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SUMMARY RECORD OF THE 5th MEETING

Chairman:

Mr. MUNTASSER

(Libyan Arab Jamahiriya)

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

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The meeting was called to order at 10.35 a.m.

AGENDA ITEM 107: PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1992-1993
(A/46/3, A/46/6/Rev.1, A/46/7)

AGENDA ITEM 108: PROGRAMME PLANNING (A/46/16 and Add.1, A/46/173 and
A/46/330)

Address by the Secretary-General

1. The SECRETARY-GENERAL, introducing the proposed programme budget for the biennium 1992-1993 (A/46/6/Rev.1), said that he would be remiss in his duty as Chief Administrative Officer of the United Nations if he did not also refer to the extremely serious financial crisis which the United Nations was again facing. The financing of the programme budget was, after all, a prerequisite for its implementation. In adopting it, Member States clearly established their responsibility to provide a means for its implementation.

2. The programme budget for 1990-1991 had been adopted by consensus, and Member States had pledged to pay their contributions in full and on time as part of the reform process initiated by the General Assembly in resolution 41/213. However, as of 1 October 1991, unpaid assessments to the regular budget totalled \$723.5 million, or over three quarters of the \$962.7 million due for 1991. Of the amount unpaid, \$389.9 million related to 1991 and \$333.6 million to prior years. In other words, just a little more than half of the 1991 assessment had been received by the beginning of the last quarter of the year, and the arrears from previous years were equivalent to three months' expenditure.

3. The Financial Rules and Regulations of the United Nations called for the payment of assessments in full within 30 days of receipt of notice. If the Rules and Regulations were not adequate, an alternative framework for the sound financial planning of United Nations activities should be worked out. Fortunately, 15 Member States had paid some \$195 million since 1 October 1991; United Nations cash requirements for the regular budget were thus covered until close to the end of November. That did not, however, in any way obviate the need to find a permanent solution to the timely payment of assessments, both towards the regular budget and towards peace-keeping activities.

4. In making the budgetary proposals now before the Committee, he had been particularly conscious of the need to produce a programme budget that could command the full support of Governments, in a spirit of consensus. He trusted that the Committee would work towards the adoption of a consensus programme budget.

5. In view of the fact that additional responsibilities were frequently placed upon the Organization during the course of a biennium - responsibilities which Member States often expected the Secretary-General to carry out within existing resources - he considered it especially important to

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ensure that adequate budgetary provisions were made for the biennium 1992-1993 so that the Organization could indeed implement effectively the programmes mandated by the General Assembly.

6. The biennium 1992-1993 would be the first period covered by the new medium-term plan for the period 1992-1997. In formulating his budget proposals for the biennium, he had paid particular attention to the five broad priorities that should guide the work of the Organization during those two years, namely, the maintenance of international peace and security, the economic development of developing countries, the economic recovery and development of Africa, the environment, and international drug control. Regarding the priority for Africa, the Committee should note that proposals had been made for the implementation of a new programme on Africa, focusing on its critical economic situation, recovery and development.

7. His budget proposals had been formulated after a thorough process of internal review, bearing in mind the constrained budgetary parameters within which Member States expected the Organization to function. The resources requested were the minimum required to implement the proposed programmes. While decisions regarding the overall level of the budget were the prerogative of the Member States, it was his duty to bring to the attention of the Committee what he perceived as the likely consequences for effective programme delivery if a severely reduced budget was adopted. His representatives would be available to explain fully the basis of those proposals to the Committee as it considered each budget section.

8. As the division between East and West ended, immense possibilities were opening up for the United Nations to play a more dynamic and active role, not least in the area of preventive diplomacy, a matter to which he had referred in some detail in his annual report (A/46/1). Such a role would require a programme budget which afforded the Secretary-General some flexibility to meet the new demands placed on the Organization. In recognition of that fact and in the interests of maintaining overall budgetary restraint, he had proposed a modest increase of 0.9 per cent.

9. As he had stated on many occasions, reform of the Organization must be a continuing process, subject to constant review, in order to ensure that the Organization remained capable of attaining the objectives for which it had been established. In considering the reports before it, it was important that the Committee should not pursue reform as an end in itself or purely as a means of cost-saving. It was particularly critical to avoid such an approach at the present time, when the Secretariat was being required to undertake several large-scale operations that required trained professionals and managers in the immediate aftermath of substantial staff reductions.

10. In that connection, he wished to stress his enduring satisfaction that the staff of the Organization had consistently responded effectively to challenge and had shown exemplary dedication, talent and adaptability, even under the most difficult circumstances.

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11. The Committee's agenda was a heavy one. In addition to the proposed programme budget for 1992-1993, it would be considering a number of other major financial items, not least that relating to the scale of assessments. On the personnel side, there were several items that affected not only the Secretariat but also the entire United Nations common system. He would follow the progress of the Committee's work with great interest, and he wished it all success in its deliberations.

12. Mr. MSELLE (Chairman, Advisory Committee on Administrative and Budgetary Questions) said that the Fifth Committee should give high priority in 1991 to the question of the financial crisis of the United Nations. The time had come for all Member States to work together and in their own Governments to determine whether there was anything else the United Nations should be required to do so that it could receive full payments on time from all Member States. At the height of the most recent financial crisis in 1986, it had been said that the problem involved decision-making and a lack of confidence in the United Nations. Subsequent developments had shown that that claim was no longer valid. At the forty-fourth session of the General Assembly, every decision involving the budget had been accepted without a vote. Furthermore, extensive use was being made of the United Nations to solve international conflicts through the establishment of peace-keeping operations and recourse to the good offices of the Secretary-General at an unprecedented rate. Paradoxically, the payment pattern of Member States had actually worsened.

