



Chairman: Mr. Motoo OGISO (Japan).

AGENDA ITEM 71

**Financial reports and accounts for the year 1971 and reports of the Board of Auditors (continued) (A/8707 and Add.1-5, A/8748, A/8810)**

1. Mr. RHODES (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that paragraphs 11-16 of the report of the Advisory Committee (A/8810) related to UNDP accounts and were self-explanatory. He noted, however, that the suggestion that UNDP should be authorized to establish and maintain all accounts, financial records and statements of its funds had been under consideration for several years, most recently by the UNDP Governing Council. In that connexion he quoted a UNDP document<sup>1</sup> which stated that the United Nations Secretary-General and the Administrator of UNDP had concluded that it would be preferable to undertake a study in even more depth than was envisaged by the Governing Council, and, accordingly, an intensive analysis of the question would be made in 1972, with assistance from the Administrative Management Service and other consultants if required. That study would then be submitted to the Advisory Committee for comment and the UNDP Governing Council would be asked to reconsider the matter at its fifteenth session in January 1973. The report of the Board of Auditors (A/8707/Add.1, part II, para. 13), however, indicated that steps were being taken towards a gradual assumption of the accounting records and functions within UNDP. In that connexion, he asked the representative of the Secretary-General and the UNDP Administrator for a firm assurance that the Advisory Committee would not be faced with a *fait accompli* but would have an opportunity to consider any changes that might be proposed.

2. Mr. ZIEHL (Acting Head, Office of Financial Services), assured the Chairman of the Advisory Committee, on behalf of the Secretary-General, that the Advisory Committee would be given an opportunity to review and consider any proposed changes in that connexion. He had been discussing the proposals with the Administrator of UNDP, who had assured him that the Advisory Committee would have an opportunity to review them. If the Advisory Committee approved the proposals, the target date for implementation would be 1 January 1973.

<sup>1</sup> Document DP/L.215, of 10 December 1971.

(a) United Nations (A/8707; A/8810, paras. 2-10)

3. Mr. ZIEHL (Acting Head, Office of Financial Services), replying to a question raised by the representative of Ghana at the previous meeting on why some claims made by Member States in connexion with the United Nations Operation in the Congo had not been accepted, acknowledged that claims amounting to some \$800,000 submitted by two African countries had not been accepted. In the case of the first country's claim, which amounted to approximately \$250,000, a lump-sum agreement had been negotiated with the country as a settlement for the claim, but when the Auditor-General of the country had been asked to certify the amount, the certification he had provided was for a higher amount than that agreed upon; negotiations were currently under way with the country concerned to determine whether the additional claims being made were in fact the liability of the United Nations. The case of the second country involved was somewhat different. Many claims had already been settled with that country, but claims amounting to approximately \$600,000—mainly relating to food supplied and depreciation of equipment—were outstanding because consultations were still continuing on pricing them. The whole question of the claims was a moot point since there were no resources available to pay them; but in order to keep the accounts straight, the amount owed should be determined.

4. The representative of Ghana had also asked whether it was practical to close the accounts by 31 March each year in view of the comment by the Secretary-General in paragraph 60 of the report on the United Nations accounts for 1971 (A/8707, part I) that a closing date of 31 March might no longer be realistic. The workload of the Office of Financial Services was indeed heavy; it had to service the Special Committee on the Financial Situation of the United Nations; it had to resolve the problems raised by the cash situation of the United Nations; it had been urged by the auditors to prepare more constructive accounts; it was working on cost measurement for the Office of Technical Co-operation and it was involved in the shift to programme budgeting. Moreover, the fact that trust funds were being used even more widely to finance activities made the Office's work much more complicated. Nevertheless, the objective was to close the accounts by 31 March because the Auditors had asked that all the accounts be closed at the same time. The target date was usually met but there could be no guarantee that it would be met since some delays, such as those caused, for example, by computer breakdowns and postal strikes were unavoidable.

