



SUMMARY RECORD OF THE 5th MEETING

Chairman: Mr. AMNEUS (Sweden)

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

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18p.

The meeting was called to order at 10 a.m.

ORGANIZATION OF WORK

1. The CHAIRMAN announced that he had been informed by the President of the General Assembly that, at its 24th meeting, on 5 October 1987, the Assembly had decided, on the recommendation of the General Committee, to allocate a new sub-item to the Fifth Committee under agenda item 17, entitled "(g) Appointment of members of the International Civil Service Commission". The reason for including the new sub-item had been that two vacancies in the International Civil Service Commission had unexpectedly arisen.

AGENDA ITEM 113: FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS (continued) (A/42/5/Add.1-5 and Add.7, A/42/372, 399, 437, 438 and 579)

- (a) UNITED NATIONS DEVELOPMENT PROGRAMME (continued)
- (b) UNITED NATIONS CHILDREN'S FUND (continued)
- (c) UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST (continued)
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2. Ms. HAGA (Norway), speaking on behalf of the five Nordic countries, said that, at a time when the efficiency of the United Nations was very much under scrutiny, it was of particular importance that financial rules and regulations should be strictly complied with and that the improvement of financial procedures should be a continuing process. A clean audit opinion was important for the functioning of the Organization in general as well as for its reputation.

3. In view of the size of the Nordic countries' voluntary contributions, they were very concerned that money should be spent in the most efficient manner and that expenditures should be recorded correctly. The accounts of an organization, provided that they were sufficiently transparent, should give a fairly thorough picture of its activities. The Nordic countries valued the efforts of the Board of Auditors in that connection as such efforts made it easier to compare the accounts of different organizations. There might of course be differences in views between an organization and the auditors, but all organizations must clearly take criticism from the Board seriously and ensure a proper follow-up through their governing bodies, while listening closely to the recommendations of the Advisory Committee on Administrative and Budgetary Questions.

(Ms. Haga, Norway)

4. The Nordic countries found it unfortunate that, of the six reports of the Board of Auditors before the Committee, one contained a disclaimer while the opinion was qualified in others. It was particularly regrettable that the Board had not been able to express an opinion on the financial statement of UNICEF.
5. While UNICEF must have some flexibility, it could not operate in so loose a manner that its accounts lost transparency. Moreover, any flexibility arrangement must be founded on the prior acceptance of the Executive Board. UNICEF must do everything possible to meet the criticism of the Board of Auditors in order to maintain and solidify the confidence and public trust which were crucial to its fund-raising activities.
6. The Board had expressed a disclaimer on the UNICEF 1986 accounts because of "several material errors" and had been unable to expand the scope of the audit due to time and financial constraints. UNICEF had failed to follow stated accounting policies and had, for example, overestimated income by approximately \$26 million in 1986. The Nordic countries shared the concerns of ACABQ and supported the recommendation for an expanded audit with a view to enabling the Board to issue an opinion on the 1986 accounts; the audit should also involve a re-examination of accounts for prior years. The Nordic countries also supported the request for a post facto approval by the Executive Board for the resources spent on the fortieth anniversary celebrations. The results of the expanded audit should be submitted to ACABQ and the Executive Board of UNICEF in the spring of 1988 and to the General Assembly at its forty-third session.
7. The Board's qualified opinion on a number of matters in the UNDP accounts did not necessarily reflect more questionable accounting practices in 1986 than in previous years, but rather that the Board had undertaken a more expanded form of audit than previously. The Nordic countries welcomed that trend which was parallel to their advocacy in the Governing Council for a long-form narrative audit report from the agencies to UNDP.
8. A number of points raised by the auditors referred to the relationship between UNDP and its executing partners, including agencies and Governments of recipient countries. Others related to administrative costs and weak control. Some of the issues were technical, while others were basically policy questions. A number of specific problems were already being addressed by the UNDP administration. The Nordic countries nevertheless shared the concerns of the auditors and wished to stress that all items raised in the audit, particularly policy issues, must be carefully considered and followed up by the policy-making bodies of the various organizations.
9. The Nordic countries welcomed the expanded concept of the role of the Board of Auditors which was in full conformity with the annex to the financial regulations governing the audit of the United Nations. They were confident that the auditors' findings would generate useful discussions, both in the administrations and the governing bodies, and contribute to satisfactory solutions.

10. Mr. SHERVANI (India) said that his delegation took a serious view of the findings by the Board of Auditors, in their reports, of non-observance of established financial regulations and procedures and accordingly joined those delegations which had asked that the reports should be brought to the attention of the organizations concerned so that they could provide appropriate policy guidance.

11. His delegation was happy to note that, for the first time since 1981, both the rate of delivery and the level of programme expenditure by UNDP had increased for Indicative Planning Figure programmes. Unfortunately both were expected to decline again in 1987. He accordingly urged the Administration to address that question urgently and to indicate what measures it proposed to take to achieve the annual expenditure levels set for the fourth programme cycle.