13. Assessments relating to the budgets of the United Nations were binding on all Member States once there was agreement on the programmes to be implemented. The cost of United Nations activities was very much less than that of comparable operations at the national level. No country, big or small, should place itself in a situation where it could be criticized for calling for expensive programmes and activities for which it could not pay in full and on time.

14. The practice of borrowing from other funds had created the impression that there was no crisis and that it was business as usual at the United Nations. Such was not the case. It might be useful for the Secretariat to inform Member States of the full effect of late payments on the implementation of programmes and of the adverse effect of temporary borrowing on the activities for which the borrowed funds had been authorized.

15. The current, long-hoped-for improvement in the image of the United Nations would not last in a climate of financial instability. If the Secretary-General were to stop implementing a mandate pending receipt of contributions because there were no more funds from which to borrow, it would be tremendously damaging to the reputation of the United Nations. He did not believe that the membership of the United Nations should wait for that to happen.

16. Initial estimates for the regular budget amounted to \$2,362.9 million gross and \$1,960.7 million net. They reflected a nominal increase of

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10.7 per cent over the revised appropriations for 1990-1991 and a real increase of 0.9 per cent. About \$744 million had already been assessed on Member States for peace-keeping operations in 1990-1991; if voluntary contributions were included, the total already exceeded \$800 million. Extrabudgetary funds for technical cooperation programmes and other activities amounted to \$3,083.6 million, as compared to the \$2,547.5 million included in the initial estimates for 1990-1991 - an increase of about 21 per cent. On that basis, it was reasonable to conclude that, for the biennium 1992-1993 total United Nations resources to be made available for regular budget activities and extrabudgetary and peace-keeping operations were likely to exceed \$6 billion.

17. Total staff costs under the regular budget were estimated at \$1,482.1 million. Excluding peace-keeping operations, the combined regular budget and extrabudgetary estimate for staff costs was \$2,015.5 million. A total of 10,129 posts were proposed for the regular budget - a net increase of 81 posts over the 1990-1991 authorization. For extrabudgetary activities, the preliminary estimate was 4,076 posts. With respect to peace-keeping operations and related services, about 14,000 positions for military personnel, military support services, observers and civilian police had already been estimated for current operations. The corresponding estimate for international and local staff was about 3,000 positions, for a combined total of roughly 17,000. As of 1 October 1991, the combined total of military and civilian encumbered positions was about 13,000.

18. The dramatic increase in United Nations activities had raised questions about the structure and management capacity of various Secretariat units. For example, information management and the provision of accurate and timely data was becoming an issue of serious concern to the Advisory Committee. The tremendous volume of activities was taxing to the limit current procedures, which were often manual, laborious and therefore inadequate. It was not surprising that errors had become more common in published reports. The Advisory Committee trusted that the current programmes of technological innovations in many Secretariat operations would increase productivity and efficiency.

19. As mentioned in paragraph 85 of the report of the Advisory Committee (A/46/7), the rapid expansion of United Nations activities had made it necessary to prolong the sessions of certain committees and commissions, causing increasing difficulties for their members. The time had come to consider that problem, and the Secretariat had been requested to study the matter and to report to the General Assembly with such recommendations as might be appropriate.

20. The expansion of United Nations activities - in particular, peace-keeping and emergency operations - had led to questions about coordination, about structural reform and about how to deal with duplication and with the question of proper distribution of responsibility. Proposals had therefore been made for streamlining the Secretariat and for the establishment of new Secretariat

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structures. He hoped that those proposals would be debated openly and extensively and would be agreed upon by the Member States. It was important to avoid past mistakes. No amount of reshuffling of the various units of the Secretariat would have lasting value unless Member States acknowledged and addressed their own mistakes.

21. With respect to the proposed programme budget for the biennium 1992-1993, the Advisory Committee welcomed the modest changes that had been made to improve the budget document. It was less verbose and easier to read, although it was not always easy to understand. Nevertheless, the new structure corresponded more closely to the major programmes of the medium-term plan, and the calculation of inflation was now done after comparing proposed estimates with previous requirements at comparable prices. A great deal, however, remained to be done. The methodology needed extensive re-examination. It might now be time to limit, and in some cases abandon, the use of the concept of non-recurrent resources in calculating growth. It would also be a good idea to re-evaluate the adequacy of the current method of estimating personnel requirements by using posts, as well as the requirement that the General Assembly must approve all post reclassifications.

22. The Advisory Committee was particularly concerned about the management and control of funds for extrabudgetary activities, especially those which were not under legislative guidance. Schedule XIX of the interim accounts showed an expenditure of \$407 million in 1990 for general trust funds, the bulk of which was for emergency operations. Extrabudgetary funds were also having a growing impact on activities financed from the regular budget. Donor demands for reporting and accounting were placing a heavy administrative and management burden on Secretariat units, and the Secretariat was asked to ensure that donor requests for setting up new accounts were compatible with procedures laid down in the financial regulations. With respect to the Office of the United Nations High Commissioner for Refugees (UNHCR), the Advisory Committee had recommended consultations with donors in order to streamline reporting and reduce administrative costs. The Advisory Committee's review indicated several instances in which no consistent procedure was being followed to charge a fair share of support costs to extrabudgetary funds. To avoid adverse effects on the implementation of activities financed from the regular budget, it had requested the establishment of policy guidelines to ensure adequate reimbursement.