5. In connexion with the question of thefts raised by the representative of Ghana, he said that a few instances of theft were inevitable in such a large budget and the amounts involved were very small. Thefts usually occurred in small field locations where it was difficult to maintain the same control as at Headquarters. The one exception had been an incident in 1967, referred to in paragraph 29, of the report of the Board of Auditors (*ibid.*, part II). In general, however, theft was not a problem.

6. The representative of Ghana had also raised the question of accounting errors. Many such errors were made, but most were corrected in the internal audit. In one case the auditors had felt that 10 payments had been made without adequate justification, but consultations were now being held with the auditors and the problem appeared to have arisen through a misunderstanding. Another problem was the listing as assets of assessed contributions withheld as a matter of principle. It was up to the Special Committee on the Financial Situation of the United Nations and the Fifth Committee to decide how that problem should be handled. With regard to the construction costs for the Geneva premises, the auditors had recommended that should they be listed as unliquidated obligations and not as accounts payable; that was an accounting error that was being corrected. The Board of Auditors had recommended that forward pledges from Governments should be set up as deferred income, whereas in the financial report they had been included under the heading "Due from Governments"; that was a genuine difference of opinion and it would be discussed with the auditors.

7. The representative of Ghana had also asked what had been the attitude of the Controller-General of Colombia to the financial report and accounts; he was not in a position to answer that question. He could only say that the relations between the Office of Financial Services and the Board of Auditors were extremely good.

8. Mr. CLELAND (Ghana) thanked the Acting Head, Office of Financial Services for his detailed and satisfying replies. He requested further clarification, however, on the target date for closing all accounts. Noting that the financial reports and accounts and the reports of the Board of Auditors had been circulated very late to Member States, he suggested that a more convenient target date for closing the accounts might be set to ensure that documentation would be available to Member States for consideration as early as possible.

9. Mr. ZIEHL (Acting Head, Office of Financial Services) explained that because the Fifth Committee needed the accounts for the previous year early in the session, the accounts had to be closed by the end of March to allow time for the Board of Auditors to audit them. If the accounts were not closed until later, it would place a very heavy burden on the auditors. The Office of Financial Services would do its best to review procedures for closing accounts and would strive to close them by 31 March; it could not, however, guarantee that it could hold to that date.

10. Mr. MAJOLI (Italy) drew the attention of the Committee to statement III of the accounts for the year ended 31 December 1971 (*ibid.*, part IV), which listed voluntary contributions; all voluntary contributions, both large and small, were included in the list, but the names of some countries were conspicuously absent. He drew attention to that fact with a view to encouraging voluntary contributions as one means of resolving the financial situation.

11. Mr. ROZENTAL (Mexico) said that his delegation approved the financial report and accounts for the year ended 31 December 1971 and the report of the Board of Auditors, but wished to record its reservations on the items of the bond issue, special missions, the United Nations Emergency Force and the United Nations Operation in the Congo. He reported, as the Mexican delegation had already done in the general discussion, that his Government had paid its arrears from 1971, and explained that the delay had been due to the parliamentary procedures of his country.

12. Mr. SILVEIRA DA MOTA (Brazil) said that he would vote in favour of the financial report on the accounts of the United Nations, with reservations concerning the sum of about \$8.5 million for amortization of the United Nations bond issue. Brazil considered that the financing of the bonds should be based not on the scale of assessments established for the regular budget, but on a special scale of assessments to take account of the interests of the developing countries.

13. Mr. KALINOWSKI (Poland) said he wished to reaffirm Poland's opposition to the allocation of funds to the bond issue, the United Nations Commission for the Unification and Rehabilitation of Korea, and the United Nations Memorial Cemetery in Korea. Poland had strongly objected to the inclusion of those appropriations when the budget estimates for 1972 had been discussed; they should be removed from the regular budget as soon as possible, since they were in violation of the Charter and were aggravating the financial difficulties of the Organization.