12. The report of the Board of Auditors had emphasized that the unexpended general resources of UNDP had increased by more than 80 per cent, to \$278.9 million, between 1985 and 1986. Bearing in mind the vast and urgent needs of the developing countries for economic and technical assistance, he would like to know what specific problems UNDP was encountering in attaining higher rates of delivery.

13. The auditors had also pointed out that inadequate attention was being paid to defining project objectives and feasibility and that the appraisal and approval process at headquarters was not satisfactory. In that connection, his delegation welcomed such steps as the establishment of project appraisal committees at the headquarters and field levels and of the Action Committee under the Office of the Administrator. The Administration must not however sacrifice the quality of projects for the sake of a higher delivery rate. His delegation supported the Administration's idea of advance planning of projects and building up a project pipeline beyond immediate available resources.

14. His delegation had noted with concern the Board's observations about project implementation by agencies and the lack of adequate effort on their part to exploit local opportunities for procuring equipment and supplies for projects; it supported the Board's view that the Administration should not charge losses due to exchange rate variations to the IPF of the country concerned and would request that the issue be referred to the Governing Council. It also supported the current practice of charging the add-ons allowed for government-executed projects to general programme resources. His delegation shared the concerns voiced by other delegations regarding the increases in administrative costs compared with overall project expenditure and the lack of a strategic view of the place and role of electronic data-processing systems within UNDP. There was room for improvement in the presentation and format of the financial statements, particularly in the sections relating to programme support and administrative costs, reporting of programme expenditure by agencies and presentation of suspense and clearing accounts.

15. His delegation, like others, had been concerned at the disclaimer on the 1986 accounts of UNICEF. The auditors had drawn attention to errors in the timing of income recognition by UNICEF and to the temporary use of general resources to financial programmes and projects based on commitments from supplementary funds.

(Mr. Shervani, India)

Considering the nature and emergency needs of its programmes, UNICEF might at times be called upon to help at very short notice. Nevertheless, his delegation would request the Administration to improve procedures for the recognition of income based on the guidance of the Executive Board.

16. His delegation hoped that in future the Administration would follow the required procedures in cases of transfer of funds between budget lines, between categories and between regions. In such matters as the celebration of the Fortieth Anniversary of UNICEF, it would be appropriate in future for the Administration to seek the specific financial approval of the Executive Board. He had also noted that the Administration had agreed with the auditors to present its Greeting Card accounts in a separate financial statement.

17. His delegation supported the view of the auditors, also endorsed by ACABQ, that they should conduct an expanded audit of the UNICEF 1986 accounts as soon as possible in order to remove the disclaimer.

18. His delegation welcomed the initiatives taken by the United Nations High Commissioner for Refugees to implement many of the Board's previous recommendations. The auditors had, however, pointed out that reforms were still required in the co-ordination of the delivery and distribution of food aid; there had been cases in which large quantities of wheat and maize, destined for sale, had been spoilt due to delays in delivery, inadequate transportation or non observance of required formalities by suppliers. Such losses directly affected the Refugee Assistance Programme which was funded from the sale of food aid. His delegation hoped that urgent action would be taken to minimize such losses. The auditors had pointed out that no written authority existed for the delegation of authority by the Executive Director of the United Nations Fund for Population Activities (UNFPA) to various officials of UNDP. His delegation supported the auditors' view that, in financial management, delineation of responsibilities must be clearly spelt out and noted that UNFPA had agreed to study the demarcation of responsibilities between the two organizations.

19. The auditors had also expressed concern at the upward trend in operational costs relative to project expenditures. It was to be hoped that concrete steps would be taken to reduce such costs. His delegation had also noted that the Administration of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) had agreed to devise a system to report and account in the financial statements for the proceeds of contracting out school catering services and the voluntary contributions paid by students in schools. The auditors had pointed out that UNITAR had to pre-finance a large part of a project's costs before it received reimbursement, thus straining the already scarce resources of the Institute. His delegation noted that the administration was continuing to press UNDP for executing agency status or for full advance payment of direct executing costs and to defer payment of other expenditures. It also hoped that, as recommended by the board, the UNITAR Administration would soon prepare a roster of experts and consultants.

(Mr. Shervani, India)

20. Considering the extensive scale of operations of many of the audited agencies, Member States would be reasonably satisfied if they found that the administrations had taken steps to examine and implement the auditors' observation in order to provide more efficient administrative and financial management.

21. Mr. TAKASU (Japan) said that full financial accountability was of basic importance in ensuring the trust and confidence of Member States in the activities of the Organization. As one of the major supporters of United Nations voluntary programmes, Japan wished to see the activities carried out under those programmes implemented as efficiently and effectively as possible and all available resources spent in the optimum manner and accounted for as intended by the Member States. His delegation therefore attached great importance to systematic external auditing as an effective management tool. It was gratified that in recent years the Fifth Committee had given increasingly serious consideration to the reports of the Board of Auditors and provided it with guidelines for follow-up work. In response to the request of the General Assembly, the Board had begun to give equal emphasis to management auditing and would be able to assist the organizations to improve their efficiency by focusing its reviews on the broad area of administration and management.