23. In order to avoid serious disagreement among Member States and unwarranted criticism of the Secretariat, it was necessary to reach agreement on the relationship between the budget and the outline. It was essential for all concerned to understand that, under the present budgetary procedure, the outline was not, in nominal terms, an absolute ceiling.

24. General Assembly resolution 41/213 had ushered in a new era of budgetary cooperation among all Member States that had culminated in the adoption of all budget proposals at the forty-fourth session without a vote. The recent actions of certain Member States vis-à-vis the Secretariat threatened to

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derail that cooperation and might thus have the effect of undermining the confidence of the majority of the members of the General Assembly. It would be best for all concerned not to revive old conflicts.

25. There had been recent suggestions that the Secretariat should be allowed greater flexibility in managing United Nations resources, for instance in the third paragraph on page 18 of the report of the Secretary-General on the work of the Organization (A/46/1) and in paragraphs 22 and 32 of the report of the Committee on Programme Coordination (A/46/16). To avoid widespread disagreement and confusion in implementing the budget, it was necessary for Member States to decide the extent to which additional flexibility should be granted and the procedures to be followed in redeploying funds already authorized by the General Assembly. Without specific guidelines, attempts by the Secretariat to reallocate funds appropriated for specific programmes and activities at the request of one group of Member States might meet with strenuous opposition from other Member States.

26. On the basis of its detailed examination, the Advisory Committee was recommending a reduction of \$43,382,100 in the expenditure estimates, of which \$2,152,700 was provisional. In percentage terms, that reduction amounted to about 1.7 per cent of the proposed estimates of expenditures. While he would, as usual, explain the recommendations in detail as each section was taken up by the Fifth Committee, he wished to explain in broad terms the position of the Advisory Committee. With regard to the proposed 0.9 per cent increase in the rate of real growth, it was the view of the Advisory Committee that, since the General Assembly had not yet adopted zero growth as a mandatory benchmark for United Nations budgets, it could not be guided by that concept. Also, while the recommended reductions might appear large in absolute numbers, in percentage terms they represented less than many of the Advisory Committee's previous recommendations.

27. The general reduction of \$13,343,900 reflected the Committee's view that there was no justification for including all savings related to past budgets in the initial proposals as was currently done. A similar recommendation had been made in connection with the budget for the biennium 1988-1989, when he had explained at length the shortcomings of the current methodology and assured representatives that the recommendation would not adversely affect the ability of the Secretariat to implement programmes. He wished to stress that, in that case, a saving of \$35 million had been realized in addition to the reduction of \$50 million adopted on the recommendation of the Advisory Committee.

28. The reduction of \$4,822,900 under temporary assistance was due to the recosting of certain requirements and was fully explained in paragraphs 56-58 of the Advisory Committee's report. The reductions under travel and printing and other reductions under various sections of the budget, totalling \$25,215,300, were based either on past programme performance or on the belief that fewer resources could be allocated without jeopardizing the activities concerned.

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29. The Advisory Committee had not applied the general recommendations to all the regional commissions or to section 24, Technical cooperation. He would explain that decision when those sections were discussed by the Fifth Committee. No one should read political or other motives into that or other recommendations of the Advisory Committee.

30. With respect to personnel matters, the Advisory Committee recommended a net increase of 63 posts, as compared to the 81 posts proposed by the Secretariat. Of the 60 proposed upward reclassifications and the 1 proposed downward reclassification, the Advisory Committee had recommended acceptance of all but 13.

31. Programme managers should not be concerned that the Advisory Committee's recommendations would adversely affect the implementation of programmes under their control. No instance could be given to substantiate such claims. Indeed, savings had always been realized at the end of a biennium regardless of the size of the reductions recommended by the Advisory Committee. Furthermore, since the budget was assessed annually on the basis of performance, there was nothing to prevent the Secretariat from indicating to the Advisory Committee that its assumptions were incorrect. Some delegations seemed to feel that more resources meant more productivity, but that was not always the case. Efficiency could lead to higher productivity with fewer resources.

32. He also cautioned against the argument that the Advisory Committee's recommendations would somehow affect the Organization's liquidity situation. As he had said in 1987, those Member States which had paid on time should not be overtaxed by over-budgeting in order to maximize cash flow. The Secretariat did not follow that procedure, but the liquidity argument would risk implying that that was one of its goals.

33. Rather than commenting on everything contained in the report of the Advisory Committee, he had concentrated on the financial situation because he believed it was time to come to grips with that question. The budget and programmes that were approved would be compromised if the pattern of payments did not improve.

34. The United Nations stood at a critical point in its history. Member States must be willing to back their high hopes for the Organization with prompt provision of the resources necessary to meet the challenges ahead. For its part, the Secretariat, and its leadership, which many believed was saddled with an unwieldy and cumbersome structure and methods of operation, must be willing to be bold, creative and actively engaged in the pursuit of administrative excellence, so that the Organization could be transformed into an effective and efficient instrument for positive change.