14. Mr. DUMA (Romania) said he wished to reiterate the reservations his delegation had expressed during the examination of the budget estimates, regarding sections 17 and 20. The items concerned were contrary to the Charter and should be deleted from the United Nations budget.

15. Mr. RODRIGUEZ (Cuba) said he would vote against those parts of the report concerning credits to finance the United Nations bond issue, the United Nations Memorial Cemetery in Korea, and the so-called United Nations Commission for the Unification and Rehabilitation of Korea. Those items should be deleted from the budget because they were in violation of the Charter, and represented merely the private interests of the United States Government in intervening in the internal affairs of other peoples.

16. Mr. SAFRONCHUK (Union of Soviet Socialist Republics) said his delegation wished to confirm its position of principle concerning certain items included in the 1971 budget. During the discussion on the budget

estimates for 1971, the Soviet Union had expressly opposed appropriations for operations undertaken in violation of the Charter and had voted against the appropriations for the so-called United Nations Commission for the Unification and Rehabilitation of Korea, the United Nations Memorial Cemetery in Korea, certain so-called peace-keeping operations and the costs of amortizing the United Nations bond issue. The Soviet Union would accordingly vote against the relevant parts of the financial report and accounts for 1971 and of the report of the Board of Auditors.

17. Mr. BARG (Libyan Arab Republic) said his delegation would vote to accept the financial report and accounts for 1971, but with some reservations concerning the articles relating to the United Nations Commission for the Unification and Rehabilitation of Korea and the United Nations Memorial Cemetery in Korea.

18. Mr. TYSON (United States of America) said that his delegation was much concerned over many of the accounting procedures and practices mentioned by the Board of Auditors, which called for immediate action. They included the failure to ensure that all bank accounts were reconciled monthly, the weakness in internal and accounting controls relating to the new building in Geneva, and the inadequacy for management purposes of many of the Organization's financial presentations. However, there was obviously a long period between the initial preparations of an audit report and its final publication and the situation might by now be much better than the Board's report indicated. The Fifth Committee really needed a report on the efforts by the auditors and the Secretary-General to reach agreement concerning the facts given in the audit report and the steps that should be or had been taken to eliminate deficiencies. The Committee needed to know on what issues the two parties had and had not reached agreement.

19. Two important issues deserved special attention. The first was the Board's recommendation that organizational units of the United Nations should produce meaningful financial reports, which should be acted on speedily. The second was that the Committee should have details of follow-up action in each case of reported weakness in accounting systems and procedures, so that it had full information regarding all lapses in proper management control. In order properly to deal with those two issues, the Committee needed information about the items of the report that still remained unresolved.

20. Mr. ZIEHL (Acting Head, Office of Financial Services) said he would give an account of the present situation regarding what the United States representative and the Board of Auditors had referred to as accounting weaknesses.

21. With regard to the verification and reconciliation of bank accounts not completed when the audit report was made, he said that all the United Nations Headquarters accounts had now been verified and were in good order. Unfortunately the same was not true of some other accounts in different parts of the world.

All possible methods had been tried to obtain prompt verification of those accounts. A standing instruction had been issued that a verification should be sent by 31 December, but there had been little result. If the United Nations wanted payments made in the areas concerned, it was not possible to use the threat of withdrawing the accounts. Progressively more severe follow-up letters had achieved little. The Advisory Committee had suggested working through the resident representatives and that was already being done. But despite all efforts by the Secretariat and the Board of Auditors there had not been much success in obtaining prompt verification of bank accounts.

22. Regarding the monthly reconciliation of all accounts, the United Nations did not have the manpower required; there was no basic disagreement with the auditors; merely a small problem to resolve.

23. With respect to criticisms of the construction accounts in Geneva, the Board of Auditors had suggested the preparation of a contracts ledger and the problem was merely how that could be reflected in the accounts and reconciled with the general ledger. The Secretariat had taken action on what appeared to be the soundest possible basis in the light of the constantly changing situation involved in a construction project.