22. Full and positive co-operation on the part of the administrations concerned and their respective governing bodies was also essential. The Board's recommendations would have little practical value unless they were addressed by the highest leadership in the administrations, with guidance from their governing bodies, and remedial action taken. There had been some encouraging signs in that respect since 1986, but it appeared from the reports of the Board and the responses and explanations of the administrations concerned that there was no room for complacency. He emphasized again how important it was that the executive heads of programmes should take a serious and positive attitude towards the Board's findings and recommendations.

23. On the shortcomings and deficiencies identified by the Board, his delegation shared the concern expressed and generally supported the Board's recommendations. Some issues were of particular importance to his delegation. On UNDP, it believed that the factors which had led the Board to qualify its audit opinion were of fundamental significance. The question was to what extent UNDP, as the funding agency, could and should extend control over the financial reporting of executing agencies or Governments. His delegation agreed that the matter should be reviewed in depth by the Governing Council, with advice from the Panel of External Auditors, after further consultation between UNDP and the executing agencies.

24. His delegation shared the Board's concern about the high level of UNDP's the financial reserves, the undue flexibility in core budget appropriations and the increasing share of general resources going to administrative expenditures. Specific follow-up action was necessary on those issues if there was to be more transparent and accountable programme implementation and any resolution adopted by the General Assembly should include a reference to specific measures in their regard.

(Mr. Takasu, Japan)

25. Turning to UNICEF, he said that his delegation shared the concern of ACABQ over the circumstances that had led to the Board's decision to express no opinion on the 1986 financial statement. The exceptions pointed out by the Board required serious remedial action as soon as possible. The Advisory Committee's recommendation for an expanded audit of the 1986 accounts would be the most satisfactory solution and his delegation hoped that the UNICEF Administration would work with the Board to achieve a mutually acceptable outcome.

26. His delegation had noted with concern the various shortcomings in UNICEF budgetary control pointed out by the Board, while recognizing that speedy action often had to be taken under difficult circumstances which was not always compatible with elaborate budgetary procedures. Nevertheless, all activities should be clearly identified in the appropriations authorized by the Executive Board and generally accepted financial practices should be observed. His delegation looked forward to a comprehensive report in due course on the remedial action taken. In that connection, he expressed satisfaction at the Executive Board's decision to establish a more detailed breakdown of its budgetary appropriations in response to the concern expressed at the last session of the General Assembly. His delegation hoped that the Executive Board would continue to pay serious attention to the comments made in the Fifth Committee and to co-ordinate its work with the committee's decisions.

27. The Board of Auditors had qualified its opinion on UNFPA because of certain accounting discrepancies. The Board's recommendation should be implemented as soon as possible so that UNFPA and UNDP could agree on institutional arrangements clearly delineating their respective responsibilities, in the areas of finance and personnel administration in particular.

28. His delegation was pleased with the generally positive assessment of the performance of UNHCR. It endorsed in principle the Board's recommendation regarding the six key areas for improvement and looked forward to the report on implementation to be submitted by UNHCR. He emphasized that the current restructuring exercise of UNHCR should aim at cost-effective programme delivery and that the spirit and intent of the report of the Group of High-level Intergovernmental Experts (A/41/49) should be kept in mind.

29. His delegation was grateful to the Board of Auditors for its detailed examination of the system of allowances and entitlements in the United Nations. It had expressed serious concern at the preceding session of the Assembly at the unprecedented number of cases of fraud or presumptive fraud which had led to that examination. In particular, it had not received a fully satisfactory explanation from the United Nations Secretariat regarding the fairness and equity of the disciplinary action taken. In order to prevent any recurrence of such problems, it strongly endorsed the implementation of the Board's recommendations. It looked forward to hearing about specific plans for following up those recommendations, in particular how the United Nations officials concerned planned to strengthen internal controls and ensure fair and equitable disciplinary action.

(Mr. Takasu, Japan)