35. Ms. BITTENCOURT BERENQUER (Chairman of the Committee for Programme and Coordination), introducing the report of the Committee for Programme and Coordination (A/46/16 and Add.1) said that, in its review of the proposed

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programme budget for the biennium 1992-1993, the Committee for Programme and Coordination (CPC) had focused on programmatic content and the relationship between programmes and resources, which translated into capacity for programme implementation. For most sections of the budget, programmes of work had not been reviewed by the appropriate intergovernmental bodies, and, in that connection, CPC stressed the importance of such bodies fulfilling their mandated roles in coordination with the relevant Secretariat units. CPC had noted that the process of restructuring in the economic and social sectors might affect the proposed programme budget, which had been prepared within existing structures. It had also reaffirmed that the distribution of resources should enable the Organization to fulfil its objectives and respond to the demands of the international community, and that resource requirements should be in line with mandates, programmed activities and established priorities.

36. The proposed programme budget reflected a rate of growth of 0.9 per cent, in contrast to the zero rate of real growth indicated in the budget outline. CPC had not been able to determine the programmatic significance of the growth, given the methodological difficulties involved in comparing the budget and the outline, since one was based on initial appropriations and the other on revised estimates, but had recommended that the budget should reflect the premises on which the outline had been based and adopted. The General Assembly should consider overall resource requirements in the light of the activities to be implemented during the biennium.

37. Much of the 0.9 per cent growth was accounted for by the addition and reclassification of posts. CPC had had difficulty with some of the proposed changes in staffing tables, and with the explanation by the Secretariat that there was no linkage between the suppression of posts in some programmes and the creation of posts in others. Further refinement of the procedures used to evaluate the workloads of various Secretariat units was needed in order to establish objective criteria for evaluating changes in staffing. The General Assembly should designate appropriate bodies to develop more rational and transparent procedures, and report thereon at the forty-seventh session. In the meantime, CPC was recommending that the specific proposals put forward by the Secretary-General which resulted in changes in the staffing table under various sections of the budget should be considered in the light of the recommendations of ACABQ and the comments of CPC itself.

38. The proposed programme budget was the first to be based on broad sectoral priorities, in accordance with General Assembly resolution 41/213. The priorities which had been identified by CPC at its thirtieth session and endorsed in General Assembly resolution 45/255 were reflected in the increased resources proposed for programmes and sections falling within the scope of those priorities.

39. Only some of the priority subprogrammes under the medium-term plan had received increased resources. CPC had stressed the importance of priority-setting at the level of activities and outputs within programmes of

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the budget. That was of particular relevance for implementation of the budget and use of the contingency fund, since activities designated as low priority might be curtailed or terminated if additional expenditures under mandates not provided for in the proposed programme budget exceeded the level of the fund. Related to that was the lack of a precise indication, in most statements of programme budget implications, of alternative solutions for carrying out new activities should it prove impossible to finance the additional requirements from the contingency fund. Viable alternatives should be submitted in all statements of programme budget implications or revised estimates.

40. CPC had noted the changes in the structure of the budget, reflecting a closer correspondence with major programmes and with the programmes of the medium-term plan. Some long-standing deficiencies, however, remained, including a failure to indicate clearly the relationship between regular budget and extrabudgetary resources and the inclusion of activities pertaining to similar objectives under different budget sections. Accordingly, CPC had invited the Secretary-General to submit a prototype of a new budget format to the General Assembly at its forty-seventh session through ACABQ and CPC. The methodology used in the preparation of the budget should provide greater transparency regarding the relationship between the budget and the budget outline, the distinction between recurrent and non-recurrent expenditures, and the measurement of growth. CPC therefore recommended that the Secretary-General should convene an ad hoc technical seminar of experts with experience of budgeting in multilateral organizations to review those methodological questions before the next session of CPC.

41. The Committee would note that the Economic and Social Council, in its resolution 1991/67, had already approved the conclusions and recommendations of CPC.

42. While the situation concerning documentation had improved somewhat, the work of CPC had again been hampered by the late issuance of some documents. The timing and duration of CPC sessions, which had traditionally depended on the provision of additional conference services, should be carefully considered to enable it to fulfil adequately its mandate as a subsidiary body of both the General Assembly and the Economic and Social Council.

AGENDA ITEM 104: FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS (continued) (A/46/5 and Add.1, Add.3-5 and Add.7, A/46/298, 299, 404 and 510)

43. Mr. SPAANS (Netherlands), speaking on behalf of the Twelve States members of the European Community, said that the item before the Committee was particularly important in that the reports told Member States that their contributions were being used economically, efficiently and effectively. The Twelve strongly supported the increasing emphasis placed on comprehensive auditing as a means of strengthening financial management. The Board of Auditors should continue its practice of preparing interim reports focusing on management and administrative issues. The role of the Fifth Committee was to

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strengthen financial management at the organizations audited. Neither the Committee nor the Board should become involved in micromanagement of the organizations and programmes, responsibility for which lay with their respective administrations.

44. With regard to the Board's recommendations in general, it would be recalled that, in paragraph 22 of its resolution 45/235, the General Assembly recommended that future reports of the Board of Auditors should contain a summary of recommendations with an indication of relative urgency and a timetable for remedial action. The latter was of particular importance. In the same resolution (para. 13 (b)), the Assembly also called for consideration of a system of confidential reporting by staff members of any inappropriate use of United Nations resources. The Twelve would welcome information on progress made in establishing such a system.

45. Commenting on the interim study on accounting standards to be applied in the United Nations system (A/46/341), he said that the Twelve agreed that there was an urgent need to develop appropriate accounting standards for consistent application throughout the system.