24. The United Nations needed a programme to ensure a regular monthly flow of accounting data to serve the managers. It was doubtful that the Organization had yet found the best method of financial accounting to provide a proper understanding for all the parties concerned. It was not yet clear whether or not consolidation of certain accounts would be possible. Considerable manpower was invested in the change-over to programme budgeting and it would be wasteful to invest additional manpower in the existing system, which would have to be fitted in with the programme budgeting system.

25. Some matters of detail were under discussion with the Board of Auditors and agreement had been reached with them on some points. The collection of receivables from two delegations referred to in paragraph 27 of the report of the Board of Auditors related to the loss of an aircraft of the United Nations Military Observer Group in India and Pakistan, and was being followed up. The question of the insurance of the Headquarters complex in New York, mentioned in paragraph 28, involved a difficult study that had been begun before the Board of Auditors' report was published. A change in the insurance had been made in July 1972; the insurance value was now estimated as \$131.2 million, and the insurance maximum, giving 80 per cent coverage, was \$105 million. The Headquarters buildings were now insured for that sum, at an annual premium of \$75,000. As to the depletion of the Working Capital Fund, the Secretariat was aware of the problem, and was taking action.

26. Mr. HENDERSON (Chairman of the Board of Auditors) said the report of the Board was factual and described the state of affairs found in the existing

records of the Organization. The United States representative had rightly drawn attention to the weakness in internal control; there were such weaknesses, as set forth in the Board's report, and they should be remedied. That report reflected a much more detailed report given to the Administration, which had been thoroughly and constructively discussed by the auditors with the Secretary-General, the Acting Head of the Office of Financial Services, and at many other levels of the Secretariat, and finally with the Advisory Committee. For the first time the Advisory Committee had dealt with the details underlying the report, and an excellent summary of the problems was given in the Advisory Committee's report. A few days earlier the Acting Head, Office of Financial Services had provided very full answers concerning the points raised in the report and the groundwork had been laid for a continuing dialogue with the Administration, which would be fruitful for both parties. In such a large Organization as the United Nations, it would be too much to expect error-free reports, but the recent developments he had referred to were most encouraging to the Board of Auditors.

27. Mr. JAIN (India) said that he would vote for the adoption of the financial report and accounts and the report of the Board of Auditors, but wished to express reservations concerning the bond issue and the two Korean items. He would abstain from voting on those parts of the reports for reasons that had been given on a number of previous occasions.

28. Mr. ARBOLEDA (Colombia) said that his delegation wished to thank the auditors for the magnificent technical work they had accomplished and for the quality and importance of their recommendations. By approving the accounts unanimously, the Fifth Committee would demonstrate its confidence in the auditors. It was gratifying to learn that the Secretariat would pay serious attention to the important recommendations submitted by the Board of Auditors, which had been endorsed, almost in their entirety, by the Advisory Committee. His delegation wished to pay a tribute to the auditors, whose dedication to duty and whose experience were guarantees of the smooth functioning of the Organization so far as its accounts were concerned.

29. Mr. DE PRAT GAY (Argentina) said that his delegation wished to lodge a formal complaint about the lateness with which the financial report and accounts of the United Nations had been submitted to delegations. The auditors' letter of transmittal was dated 19 June 1972, yet his delegation, which attached exceptional importance to the accounts, had not received them until 18 October 1972. If delegations were to exert proper control over the affairs of the United Nations, it was essential that they should receive the report of the Board of Auditors in good time. His delegation realized that a considerable amount of time was needed to translate the report into all United Nations languages and have it printed. It wished to suggest, therefore, that in future a rough draft of the auditors' report should be circulated to delegations in sufficient time to enable them to study it properly.

30. The CHAIRMAN said that the concern of the Argentinian and other delegations about the late distribution of the auditors' report would be reflected in the summary records as would delegations' reservations on certain parts of the report.

31. The CHAIRMAN proposed that the Committee should recommend that the General Assembly should adopt the draft resolution which he read out.