30. On the question of the biennialization of audit reports, his delegation supported the Board's position that if the legislative body decided to biennialize, the Board should retain the option of submitting an annual report to ACABQ if the situation so warranted.
31. Mr. KABIR (Bangladesh) said that his delegation regarded the external audit function as an essential instrument of management, important for the maintenance of accountability and the enforcing of financial discipline. Proper analysis of the auditors' reports and timely corrective action could significantly improve the operation of the organizations and programmes reported on. Through those reports, moreover, Member States were able to play a part in overseeing those organizations' performance.
32. The auditors had, for the first time, issued a qualified report on UNDP. They had noted an overall increase in expenditure of \$133.1 million compared to 1985, and an increase in the ratio of administrative costs to total resources. That trend needed to be arrested, and the mechanism set up to supplement the administrative budget with funds derived from programme sources should also be re-examined. At the same time, budgetary discipline should be strictly enforced and expenditure above allotted amounts, in particular revised amounts, discontinued forthwith. Administrative and other overhead expenditure should be reduced in order to release more funds for programmes. UNDP's liquidity position was also higher than required, thus preventing more funds from being released for the programmes so badly needed in the developing countries.
33. Improved programme management was the aim both of UNDP and of Member States. Commendable improvements had been made in the rate of delivery. Efforts should now be made to remove shortcomings in project design formulation and the implementation and monitoring of projects. Action should also be taken to remove shortcomings in the areas of presumptive fraud, the construction loan mechanism and inventories of non-expendable administrative equipment. Given the vastness and complexity of UNDP operations, it was not always easy to formulate clear, informative and understandable financial statements. That should, however, be the goal. The UNDP Administration needed powers of discretion and flexibility in the overall interest of effective organization but within that framework an effort should be made to effect improvements. His delegation hoped that the recommendations of the Board of Auditors on accounting principles, procedures and control would receive due consideration.
34. It was regrettable that the Board of Auditors should have found itself unable to issue an opinion on UNICEF's 1986 financial statement. No instance of abuse or fraud had been reported and it was a positive step that UNICEF should already have discussed the report informally with the Board. Nevertheless, such an extraordinary state of affairs pointed to the need for a procedure for dealing with such situations. An expanded audit would inevitably be required, at considerable expense to UNICEF. His delegation welcomed the willingness expressed by the UNICEF Administration to resolve the unfortunate issue as quickly as possible, and hoped that progress would rapidly be made in improving the financial management and

(Mr. Kabir, Bangladesh)

supervision of UNICEF. It should be borne in mind that the vulnerability of mothers and children and other groups had increased in recent years. While efforts were being made to tackle the various technical problems that had arisen, the effectiveness of UNICEF in helping those groups should not be diminished in any way. Efforts to make quick improvements in the financial and accounting systems of UNICEF must not adversely affect programme delivery.

35. The new financial regulations adopted by the UNICEF Executive Board would take effect on 1 January 1988 and it was to be hoped that they would be sufficiently elaborate to address and remedy the current situation. Such issues as the funding of programmes from supplementary resources, temporary allocations from general resources, the timing of income recognition and the incurrence of expenditure in excess of commitments were important and, as the auditors pointed out, should be consistent with the policies approved by the Executive Board. At the same time, it should be borne in mind that UNICEF's activities frequently required flexibility to respond quickly to a particular situation and that flexibility should not be sacrificed.

36. The divergent accounting systems used by UNIPAC and UNICEF headquarters had resulted in a number of problems which should be rectified as soon as possible. Accounting and budgetary practices not in accordance with the financial regulations and rules should be discontinued. Financial reporting should be more transparent, showing the financial results of operations and UNICEF's financial position fully and clearly. There was obviously a need to clarify some of UNICEF's accounting procedures and policies and the sooner that was done the better. One point needing clarification was how a stated excess of income over expenditure of \$26.34 million could have turned into an excess of expenditure over income of \$5.86 million, as reported by the Board of Auditors.

37. The auditors had drawn attention to weak budgetary control in UNICEF, particularly in regard to the transfer of funds between budget lines and between categories, between cost centres within a region and between regions. His delegation wondered how over-expenditure could be incurred even before additional funds were requested and it questioned the practice of eliminating over-expenditure by transfers by headquarters. It concurred fully with the auditors' recommendations regarding adequate financial control and management and recommended their early implementation.

38. Expenditures in 1985 and 1986 in connection with the celebration of UNICEF's fortieth anniversary had included two special events, Sport Aid and the First Earth Run, which had been charged to the administrative budget. Furthermore, UNICEF had found it appropriate to incur such expenditure even though no funding had been approved by its Executive Board. That was a serious irregularity and his delegation urged the UNICEF authorities to satisfy the Board of Auditors by taking steps to obtain the Executive Board's formal approval.

39. Mr. FIGUEIRA (Brazil) said that adoption of the measures recommended in the reports of the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions would help to make the administrative, budgetary and financial functioning of the organizations audited more efficient. The summary of the Board's principal findings and recommendations for remedial action (A/42/372) was a useful document but could perhaps have been more schematic since it was not intended as an alternative to the reports themselves.

40. In carrying out its work, the Board of Auditors displayed an exceptional degree of professionalism and independence. The Board needed the support of Member States and the full co-operation of the heads of the audited organizations, especially during the current financial crisis of the United Nations. Only thus could Member States ensure that the scarce resources available were utilized in the most effective and economical manner.

41. The preparation of reports by the Board of Auditors on a biennial basis, though desirable, could entail problems for some organizations, and his delegation therefore recommended that the Board of Auditors should continue its examination of the question and report again to the General Assembly. It agreed that, in the event of any change resulting in the introduction of a biennial financial period, the Board should retain authority to submit annual reports to the ACABQ if the situation so warranted.