46. The Twelve were pleased to note that the Board had given an unqualified audit opinion on UNRWA, UNHCR and UNITAR. They supported the recommendations concerning UNRWA, and welcomed the attention paid to management issues. They also noted, in particular, the Board's comments on the self-support project programme, as well as the recommendations that cash should be placed on higher-yielding deposits.

47. The Twelve were pleased to note the improvements in financial management at UNHCR, and supported the Board's recommendations thereon. They were also gratified that the financial statements of UNITAR warranted a positive audit opinion. Further to the Board's findings, UNHCR, UNRWA and UNITAR should submit a timetable for remedial action.

48. With regard to the interim reports submitted by the Board, the Twelve were concerned about the state of affairs in the Office for Project Services of UNDP. While noting that remedial steps were being taken, they considered that a solution to the problem lay in management improvements and not in a further expansion of the staff.

49. It was regrettable that the Board seemed unlikely to be able to give an unqualified audit opinion in respect of the UNDP financial statements for the biennium 1990-1991. It appeared that, under existing procedures, UNDP did not obtain financial statements from its executing agencies. UNDP must see to it that financial statements were duly submitted, and should provide the Fifth Committee with a timetable for remedial action. In that connection the Twelve noted decision 91/47 of the Governing Council of UNDP concerning compliance by Governments, in their capacity as executing agencies, with UNDP's audit requirements.

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50. Turning to the question of trust funds, he said that budgetary discipline, simplification and the standardization of procedures were the main rules that should be applied. The Twelve welcomed the comprehensive audit of the UNDP Economists for Africa Programme. With regard to UNFPA, the Committee should be given a timetable and plan of action for improving the situation concerning financial statements from executing agencies. The Twelve concurred with the Board's recommendations on the International Trade Centre (ITC), for which the most appropriate administrative system should be chosen.

51. The Twelve agreed with the findings of ACABQ in support of the conclusions and recommendations of the Board of Auditors (A/46/510), and noted the report of the Secretary-General on the question of unliquidated obligations (A/46/404). While the Twelve considered that strict adherence to the existing regulations and rules remained paramount, they could support the Secretary-General's recommendations in paragraph 12 of the latter report, provided that the General Assembly was satisfied that a valid charge remained against the resources of the previous biennium which required more than 12 months to liquidate. Nevertheless the Secretary-General should draft specific regulations concerning the way in which year-end obligations relating to expenditures on equipment and multi-year obligations should be dealt with. The matter could be discussed at the ad hoc technical seminar.

52. The note by the Secretary-General concerning implementation of previous recommendations of the Board (A/46/299) highlighted the need to describe or quantify clearly final outputs in the programme budget and the programme performance report. The Twelve entirely agreed with the Board's comments in paragraphs 8 to 12 of the Secretary-General's note. With regard to the Board's recommendation on UNICEF project planning (para. 42), the Board noted that the slight improvement recorded could not be attributed to specific measures undertaken by the UNICEF secretariat. The greatest caution was advisable in reallocating UNICEF funds from slow-moving projects to fast-moving ones. Finally, the Twelve were pleased to note that the UNICEF Executive Board had agreed to strengthen various administrative units, as recommended by the Board of Auditors.

53. Mr. THIRUNAGARAN (Singapore) said that the detailed work done by the Board of Auditors made the Committee's tasks easier and that his delegation could support the suggestions and recommendations made by the Advisory Committee. His delegation's comments on the item should be regarded as constructive rather than merely critical. The effectiveness of the organizations could be judged only by their financial reports, and the aim must be to ensure that they were able to discharge their functions effectively. Many of the audit reports highlighted disturbing insufficiencies which must not be allowed to continue.

54. His delegation was pleased to note that UNITAR had implemented some of the previous audit recommendations, even though some awaited the findings of the consultant. Except in extenuating circumstances, however, UNITAR must not incur expenditures unless there were funds available. The recommendations

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concerning UNDP projects executed by UNITAR and the establishment of an imprest account should therefore be implemented.

55. The financial irregularities in UNHCR were very worrying and must be addressed urgently, particularly by strengthening the management of cash resources. Emphasis must be given to the fundamentals of budget management, for if such irregularities continued Member States might doubt whether there were within the United Nations system adequate fiscal instruments for effective management of funds. Accountability and other management shortcomings had also been identified in UNDP. The Administration must take action to solve the problems, in particular by concluding binding standard agreements with its executing agencies. The issue of the allotment procedure and operating reserve in ITC turned on whether ITC had to comply with United Nations administrative instructions. His delegation agreed with the Advisory Committee that there was no justification for it not to do so. The Board's recommendation that headquarters supervisory functions should be strengthened in UNFPA warranted support, even though the Board's report was only an interim one.

56. Singapore was an active participant in the noble relief work performed by UNRWA and believed that more benefits would accrue to the Palestine refugees if the Agency's administrative and financial operations were improved. The Board had been unable to reconcile the accounts in respect of cash in banks and cash on hand or to clarify the discrepancies. The matter was sufficiently serious for the Committee to ask for an explanation from the Agency. The sum of \$US 20 million in cash held to meet unforeseen events was too large; as the Board recommended in paragraph 66 of its report, idle cash should be placed on higher-yielding time deposits. With regard to non-disclosure of information on the grounds of confidentiality, his delegation supported the ACABQ proposal that UNRWA should make full disclosure as required under the Financial Regulations. In that connection, it would be useful to know whether, when auditing an organization, the Board was issued with a letter of credence specifying that it must be given access to information classified as confidential.