*The draft resolution was adopted without objection.<sup>2</sup>*

**(b) United Nations Development Programme (A/8707/Add.1; A/8810, paras. 11-16)**

*[See also paragraphs 1 and 2 above.]*

32. Mr. OLVER (Assistant Administrator, Bureau of Administration and Finance, United Nations Development Programme) said he wished to dispel any impression that some hidden struggle was taking place over the UNDP accounts. That was not so; UNDP was merely concerned with doing a more effective job. There was full co-operation between UNDP and the Advisory Committee for Administrative and Budgetary Questions. The new arrangements for the UNDP accounts to be maintained by UNDP would be discussed by the Administrator with the Advisory Committee at the UNDP hearings in a few weeks' time, and there would then be a technical report to the Governing Council.

33. Some new factors had emerged that were having a profound effect. The new Administrator was renowned not only for his managerial skill, but also as a distinguished banker, accustomed to prompt, correct and full financial data. He took his accountability for UNDP activities very seriously and was deeply involved in the financial aspects.

34. Neither the Board of Auditors nor UNDP were challenging the management capacity of the United Nations Secretariat. The comments of the Board of Auditors (A/8707/Add.1, part II) made it clear that problems had arisen because of the nature of the system; they were inevitable where two large offices were doing related work and trying to keep each other constantly informed.

35. There had been radical changes in UNDP, and new programming and financial measures had led to changes in methods of operation. It was important that as the changes were made, the accounts and financial operations should be integrated into the new system. Under the new system of indicative planning figures and country programming, greater authority was delegated to field operations, and it was necessary to produce all sorts of financial data fully and quickly. All the countries were keeping a close watch on the country programming in order to establish what projects could be planned for the next phase.

36. Mr. RHODES (Chairman of the Advisory Committee on Administrative and Budgetary Questions)

<sup>2</sup> Text subsequently adopted by the General Assembly (resolution 2912 A (XXVII)).



said he would like to be sure that the Advisory Committee would not be faced with a *fait accompli* later in the year; he was not fully reassured on that point. If the new separate accounting arrangements were to be introduced on 1 January 1973, as the Acting Head, Office of Financial Services, had stated, he did not see how the Advisory Committee and the Governing Council of UNDP could be consulted, as they would not meet until after that date.

37. Mr. GARRIDO (Philippines) said that in 1971 his delegation had expressed the view that UNDP was capable of assuming responsibility for all its own accounts and financial statements and records, and UNDP had appeared willing and able to take on the task. He agreed with the view in paragraph 9 of the report of the Board of Auditors (*ibid.*) that the Administrator should have full responsibility for the use of funds and for accounting control of UNDP, but he hoped that UNDP would take note of the comments of the Chairman of the Advisory Committee.

38. He supported the recommendation in paragraph 17 of the same report that small management teams should be used to evaluate projects. His delegation accepted the certification by the Board of Auditors of the UNDP accounts.

39. Miss FORCIGNANÒ (Italy) asked what was represented by the unidentified deposits, referred to in paragraph 20 of the report of the Board of Auditors, amounting to \$3.1 million.

40. Mr. HENDERSON (Chairman of the Board of Auditors) said that the \$3.1 million of unidentified deposits represented money coming into the bank account, the source of which was uncertain. If financial accounts and statements were to be properly prepared, the source of receipts must be known. The auditors had suggested remedial action and had stressed that missing bank statements should be requested without delay and that bank accounts should be reconciled every month and the reconciliation approved by a senior officer. They had also recommended that the resident representatives should maintain close contact with local banks and advise the head office immediately of large bank deposits. It was in order to encompass that type of difficulty that the Board of Auditors, in paragraph 9 of its report, had made the recommendations on the accountability of the Administrator. The bank accounts were maintained by United Nations Headquarters, not UNDP. If they had been maintained by UNDP, the sources of the deposits might have been more readily identified.

