comprise three cycles of two years each: the first two years, a programme budget; the second two years, a plan; and the last two years, a tentative plan. That would reflect the pattern suggested by the *Ad Hoc* Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies, in paragraph 71 of its second report.⁴ In drafting the tentative plan for the third biennium, the Secretary-General would have to use a certain degree of imagination, but the result could offer useful guidelines on the basis of which the dialogue with the decision-making bodies could proceed. Furthermore, with regard to the problem mentioned by the Advisory Committee in paragraph 78 of its report, pragmatism would seem to suggest that the planned rate of growth should be half of what could be foreseen of the future programme decisions of intergovernmental organs. The other half could be added when the decisions were actually taken.

20. Referring to the review of the machinery dealing with programmes and budgets, he wondered whether the report (A/10117 and Corr.1) of the Working Group on that subject could be considered in isolation from the report of the Group of Experts on the Structure of the United Nations System (E/AC.62/9) which, in the section concerning planning, programming and budgeting, covered the same ground. One procedure might be to refer both documents to the *Ad Hoc* Committee on the Restructuring of the Economic and Social Sectors of the United Nations System. Joint consideration of the recommendations of the Group of Experts and the Working Group would avoid any risk of inconsistency and duplication of effort. However, his delegation accepted the fact that a further detailed study of possible reforms should not prevent the adoption of some practical measures designed to ensure efficient financial procedures, along the lines of those recommendations of the Working Group which did not require major decisions.

21. Referring to the statement by the Secretary-General concerning the financial situation of the United Nations, he said that Italy had shown its desire to alleviate the financial difficulties of the United Nations by making a voluntary contribution, and hoped that other countries which had not made similar contributions would find it possible to do so.

22. In conclusion, he stressed the need to streamline procedures and ensure firm control over expenditure, and, in discussing the proposed programme budget, to take into account the interdependence of all nations of the world, keeping in mind the socio-economic and political realities of the era.

The meeting rose at 12 noon.

³ *Ibid.*, Thirtieth Session, Supplement No. 1 and corrigendum, part five, chap. VI.

⁴ *Ibid.*, Twenty-first Session, Annexes, agenda item 80, document A/6343.