57. The Board's reports raised the general question as to why there should be any abuse by United Nations organizations of the existing financial rules and whether the supervisory mechanisms were adequate and the internal auditing systems capable of detecting violations. In the new world atmosphere Member States were taking a fresh interest in the way the United Nations was organized. His delegation was ready to participate in overhauling the system, including the Secretariat, so that the Organization could respond efficiently to the new demands made on it. It was vital for the Secretariat to use its human and financial resources more efficiently in carrying out the new tasks assigned to it. The current reform efforts should give equal emphasis to overhauling financial and management procedures with a view, *inter alia*, to ensuring better budget discipline; otherwise the organizations could not do their work efficiently. Financial accountability to Member States was vital: the United Nations could not ask for more funds if existing funds were not properly managed.

58. Mr. KABIR (Bangladesh) said that the Board's reports were an important management tool but that the success of the exercise depended on the implementation of the recommendations by the organizations concerned. The Board was right to say that it was for the organizations to decide on the means of implementation. The note by the Secretary-General on the implementation of previous recommendations (A/46/299) indicated some progress, but many recommendations had still not been carried out.

59. His delegation was happy to note that the liquidity position of UNHCR showed a positive balance of \$US 124 million and a substantial rise in voluntary contributions. It was therefore dismayed to note that the level of disbursement for refugee assistance programmes had fallen. It endorsed the Board's recommendations concerning the correction of the administrative and financial irregularities and hoped that UNHCR would strengthen its capacity to supervise its executing agencies. It also endorsed the recommendations concerning adequate protection for UNHCR resources at field offices in countries where the political situation was violent.

60. His delegation was concerned about the deficits in the UNITAR accounts, which entailed repeated recourse to the General Fund, and about the decline in the number of donor countries and in income. The liquidity position of the General Fund must be improved. In contrast, the Special Purpose Grants Fund had a high liquidity position, and revenue from the idle cash should certainly be maximized by short-term investments. The recommendations concerning the incurring of expenditures should be implemented with respect both to UNITAR headquarters and to field offices.

61. It was regrettable that only 16 out of 33 executing agencies had signed a standard agreement with UNDP and that such agreements did not ensure full audit of UNDP funds or the provision of adequate information to UNDP or its external auditor. The stalemate in the negotiations on the standard agreement with two major executing agencies was also regrettable. However, agencies which did not sign an agreement should not be disqualified from executing UNDP projects. Urgent steps must be taken to correct the shortcomings identified by the Board in the Office for Project Services as well as those noted in the Economists for Africa Programme.

62. His delegation shared the concern of the Board and the Advisory Committee concerning the need to enter a qualified audit opinion of UNDP and UNFPA because of the late submission of information by the executing agencies. It hoped that that long-standing issue would soon be resolved.

63. Mr. TANG Guangting (China) welcomed the progress reported by the Secretary-General in the implementation of previous recommendations and expressed the hope that the administrations concerned would continue their efforts in that direction. It was, however, seriously concerned about the financial irregularities described in the audit reports.

64. The Board and the Advisory Committee were right to argue that the existing procedures in UNHCR for the management of cash resources at the field

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offices should be strengthened and that reporting procedures should be improved. It was puzzling that, more than a year after supplies valued at \$US 294,401 had allegedly been confiscated by a host country, UNHCR still did not know what had happened to them. Restitution must be sought and steps taken to improve UNHCR storage facilities. His delegation agreed with the Board that outstanding pledges should be disclosed in the UNRWA financial statements and that idle cash should be placed on higher-yielding time deposits.

65. There were some questionable practices in the financial management of UNITAR, and his delegation endorsed the recommendations of the Board and the Advisory Committee concerning the incurring of expenditures and the management and utilization of the Reserve Account. Action should likewise be taken to improve procedures for expenditures at the field offices.

66. The problems of UNDP with regard to agency accountability and administrative and management practices in the Office for Project Services were also a cause for concern. UNDP must quickly comply with the concept of full accountability, as outlined in resolution 2688 (XXV), and sign standard agreements with all its executing agencies. His delegation sympathized with the Office for Project Services over the problems caused by its heavy workload, but could not agree with the Board that the number of projects to be executed by the Office should therefore be strictly controlled. At a time when many developing countries were in dire need of assistance, the international community must intensify its efforts. The Office's workload problem should be tackled not by limiting the number of projects but by improving administrative and management efficiency, an area in which both the Board and ACABQ pointed to flaws. The workload could also be eased by tapping the potential of the executing agencies.

67. His delegation basically agreed with the opinions of the Board and ACABQ concerning UNFPA and ITC: UNFPA headquarters must strengthen its supervision of its field offices, and the confusion as to whether the United Nations administrative instructions applied to ITC must be quickly resolved.

68. The effectiveness of financial systems and the enforcement of the financial rules were important factors in evaluating an organization's management and its efficiency. Over the years, the audited organizations had made tremendous efforts for the economic development of the developing countries. They should seek to make a still greater contribution by further strengthening their management and coordination and by eliminating existing deficiencies.