42. His delegation was gravely concerned at the inaccuracies and even irregularities found in a number of financial statements. In the case of UNICEF, the Board of Auditors had been obliged to issue a disclaimer. As pointed out in the ACABQ report (A/42/579), the Auditors had been unable to expand the scope of the UNICEF audit because of time and financial constraints (para. 20). His delegation therefore concurred with the Board's recommendation that an expanded audit of UNICEF accounts covering other years besides 1986 should be carried out as soon as possible. It was disappointed that financial constraints had prevented the Board from making an expanded audit during the current year. It would be interested to learn, from the Chairman of the Board of Auditors, or from representatives of the Secretary-General or of the Executive Director of UNICEF, why the additional costs entailed could not have been met from the provision for extraordinary and unforeseen expenses. It would also like to know whether the Chairman of the Board felt that the level of budgetary and extrabudgetary resources recommended for the functioning of the Board of Auditors in the proposed programme budget for 1988-1989 (A/42/6) was adequate to meet the External Auditors' needs.

43. At the forty-first session of the General Assembly, his delegation had expressed great concern at the way in which some organizations were evading the application of financial and staff regulations and rules and the implementation of General Assembly decisions. That recurrent pattern was to be found again in a large number of instances in the Board's report. The trend must not go unchecked. It was essential that the heads of the various United Nations organizations should show more responsiveness and understanding towards the concerns of Member States as expressed in the relevant resolutions and decisions of the General Assembly. They should make a commitment to review their procedures and controls and to propose

(Mr. Figueira, Brazil)

revisions of the regulations and rules in the light of the recommendations of the Board of Auditors and the ACABQ. If they were not more forthcoming, there was a real probability that in the medium and long run Member States would increasingly resort to bilateral co-operation at the expense of multilateral programmes and activities. In his delegation's view, it was fundamental that accountability should be reinforced at all levels.

44. Standardization of the presentation and format of financial statements would be a positive step towards transparency and accuracy. The Group of High-level Intergovernmental Experts to Review the Efficiency of the Administrative and Financial Functioning of the United Nations (the Group of 18) had recommended, and the General Assembly had endorsed, efforts to harmonize the format of the administrative budgets of United Nations affiliates with that of the Organization itself. His delegation therefore supported the ACABQ recommendation, made in connection with UNDP, that the Board of Auditors should keep the matter under review (A/42/579, para. 9) and hoped that the Board would be able to contribute to the standardization of such documents.

45. It would also be useful if the Board of Auditors would concentrate on such recurring problems as over-expenditure, incorrect use of funds and flagrant breaches of regulations and rules, and would draw attention to responsibility for inaction on any problems that were uncovered.

46. In the case of UNICEF, the Board of Auditors had drawn particular attention to the laxity of budget control. Forty-five cost centres had incurred over-expenditures even before additional funds were requested. That practice, which had been discouraged, seemed to be supported by UNICEF headquarters, as indicated in paragraph 72 of the Board's report. The use of unliquidated obligation funds to absorb over-expenditures on purchase orders, referred to in paragraph 78, was equally irregular. Another striking instance of irregularity had been the expenditure on commemorating the fortieth anniversary of UNICEF. The initial estimate had been for \$2 million; at the end of 1986, the identified costs had reached \$3.4 million, for which an obligating document had been raised for only \$2,325,000 (paras. 60 and 63). It was not surprising, therefore, that UNICEF, after reporting excess income of \$26.3 million in 1986, might finally, as reported by ACABQ, come to have excess expenditures of \$5.8 million (A/42/579, para. 22). On the programme side, the Board of Auditors reported that programme expenditures in 1986 had been understated by \$4.5 million.

47. The situation in UNDP was no brighter. His delegation had noted that the 1986 statements had not been submitted to the Board of Auditors by the UNDP Administrator and wondered why there had been a departure from the traditional procedure. As in UNICEF, budget control was excessively flexible. The Board of Auditors pointed out that, in 1986, expenditures at 30 field offices had exceeded the overall allotments. That called into question the commitment of the UNDP Administration to the observance of the relevant financial regulations and rules (para. 73). It was also distressing that the total expenditures of the electronic data-processing budget had exceeded the appropriation by \$2.7 million in 1985 and

(Mr. Figueira, Brazil)

\$373,000 in 1986 (para. 108). His delegation agreed with the ACABQ that, in future, the UNDP Administration should provide full disclosure of the projects and funds earmarked for all electronic data-processing activities.

48. The Board of Auditors had qualified its opinion on the financial statements of UNDP largely because of shortcomings in the way in which UNDP handled its accounts. A large number of suspense and clearing accounts had not been settled. The Board had noted that unless the situation was reversed losses could be incurred in the travel accounts (para. 40). UNDP should take prompt action to redress that situation.

49. It was gratifying that the Board had not uncovered any new cases of fraud and presumptive fraud and that the administrations of the various organizations were dealing with the problems encountered in that area. In that connection, his delegation had found the report of the Board of Auditors on the system of allowances and entitlements very useful and informative. It also commended the report of the Secretary-General (A/42/437). The exchange of information and experience through a mechanism of consultation such as the interdisciplinary working group referred to in paragraph 19 of that report could be extended to other areas in order to strengthen co-operation between the United Nations, UNDP and UNICEF and, thereby, improve internal controls and procedures and avoid waste.