41. Miss FORCIGNANÒ (Italy) said that her delegation hoped that the auditors' recommendations would be put into effect in 1973.

42. The CHAIRMAN proposed that the Committee should recommend that the General Assembly should adopt the draft resolution which he read out.

*The draft resolution was adopted without objection.*<sup>3</sup>

<sup>3</sup> *Idem* (resolution 2912 B (XXVII)).

## AGENDA ITEM 73

**Budget estimates for the financial year 1973 (continued)** (A/8706, A/8708 and Corr.1 and Add.1, A/8739, A/8748, A/8811, A/8840 and Add.1, A/C.5/1429 and Corr.1 and 2, A/C.5/1430, A/C.5/1431, A/C.5/1436, A/C.5/1440, A/C.5/1442-1446, A/C.5/1449, A/C.5/1452, A/C.5/1453, A/C.5/L.1080, A/C.5/XXVII/CRP.2, A/C.5/XXVII/CRP.3 and Corr.1, E/5186/Rev.1)

**Form of presentation of the United Nations budget and duration of the budget cycle (continued)** (A/8739, A/C.5/1429 and Corr.1 and 2, A/C.5/1440, A/C.5/1453, A/C.5/L.1080, A/C.5/XXVII/CRP.3 and Corr.1, E/5186/Rev.1)

43. Mr. JAIN (India) said that the introduction of a fully integrated management system for medium-term planning, programming, performance evaluation and budget preparation had engaged the attention of the General Assembly and the Economic and Social Council and its subsidiary bodies for a number of years. Problems related to the introduction of a comprehensive system of programme budgeting had been analysed in considerable detail and it should be possible for the General Assembly to take a decision in principle on the question at its current session.

44. His delegation did not look upon the new form of budget presentation as a mere change in the format of the budget but as a change in methods and objectives. It had long been felt that existing budgeting procedures were inadequate and should be replaced by a more positive budgetary approach to resource management and a more rational over-view of the activities of the United Nations. That argument had gained strength as the United Nations had moved into new fields, particularly in the matter of economic and social development. In that connexion, his delegation agreed with the United Kingdom delegation that the proposed change should be more than a mere cosmetic alteration of the layout and method of presentation of budget documentation. The change to programme budgeting would mark a departure from concentration on object of expenditure or inputs and lay stress on organizational units and their objectives and/or outputs. At the twelfth session of the Committee for Programme and Co-ordination, in June 1972, his delegation had pointed out that financial management was a circular process, going from programme formulation to implementation to evaluation and eventually the setting of new programme objectives and policies. Each stage in the process was significant. Although the Secretariat proposed to concentrate on the first stage only for the time being, it was important not to lose sight of the other equally important stages.

45. It must be recognized that in the change-over to the new format, a number of significant problems of transition were bound to arise. The very fact that it was not proposed that a fully integrated system of programme budgeting should be introduced immediately showed an awareness of the technical and psychological difficulties that would arise. Some problems of transition had also been indicated by the Advisory

Committee on Administrative and Budgetary Questions when, in paragraph 11 of its report (A/8739), it had recommended changes in the Secretary-General's time-table. Furthermore, institutional arrangements for effective implementation of a programme budgeting system would have to be very carefully worked out. Centralized and co-ordinated decision-making at the intergovernmental level, particularly on matters pertaining to economic and social development, was of fundamental importance. The Secretariat, too, would have to be oriented to the new concept and adopt new procedures if it was to provide effective assistance to programme-formulating bodies. Lastly, the change-over to the new format would give rise to questions concerning the duration of the budget cycle. Those problems notwithstanding, the change should be made if it would lead to significant improvement.

46. In previous discussions on the subject, his delegation had stressed the positive implications of a shift in emphasis from inputs to outputs. By relating resources to objectives, a programme budget facilitated judgements regarding the general functioning of a department and its resources. It might also provide a better idea of what could be achieved by spending a given amount on a particular activity and so help to emphasize the advantage of allocating available resources to one activity rather than another. By specifying achievements as well as inputs, it allowed retrospective scrutiny to cover both instead of being confined to determining whether the expenditure had been well planned.

