United Nations A/C.5/52/SR.51

General Assembly
Fifty-second session
Official Records

Distr.: General
26 March 1998

Original: English

Fifth Committee

Summary record of the 51st meeting

Held at Headquarters, New York, on Friday, 13 March 1998, at 11 a.m.

Chairman: Mr. Chowdhury .... (Bangladesh)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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98-80289 (E)

The meeting was called to order at 11.10 a.m.

Agenda item 116: Programme budget for the biennium 1998-1999 (*continued*) (A/52/7/Add.10 and A/52/758)

1. **Mr. Connor** (Under-Secretary-General for Management), introducing the report of the Secretary-General on reduction and refocusing of non-programme costs (A/52/758), said that the report had been issued as a concept paper, not a plan of action. It was intended to conceptualize a methodology that would lead to a specific planning result. It set forth ideas and techniques for reducing administrative costs and redeploying the savings into a development account dedicated to enhancing activities in the economic and social sector. The document before the Committee set out how such redeployment could be achieved.

2. The Secretary-General had stated his belief that expenditure on administration, and, to a more limited degree, information, could be reduced through improved productivity and effectiveness. The Advisory Committee on Administrative and Budgetary Questions had endorsed the techniques to be used while raising some concerns as to the methodology. The Department of Management was aware that some aspects of the methodology proposed in the concept paper were controversial, particularly the way in which programme and non-programme costs had been defined.

3. From the very outset, therefore, it should be made clear that the ideas set out in the concept paper were not meant to compartmentalize important components of the Organization, or to label some costs as more substantive than others. Their principal purpose had been to distinguish between different types of activities. For example, the Department of Management was a discrete programme in the context of the medium-term plan and the regular budget, but its main activity was to support the mandates and activities of other programmes. The Department of Management was aware that categorizing public information, conference services, the Advisory Committee and the Fifth Committee as non-programme costs could deflect discussion from the central issue. The case could be made for an alternative method of analysis. The issue was perhaps one of terminology.

4. Overall, however, the report was intended to identify a choice between maintaining the current level of administration and information costs and increasing the level of resources for economic and social development. In a world of finite resources, choices had to be made.

5. **Mr. Mselle** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the report of the Advisory Committee on the reduction and refocusing of non-programme costs (A/52/7/Add.10), said that the General Assembly had already approved the establishment of the development account and the transfer of $12.7 million into it. The Advisory Committee did not question the existence of the development account. The General Assembly had decided that the account would be funded from possible reductions in the cost of administration and other overheads. The Secretary-General had stated that efficiency measures would be applied to non-programme costs, which should be reduced from 38 to 25 per cent of the regular budget.

6. The Advisory Committee had requested a detailed report containing a definition of non-programme costs and justifying the claim that they currently constituted 38 per cent of the regular budget. Upon examination of the report, it had concluded that the Secretariat had failed to give a workable definition of non-programme costs in the light of current United Nations practice and procedure in the area of planning, programming and budgeting. Moreover, even assuming the validity of the Secretariat's definition, there was no justification for the claim that such costs comprised 38 per cent of the regular budget. The budgets used to calculate the 38-per-cent figure were not those used by the General Assembly. In addition, the base used to calculate the 38-per-cent figure was technically unsound. Practically every assumption concerning the elements constituting the 38-per-cent ratio was arbitrary.

7. The treatment of public information and conference service costs was a good example. There was no apparent justification for the conclusion that non-programme costs for conference services constituted 25 per cent of the total. Nor was it clear how a change in the behaviour of Member States would release $22 million. Even the basic contention that non-programme costs should not exceed 25 per cent was unjustified in terms of what that 25 per cent would support. It was not clear how savings could be achieved without further impairing the Organization's capacity to conduct conference diplomacy. Indeed, recent budget reductions were beginning to have an adverse effect on the quality and level of many conference services. The situation would deteriorate still further if a policy of nominal negative budget growth was combined with an enforced system of unrealistic efficiency savings. As far as public information was concerned, the Secretariat was sending mixed messages. The Secretary-General's report on non-programme costs stated that the Office of Communications and Public Information was entirely non-programme, but in another report submitted to

the General Assembly it had been stated that public information activities were an integral part of the substantive programmes of the United Nations.

8. The vagueness of the efficiency measures made it impossible to determine whether or not they could achieve the predicted level of funding for the development account. The Advisory Committee did not believe that the projected level of $195 million could be realized in the time-frame specified in the report.

9. Having concluded that the report did not provide a basis on which to proceed, the Advisory Committee had recommended an alternative course of action. Funding for the development account should not be based on the theoretical arguments of whether or not non-programme costs constituted 38 per cent of the regular budget, and of whether that level should be reduced to 25 per cent. Moreover, the existence of the development account should not provide a justification for reducing regular budget resources: the development account should be funded by transferring resources from other sections of the programme budget to the development account section.