AGENDA ITEM 121: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS: REPORT OF THE COMMITTEE ON CONTRIBUTIONS (continued) (A/42/11 and Add.1)

50. Mr. JEMAIEL (Tunisia) said that the request addressed to the Committee on Contributions, in General Assembly resolution 41/178, to continue its work on the methodology for drawing up an equitable scale of assessments, indicated that the current scale no longer corresponded to the aspirations of Member States. It was perhaps appropriate, at a time when the United Nations was facing an acute financial crisis, that, in addition to the principle of capacity to pay, attention should be focused on the idea of commitment to the Organization. That commitment should be reflected, among other things, by the payment of Member States' budget contributions, regularly and in full.

51. The disagreements between Member States over the implementation of reforms proposed by the Group of 18 could be attributed, in large part, to the very marked disparities between States' assessments. Although the major contributors had let it be known that they expected more attention to be paid to their opinions when decisions were taken in the Organization, it was the belief of his delegation that the payment of a larger contribution in no way entitled the richer States to use the Organization as a rubber stamp for their ideas alone. The mistrust arising from such disagreements would hinder the rapid and balanced implementation of the reforms set forth in resolution 41/213. The climate of suspicion should be dispelled by reducing the disparities between contributions in order that all Member States should retain the right accorded to them by the Charter to consider budgetary questions.

(Mr. Jemaiel, Tunisia)

52. The situation had been further complicated by a restrictive interpretation of the recommendations of the Group of 18, which would result in the Fifth Committee's being deprived of any authority over budgetary questions. The devolvement of such authority to the Committee for Programme and Co-ordination, whose membership was less representative of the international community, could not help but reduce the Organization's effectiveness. It was imperative that the Fifth Committee should retain its essential role as a democratic forum, while the Committee for Programme and Co-ordination continued to facilitate its task.

53. A reduction of the ceiling rate and an increase in the floor rate of assessment would probably entail sacrifices for all but would, on the other hand, help to strengthen the Organization. The Committee on Contributions might consider, purely as an indicative figure, the reduction of the ceiling rate to 15 per cent and the apportionment of the extra 10 per cent which would then have to be raised among all Member States. A more even distribution of assessments would help to reduce the hazards that might be faced by the Organization as a result of a State's decision, for whatever reason, not to pay its United Nations budget contribution in full. Although such a major change could not be effected immediately, it was important that rapid action should be taken, given that the atmosphere was currently favourable for the introduction of reforms.

54. Mr. AMORIN (Uruguay) said that the fundamental principle in establishing a new scale of assessments for 1989-1991 must continue to be that of capacity to pay. He agreed with the opinion of other delegations that the most appropriate measure of the capacity to pay of Member States should be per capita national income, and he therefore favoured retaining the current methodology, with certain adjustments. With respect to those adjustments, his delegation agreed with the view expressed in the report of the Committee on Contributions that the current methodology should be improved in order to reflect in the most appropriate manner the real capacity to pay of each Member State. However, proposals such as those offered by the Committee in its previous report ran counter to that principle.

55. The decision to establish a uniform data base through the use of information provided by the United Nations Statistical Office was positive. The current 10-year statistical base period should be reduced to five years or should revert to the previous three-year base, in order to provide a more up-to-date assessment of capacity to pay. The low per capita income allowance formula should also be updated - to reflect United States inflation rates - to a level equivalent to the value of \$2,200 in 1985. His delegation also supported the scheme to avoid excessive variations of individual rates of assessment between successive scales. In view of the vital importance that account should continue to be taken of the impact of high levels of external debt on the capacity to pay of developing countries, his delegation felt that the conclusions expressed in paragraphs 24, 25 and 26 of the Committee's report were appropriate. Consideration might also be given to certain mechanisms which might supplement the principle of capacity to pay. For example, the special responsibility of permanent members of the Security Council might be reflected in the contributions paid by those States.

56. Mr. MA Longde (China) said that, in contrast to the relatively simple resolution adopted at the forty-first session of the General Assembly on the item under consideration, it would be necessary at the current session to work out specific principles on the basis of which the Committee on Contributions might draw up a new scale of assessments for 1989-1991. The principle of capacity to pay had been unanimously recognized as "the fundamental criterion for determining the scales of assessments" (General Assembly resolution 41/178). It was at the same time important that due attention should be paid to the special economic and financial problems of the developing countries. Despite the success of certain measures to reduce the assessments of such countries, the worsening of the debt crisis in recent years, as well as the deterioration of terms of trade and the net outflow of capital from developing to developed countries made it essential that the Committee should accord appropriate relief to the countries concerned. It was also important that the methodology for determining scales of assessments should be relatively simple and practical, in the interests of reducing expenditure, increasing efficiency and helping Member States to understand more clearly, and thus to accept more readily, the reasoning behind proposed scales. The current methodology was basically fair and reasonable, ensuring as it did that the assessments for most countries were largely in line with their actual capacity to pay. However, there was room for improvement, and it was the task of Member States during the current session of the General Assembly to seek out a more rational methodology.