47. Nevertheless, while it could help in those ways, a programme budget would not *per se* automatically ensure that it was used effectively or that the various questions it posed were examined. It was for that reason that a programme review procedure had been proposed. Review and evaluation were essential for the success of the new system. In that connexion, his delegation felt that since the proposal related to management, the necessary management information could have been more fully spelt out in the reports prepared by the Secretariat. The type of management information required would differ with each phase of the process, and if worked out in advance would assist re-orientation of the staff to the new concept.

48. It had been pointed out in CPC that programme budgeting was neither a means of enlarging programmes and objectives nor a device to reduce them; it was a tool to assist decision-makers in the more rational allocation of resources. In principle, therefore, the proposed new system was economically neutral since it was only a method of analysis which would make it easier to state how objectives would be related to resources, how the same objectives could be achieved by alternative methods or how the same resources could be used to achieve different objectives. Obviously, the objectives must be established independently of the system. In case of doubt or conflict, the Secretariat would not be in a position to determine objectives or to choose between them. In the context of the United Nations, only an intergovernmental body should decide the objectives to be pursued by the

system. Indeed, at the twelfth session of CPC there had seemed to be agreement that there was a need for an intergovernmental body. The Secretary-General, too, felt that co-ordinated and consistent guidance by Member States on objectives and priorities would be essential to the success of the proposed new system, and he had indicated the need for concrete action which would concentrate the authority to determine and approve programme and budgetary matters in as few intergovernmental organs as possible, ideally in a single body. The Indian delegation felt that it might not be necessary to establish yet another intergovernmental body. The task could well be assigned to an existing body, such as CPC. It was to be hoped that the matter would be considered carefully in April 1973 at the meeting of the intergovernmental group established by the Economic and Social Council, under its resolution 1730 (LIII), to review the terms of reference of subsidiary bodies of the Council.

49. It was useful to stress the objectives of programme budgeting, not merely its cost. Given inflation and the persistent increase in the cost of living, more expenditure was required, in monetary terms, from year to year to achieve the same level of activity. The existing system of budgeting had tended to obscure the monetary and real aspects of expenditure. His delegation therefore welcomed the fact that the new system would provide a clear distinction between expenditure designed to sustain a higher level of activity and expenditure intended to offset increased costs. That was a salutary approach to budgeting in the context of the goals set for the Second United Nations Development Decade. Acceptance of those goals, which were to be attained over a 10-year period, would require acceptance of the expenditure involved over the same 10-year period. Since that concept was substantially different from those currently governing budgetary expenditure, the personnel implementing the new system of programme budgeting would have to be properly trained and prepared.

50. The representative of Brazil had pointed out that the introduction of a biennial budget cycle need not necessarily be a prerequisite for the adoption of programme budgeting. Since it was not proposed that a fully integrated system of programme budgeting should be introduced immediately, it was necessary to consider whether there was any need to introduce a biennial cycle from the beginning. His delegation shared some of the concern expressed by the Brazilian delegation regarding the biennial cycle. A medium-term budget might not be practicable for the United Nations if some important donor countries continued to have an annual budget cycle. Furthermore, since much of the activity of the United Nations was crisis-oriented and could not be programmed in advance, it was not susceptible to the constraints of a time cycle. Accordingly, it might not be prudent to rush into a decision on the budget cycle at the present stage. The Secretary-General had said that the techniques for medium-term planning, programming and control and evaluation were to be progressively developed over a period of time and could only be refined with experience in programme budgeting. In the circumstances, it seemed unnecessary to adopt a biennial cycle only because

it had been linked to programme budgeting in previous discussions on the matter. Experience gained from the phased introduction of programme budgeting would put the Organization in a better position to take a realistic decision. If for any reason it was thought that the biennial cycle should be tried out from the beginning, it should be introduced on a purely experimental basis, since in any case the whole programme, in its introductory phases, would be on an experimental basis. What was being adopted was the system of programme budgeting in principle; the techniques to facilitate its fully integrated introduction would be left to develop and grow.