69. Ms. ERIKSSON FOGH (Sweden), speaking on behalf of the five Nordic countries, stressed the importance they attached to the work of the Board of Auditors. The Board's reports gave Member States an indication as to whether their contributions to the various organizations were used in accordance with plans and budgets, and, now that the traditional auditing role had been expanded to include various managerial aspects, they gave them an impartial

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assessment not just of the financial state of affairs but of the efficiency of the organizations as well. For many delegations, that was the only practical way of gathering such information.

70. The Nordic delegations noted with satisfaction that the Board of Auditors continued to report the results of specific audits and to issue management letters containing detailed audit observations to the administrations concerned, a practice which they strongly endorsed. The Board of Auditors should not only note shortcomings but should also play an active role in managerial improvements, and a dialogue between the Board and the administrations contributed to that objective. In that context, the Nordic delegations expressed appreciation of the Board's interim reports on ITC (A/46/5), UNDP (A/46/5/Add.1) and UNFPA (A/46/5/Add.7), particularly the emphasis given to issues relating to economy, efficiency and effectiveness.

71. In general, the Nordic delegations endorsed the Board's observations and recommendations. As in previous years, they would support a request to the competent governing bodies to ensure that full consideration was given to the reports and that the executive heads concerned took appropriate action to comply with the recommendations.

72. In the report on UNRWA (A/46/5/Add.3), the Nordic delegations had noted the disagreement between the Board of Auditors and the Agency concerning a separation payment to a staff member. They strongly supported the Board's decision in the case and agreed that it could not be within the agency's discretion to exclude certain operations from external audit on grounds of confidentiality. The consequences would be unacceptable if an administration could exempt specific issues from auditing simply by referring to confidentiality. The International Organization of Supreme Audit Institutions (INTOSAI) had recommended that supreme audit institutions should have access to all records and documents relating to financial management and should be empowered to request any information they deemed necessary from the audited body. The Board's position, therefore, was in conformity with the recommendations of INTOSAI.

73. In the case of the report on voluntary funds administered by the United Nations High Commissioner for Refugees (A/46/5/Add.5), the Board had made an extensive review of project implementation, examining the causes of implementation delays, project extensions and the non-termination of projects by due dates. It was noted that delays in implementation arose principally from the untimely completion of relevant agreements and the difficulty of obtaining appropriate project personnel. In addition, the final narrative reports required from implementing partners were often not submitted on a timely basis. As a result, projects were not closed and UNHCR continued to maintain as outstanding obligations that should have been cancelled. The Nordic delegations concurred in the Board's recommendation that further measures should be taken to improve project implementation through the timely reporting of project activities.

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74. With regard to the interim report on ITC (A/45/5), the Nordic delegations noted that the question of whether the Centre must comply with United Nations administrative instructions had been raised in previous reports of the Board and was also dealt with in the Board's report on the implementation of its previous recommendations (A/46/299). In the Board's view, neither the Centre nor the United Nations Secretariat had made appropriate efforts to resolve the issue. That indecision impaired the Centre's internal control system and the Nordic delegations urged the parties involved to resolve the issue without further delay.

75. As major contributors to UNDP, the Nordic delegations were particularly concerned about accountability in the Programme. Most UNDP resources were entrusted to other United Nations organizations for the implementation of programme activities. Full accountability for the use of those resources could be maintained only if the executing agencies themselves were held accountable for the use of the resources entrusted to them. According to the Standard Basic Executing Agency Agreement (SBEAA) currently in use, all agencies were accountable for their execution of UNDP-financed projects. However, the audit reports provided did not convey sufficient information on whether funds had been spent with maximum efficiency and effectiveness. The Board of Auditors proposed, in its interim report (A/46/5/Add.1), that provision should be made in such Agreements for the mandate of the agency's external auditor to include an assessment of the efficiency and effectiveness of project implementation. All pertinent audit findings should then be submitted to UNDP and its external auditor. Although they were aware that extending the scope of an audit to performance appraisal would involve additional costs, the Nordic delegations supported the proposal on the grounds that the benefits to be derived would far outweigh the costs. Partly because of the incompatibility of reporting periods between the executing agencies and UNDP, reporting agencies were also not always as timely as could be hoped. The Administrator of UNDP should be urged to try to harmonize those processes. Another, and perhaps more serious, question was the quality of the audits received under the increasingly common arrangement whereby projects were nationally executed.

76. The Nordic delegations had studied with great interest the Board's report on the implementation of its previous recommendations (A/46/299). In paragraphs 8 to 12 of the report, the Board reported on the issue of performance reporting. There seemed to be no disagreement between the Board and the Secretariat concerning the need for comprehensive performance reporting. As pointed out by the Secretariat, and as fully understood by the Board of Auditors as well as by the Nordic delegations, there were difficulties involved in quantifying outputs in the programme budget and in the programme performance report, but quantification was the essence of programme budgeting and considerable effort must be made to that end. The Nordic delegations particularly stressed the need to include in the performance reports outputs funded totally or in part from extrabudgetary resources.

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77. Lastly, with regard to the Secretary-General's report on the question of unliquidated obligations (A/46/404), the Nordic delegations felt that the existing provisions in financial regulations 4.3 and 4.4 were already generous. They would, however, be prepared to recommend that the procedure currently applied to construction projects and the Integrated Management Information System should be extended to other specific projects, as proposed in paragraph 12, on condition that the projects were specifically identified as being of a multi-year nature. Appropriated funds should be placed in separate accounts, allowing unexpected balances to be carried forward into succeeding bienniums until the projects were completed. The Nordic delegations would also be prepared to support the proposal in paragraph 12 (b) whereby the Assembly could authorize the selective waiving of financial regulation 4.4.