57. His delegation agreed with the decision of the Committee on Contributions, as presented in its report, that the 10-year statistical base period be retained in the interests of stability and continuity. It did not believe that a further upward adjustment of the low per capita income allowance formula would help to reduce the assessments of countries with low per capita income, and it thus supported the decision of the Committee that the per capita income limit and gradient should be maintained at their current levels for 1989-1991. However, it did not exclude the possibility of making an adjustment at some time in the future.

58. The growth of the United Nations budget in recent years had partly offset the reductions in the assessments of developing countries achieved as a result of the lowering of the floor rate, and an increase in that rate was clearly unreasonable. With regard to the question of reducing the ceiling rate, it was to be noted that, if the principle of capacity to pay were to be observed to the letter, the rate of assessed contributions for one country would have exceeded the current rate of 25 per cent. If that Member State continued to feel that the current assessment was too high, it could request a reduction in the normal official manner. If a majority of Member States agreed that the rate should be lowered, it would not be impossible to reach an understanding on the subject. If, on the other hand, that State proposed neither to request a lower ceiling rate nor to pay its assessed contributions in full and on time, its action would be at variance with the provisions of the Charter. In the current circumstances, his delegation regarded the Committee's recommendation not to change the ceiling and floor rates as appropriate.

(Mr. Ma Longde, China)

59. It was entirely reasonable that relief should be afforded to countries which faced serious external debt problems. In view of the long-term nature of such problems, it would be appropriate that the Committee should give further consideration to reasonable alternative methodologies for the provision of such relief, including the development of an acceptable external debt-service burden index and a means of incorporating the impact on the capacity to pay of the external debt factor into the calculation of the scale. With regard to the issue of limits to avoid excessive variations of individual rates of assessment between successive scales, his delegation was aware of both the advantages and drawbacks of that scheme but felt that it should be retained in view of its predominantly positive elements.

60. The capacity to pay of Member States could be objectively reflected only with accurate and complete data, which should be provided, first and foremost, by the United Nations system. Being more systematic and reliable, such data could enhance comparability. His delegation also agreed with the conclusion of the Committee that, with respect to external debt, use should generally be made of information from international institutions, such as the United Nations Statistical Office, the World Bank or the International Monetary Fund, in preference to private sources.

61. Mr. TAN KOK NAM (Singapore) reaffirmed his delegation's belief that the Committee on Contributions must adopt a uniform measure to compare the economic performance of all Member States; in the absence of a suitable alternative, it supported the Committee's decision to use the data base of the United Nations Statistical Office, which would permit some control over the reliability and consistency of the statistics used.

62. His delegation understood the Committee's inability to agree on a price-adjusted rate of exchange as a means of correcting for distortions in national and per capita income expressed in United States dollars. Parochial interests appeared to have blocked progress on the issue. Until it could resolve the problem, however, the United Nations would never develop a truly equitable scale of assessments using the current methodology.

63. Two new elements had been used in determining the scale of assessments for the current three-year period - the impact on the capacity to pay of high levels of external debt, and a limit on the burden of relief to be borne by developing countries. His country had always believed that the principle of capacity to pay should apply when computing contributions to the United Nations budget. It sympathized with countries facing severe economic problems, and agreed that relief should be granted to the deserving ones. The two new elements reflected that principle. His delegation was, therefore, extremely concerned at the Committee's current silence on the second factor. He could think of no sound reason why the distinction between developed and developing countries should not be observed when apportioning the burden of relief to countries with per capita incomes above \$US 2,200, and hoped the Committee would take a fresh look at the matter.

(Mr. Tan Kok Nam, Singapore)

64. Many delegations, including his own, were dissatisfied with the current method of assessing contributions. Owing to the inherent unfairness of the system, his country was regarded as having attained a developed status although, being very small and having no natural resources whatsoever, it relied heavily on foreign trade and foreign investment for economic growth and was thus extremely sensitive to developments in the international economic environment. It had suffered during the sluggish economic conditions of the past years, and had met the challenge with hard work and sacrifice. It would, on principle, continue to submit accurate statistics to the United Nations Statistical Office; but he hoped that it and other such countries would not be penalized for their candour by comparison with member countries whose "special circumstances" allowed them to present economic data which did not reflect their true situation.

65. In the absence of a better alternative, his delegation accepted the broad recommendations of the Committee for the forthcoming three-year period. It urged the Committee to persist in its efforts to develop a truly fair and equitable methodology. Various bold initiatives had been suggested. His delegation was particularly attracted to one option proposed by the Committee at the forty-first session: that the special status enjoyed by the permanent members of the Security Council should be accompanied by special obligations.

66. Whatever recommendations it produced, the Committee must be able to justify them on technical grounds. Most important of all, no country should be allowed to choose what statistics to submit to the United Nations, for otherwise the budget might as well be based on voluntary pledges.