51. Programme budgeting was a technical innovation. It would, however, be a mistake to assume that the technical innovation implied only a change in the form of presenting the United Nations budget. It should be clearly realized that in the new system there would be a difference in emphasis. There would be a difference in objectives and the consequences of the change would be to bring about a meaningful shift towards a new system which would create and condition a new form of work and endeavour. The new form actually represented the first budget system designed to accommodate the multiple factors of budgeting. All budgetary systems had many aims and necessarily included planning, management and control processes. Unfortunately, the emphasis given to the three functions had hitherto been somewhat uneven. It must be clear, however, that while the control function was important, management and planning were equally important and their neglect would result in a neglect of fundamental tasks and duties. In short, what was being aimed at was the introduction of a comprehensive yet precise and fully integrated management system for medium-term planning, programming and performance evaluation.

52. In conclusion, he said that the introduction of budgetary reforms should not be viewed in isolation from the financial crisis confronting the Organization. A programme-oriented budget would not succeed if the programmes could not be implemented for lack of funds.

53. Mr. YEREMENKO (Ukrainian Soviet Socialist Republic) said that on the whole his delegation adopted a positive approach to the Secretary-General's report (A/C.5/1429 and Corr.1 and 2). Also, as its representative had stated in the general discussion, his delegation could accept the main recommendations in the Advisory Committee's report (A/8739). The question under consideration was a complicated one and it was understandable that delegations wanted a clear definition of the changes the Committee was being called upon to approve. His delegation was grateful to the Secretariat for the clarifications it had given in reply to questions put during the debate.

54. In previous discussions on the question, including those at the twelfth session of CPC, a number of delega-

tions had objected to certain suggestions in the Secretary-General's report, particularly those relating to the establishment of a planning, programming and evaluation service and of a high-level programme and budget review committee. In the opinion of his delegation, those objections had been justified. The Secretariat had amended some of its suggestions as reference to document A/C.5/1429/Corr.2 would show. As a result of that corrigendum, the Secretary-General's proposals were clearer; however, some doubts still persisted. His delegation was not convinced, for instance, that establishment of a special planning, programming and evaluation group was justified. Adoption of the suggestion would entail an increase in staff and there would be considerable financial implications. The administrative and financial services should arrange for the work to be done with existing staff. The arrangement of periodic meetings of the heads of the principal units of the Secretariat responsible for programmes in the economic, social and human rights fields was a matter falling within the competence of the Secretary-General and did not require General Assembly approval. His delegation would, however, prefer that the words "participants would take the following factors into account" in paragraph 22 (b) of document A/C.5/1429/Corr.2 should read "participants will proceed from".

55. His delegation also had reservations about recommendation 13 in paragraph 69 of the Advisory Committee's report since, despite the reservations mentioned in section V of that report, it was nowhere clearly stated that the Secretariat must only perform the functions of an executing body, programme formulation and interpretation being the prerogative of intergovernmental bodies.

56. His delegation was opposed to supplementary estimates because it felt that all unforeseen expenses should be met by making economies under other headings in the budget and also by reassessing priorities.

57. With regard to a decision on the item under consideration, his delegation welcomed the Austrian initiative in preparing draft resolution A/C.5/L.1080 and looked forward to receiving the amended text.

58. In conclusion, he said that while his delegation supported the new form of presentation of the budget and the introduction of a biennial budget cycle, it had considered it necessary to express those reservations.

59. His delegation expected that the adoption of the proposed new form of presentation of the United Nations budget and the introduction of the biennial budget cycle would lead to a more effective utilization of the resources which Member States were able and willing to put at the disposal of the Organization, and would ensure more effective control by the legislative organs over the utilization of those resources.

*The meeting rose at 1 p.m.*