78. Debates on the reports of the Board of Auditors tended to focus on shortcomings in the organizations under review. The Nordic delegations would therefore like to avail themselves of the opportunity to assure the staff of the organizations concerned that their work and devotion to their tasks was highly appreciated.

79. Mr. INOMATA (Japan) said that, in examining the reports of the Board of Auditors and the views expressed by the Advisory Committee, his delegation had noted the complete convergence of views of the two bodies. The only difference related to the Board's proposals regarding the establishment of an imprest account to be utilized to defray necessary expenditure on projects needing immediate implementation for which UNITAR had not yet received funds committed by donors. Only in that instance had the Advisory Committee refrained from endorsing the proposals of the Board, recommending instead that UNITAR and UNDP should review the matter, taking into account the Board's recommendations in paragraphs 43 to 45 of its report.

80. His delegation agreed with the Advisory Committee's cautious approach, which was consistent with the principle of not incurring expenditure prior to the receipt of allotment advice recently adopted by UNITAR as an amendment to its Statute. Since UNITAR currently operated on the basis of paid-in voluntary contributions and such other resources as might be available, voluntary contributions should be reported on a cash rather than an accrual basis. His delegation also hoped that, in reviewing the matter, UNITAR and UNDP would take into account the possible decision of the General Assembly on the findings and recommendations of the independent consultant appointed pursuant to General Assembly resolution 45/219 to report on the continued relevance of UNITAR's mandate and other issues referred to in paragraph 11 of the Advisory Committee's report (A/46/510).

81. With the exception of that issue, his delegation wished to emphasize the importance of implementing fully the Board's remaining recommendations, all supported by the Advisory Committee, which were addressed to the six agencies and programmes that had been audited in 1991. Certain recommendations merited the explicit backing of the General Assembly. For example, it was recommended

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that the Board should be given complete access to information on personnel management in UNRWA, a question referred to by the Advisory Committee in paragraphs 7 to 9 of its report. UNHCR should be requested to conduct an investigation to determine whether relief goods had actually been confiscated by a host country and, if so, seek appropriate restitution and take appropriate steps to plan for future storage facilities. Further, United Nations financial regulations and rules and administrative instructions should be applied to the International Trade Centre, since the case raised in the interim report obviously required urgent action. The submission of special reports between biennial audits was clearly justified. The principle of the full accountability of an executing agency for the resources entrusted to it by UNDP should be maintained by the conclusion of Standard Basic Executing Agency Agreements. The need for such Agreements was particularly urgent in the case of FAO and ILO, which were together responsible for approximately 25 per cent of all expenditures by executing agencies. Without such Agreements, they would be disqualified as executing agencies. A further recommendation was that the management capacity of the Office for Project Services should be redressed, as discussed in paragraphs 36 to 39 of the Board's interim report on UNDP, in which the auditors again pointed out that expenditures had exceeded allocations.

82. His delegation had read with dismay the long list of financial irregularities reported in connection with projects carried out by UNDP. It noted with regret many instances of mismanagement of cash resources in the field, of misappropriation of funds by staff, of theft and disappearance of non-expendable property and the looting of cash from UNHCR offices. There could be no doubt of the need to strengthen organizational arrangements and procedures for the management of cash resources. In that connection, he recalled the decision by the General Assembly at the previous session to request the Secretary-General to consider taking steps to facilitate the reporting by staff members on a confidential basis of any inappropriate use of the resources of a United Nations organization or programme and to report on the matter to the General Assembly at its forty-sixth session. He had also been requested to submit reports to the Assembly to assure Member States that there was in place a stringent system of inventory control on non-expendable property and that there were effective controls on the payment of allowances and benefits to staff. Those reports had not yet been received.

83. He recalled that, in addition to the stricter controls that had been called for, the General Assembly had requested the executive heads of United Nations organizations and programmes to enforce existing disciplinary measures with a view to enhancing accountability and budgetary discipline. Unfortunately, no such measures had been taken, despite repeated findings by the auditors of cases in which expenditures had exceeded the funds provided under allotment.

84. Lastly, his delegation urged the Board of Auditors to continue to produce special reports for the first year of each biennium for United Nations bodies audited on a biennial basis, if, in its opinion, there were matters that

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needed to be brought to the attention of their governing bodies and the General Assembly. In that respect, his delegation supported the view expressed by the Chairman of the Board of Auditors, particularly because such management concerns as economy, efficiency and effectiveness were often like to receive less consideration than they deserved. The arrangements proposed by the Board would ensure that the workload of the General Assembly and the governing bodies concerned in connection with audits was more evenly distributed over the first and second annual sessions in a biennium. Nevertheless, in order to avoid any misunderstanding, his delegation would recommend that the views of the Board submitted pursuant to paragraph 8 of General Assembly resolution 45/235 should be known as "special reports" rather than "interim reports", a term which suggested that the positions espoused were tentative or preliminary and might be corrected later in the biennial audit. The value of the reports submitted at the current session was obvious and the suggestion was intended merely to eliminate confusion.

85. With regard to the report by the Secretary-General on unliquidated obligations (A/46/404), he reserved the right of his delegation to revert to the matter when the report of the Advisory Committee was ready.

The meeting rose at 1 p.m.