67. Mr. DANIELSSON (Sweden), speaking on behalf of the five Nordic countries, said that the views of those countries on the item rested on three main considerations, namely, that the obligation to bear the expenses of the Organization as apportioned by the General Assembly was absolute and unconditional; that issues related to assessed contributions should be approached and discussed in a spirit of generosity and with a sense of proportion, given the limited amounts involved and the benefits that all Member States derived from membership; and that the expert status of the Committee on Contributions should be fully respected.

68. An assessment became a contribution only when it was actually received by the United Nations. The spreading practice of withholding contributions or paying them late had made the distinction between assessments and contributions a relevant one. As the discrepancy between the two categories grew, the agreed scale had, to some extent, ceased to function. In its calculation of the scale of assessments for 1989-1991, the Committee on Contributions should continue to apply the principle of capacity to pay based on national income, adjusted for per capita income and allowing progressive relief for the poorest countries. Thus the United Nations would get a scale of assessments that burdened every Member State equitably.

69. The Nordic delegations noted with satisfaction the progress made in establishing a uniform data base. The United Nations Statistical Office and the World Bank had made further progress in reconciling their estimates of national

(Mr. Danielsson, Sweden)

income. The Nordic delegation strongly endorsed the appeal that Member States should respond expeditiously and accurately to the annual questionnaire from the Statistical Office. They fully supported the suggestion that additional data which Member States wished to draw to the attention of the Committee should be provided at least two months before the Committee met, and that the time-limit should be strictly applied.

70. The Nordic countries noted with regret the Committee's failure to reach agreement on the use of a price-adjusted rate of exchange. They hoped that the Committee would be able to reconcile the various opinions on those issues at its forthcoming session.

71. When the scale of assessments for 1986-1988 had been discussed, the Nordic delegations had been critical of the formula used to allow for the impact of high levels of external debt on capacity to pay. They had drawn attention to the lack of reliable and comparable data, and pointed out that indebtedness was already taken into account in the calculation. Although there had been some improvement in the reliability of data, the established criteria for comparability were far from being met. Even if they were, the Nordic delegations would remain sceptical about the use of indebtedness as a separate element in the calculation of the scale of assessments. The external-debt formula used in the present scale was a one-time, ad hoc arrangement which should be abandoned when drawing up the new one.

72. The Nordic delegations believed that the statistical base period for the calculation of assessments should be kept at 10 years in order to ensure continuity. An important prerequisite for their acceptance of such a period, however, was that Member States should provide the necessary data as expeditiously as possible. They agreed with the retention of the current limits of the low per capita income allowance formula and the limits on variations between successive scales. They believed the idea of ceiling and floor rates for contributions should be further explored, for a more even apportionment of assessments would lessen the dependence of the United Nations on any single Member State and would better reflect the fact that the Organization was an instrument of all its Members.

AGENDA ITEM 120: PATTERN OF CONFERENCES: REPORT OF THE COMMITTEE ON CONFERENCES
(continued) (A/42/32)

73. Ms. KINGSMILL (Australia) reiterated her country's commitment to strengthening the United Nations so that it could more effectively serve the needs of Member States. One of the most important means of streamlining the Organization was to reduce the amount of documentation produced and curtail the length and number of conferences and meetings.

74. Her delegation was disappointed at the progress made in the Committee on Conferences. It appreciated that current uncertainties associated with the reforms recommended by the Group of 18 had complicated the search for agreement on new terms of reference and operating procedures for the Committee on Conferences, but it did not believe that they justified the absence of progress on such important

(Ms. Kingsmill, Australia)

issues. General Assembly resolution 41/213 was explicit in its directive to the Committee on Conferences, and in her delegation's opinion the Committee's role must be strengthened - preferably by the adoption of the terms of reference set out in paragraph 74 of its report. Under those terms of reference, the Committee would not have a budgetary role but would have the technical function of ensuring the best use of the resources allocated for conferences by the General Assembly. The current, open-ended system was an example of the lack of managerial discipline which had concerned many Member States. No national Government would tolerate a total absence of effective controls on such an important part of its operations.

75. Her delegation took a very serious view of the fact that the draft calendar of conferences had been issued too late for Committee members to examine it in detail before the session. The draft should in future be issued in enough time to allow the Committee to function properly. Her delegation could see that efforts were being made to stagger conferences, and thereby reduce costs, in the 1988 calendar, but could see no signs of the reduction in the number and length of conferences that had been called for by the Group of 18. It hoped the Committee on Conferences would alert the General Assembly to the problem and recommend remedial action for 1989. It was also troubled that so many bodies underused the conference servicing resources allocated to them, and saw merit in the proposal that bodies which, over the years, had consistently had a low utilization rate should have their allocation of resources reduced to match their actual requirements. Steps should be taken to secure reimbursement from organs which the United Nations currently provided with conference services free of charge.

76. Although there had been a reduction in the overall volume of documentation, the page total of reports of subsidiary organs was well above what it would have been had reports been limited to 32 pages. Action was necessary to discourage Member States from circulating lengthy national documents without heed to the costs to the Organization. Her delegation would be happy to see a "user pays" principle applied in such cases, and would welcome specific proposals in 1988.

The meeting rose at 12.30 p.m.