10. The Advisory Committee's report detailed the Committee's thinking on how savings could be channelled into the development account: all sections of the regular budget, not only the areas mentioned in the Secretary-General's report, should be subjected to the same rigorous efficiency and productivity measures. The proposed programme budget and the related performance reports would become the vehicle for examining and determining the amounts to be transferred to the development account. The procedure recommended by the Advisory Committee was intended to ensure that the Member States and the Secretariat carried out a full and transparent dialogue on whatever measures were necessary to fund the development account. Member States needed to be kept fully informed of the implications of the Secretariat's plans. For example, the Advisory Committee believed that a transfer of $195 million to the development account would result in up to 1,000 posts being kept vacant. It was unclear how the Organization could ensure full programme delivery with such a large number of vacant posts. In that connection, the Advisory Committee had indicated that savings resulting from changes in exchange rates and inflation would not be available for transfer to the development account.

11. The Advisory Committee did not believe that it would be possible to realize $195 million in the areas specified and within the time-frame envisaged. It was also essential to avoid a procedure whereby managers in the Secretariat imposed budget reduction measures and then reported the results to the General Assembly after the fact. To proceed thus would generate unnecessary criticism and create suspicion among delegations. The development account had been approved by the General Assembly, but the amount of resources to be transferred to it would have to be determined on the basis of what was achievable without compromising the Organization's capacity to perform its functions in the affected areas.

12. **Mr. Atiyanto** (Indonesia), speaking on behalf of the Group of 77 and China, said that the Group shared the Advisory Committee's view that the Secretary-General's report failed to provide a clear picture of the nature of the activities funded from the regular budget. For example, it was unclear why some intergovernmental and expert bodies had been categorized as non-programme costs. The Group also agreed with the Advisory Committee's comment that there was a serious problem with the methodology for calculating the percentage of non-programme costs. Finally, the Group noted the Advisory Committee's comment on the dubiousness of the assumption that the Office of Communications and Public Information constituted a non-programme cost.

13. The Group believed that no decision should be taken on the reduction and refocusing of non-programme costs until the Secretary-General had submitted a detailed report on the matter as requested by the General Assembly in its resolution 52/12 B. That report, to be submitted by the end of March, should take account of the comments made by the Advisory Committee.

14. **Mr. Thorne** (United Kingdom), speaking on behalf of the European Union, the associate countries of Bulgaria, Cyprus, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia, and, in addition, Norway, said that the European Union had consistently voiced its support for an efficient United Nations with fewer documents, less duplication of effort, less waste and better use of the considerable talents of its staff. But efficient did not mean cheap. Cost savings did not necessarily imply budget reductions.

15. In that connection, the European Union welcomed the Secretary-General's report, despite the need for some elaboration, and associated itself with the measures detailed in section II A.

16. The Advisory Committee had questioned the distinction between programme and non-programme costs. Such a debate was unnecessary. Resources released by reducing non-productive costs through efficiency measures, regardless of whether they were deemed to be programme or non-programme costs, should be transferred to the development account. Programme managers should show flexibility and

initiative in implementing innovative and efficient working methods. The European Union did not understand how such an approach could be reconciled with a priori approval by the General Assembly; responsibility for the introduction of new working methods should remain within the competence of the Secretary-General.

17. All proposals relating to the procedures governing the use of the funds in the development account should be considered after the Committee had received the relevant report of the Secretary-General, as requested in General Assembly resolution 52/12 B.

18. **Mr. Watanabe** (Japan) said that his delegation fully supported the idea of reinvesting savings in economic and social programmes. Eventually the reinvestment mechanism might be extended to the entire United Nations system, including funds, programmes and specialized agencies. Nevertheless, full implementation of mandated programmes and activities, in accordance with General Assembly resolution 52/12 B (para. 24), should not be affected by the effort to achieve savings.

19. His delegation could not support the concept of non-programme costs or the modalities for reducing expenditure introduced in the Secretary-General's report (A/52/758), and agreed with the Advisory Committee that the concept should not be applied within the context of the United Nations budget (A/52/7/Add.10, para. 4). Moreover, the criteria determining whether a particular budget item represented a programme or a non-programme cost were extremely arbitrary. There was no reason why 25 per cent of conference service costs and all public information costs should be considered "non-programme". In the case of conference services, savings could be realized simply by reviewing budget items and by beginning meetings punctually, while public information activities should be considered an integral part of the substantive programme of the United Nations, as stated in paragraph 7 of the Advisory Committee's report.

20. In proposing a mechanism for the development account (A/52/7/Add.10, para. 16 and annex), the Advisory Committee did not seem to have taken previous discussions among Member States fully into account. His delegation supported the establishment of the development account but had reservations about the allocation of savings on the basis of performance reports and the implementation of the budget.

21. First, as a matter of budgetary discipline, every programme manager should be allowed to use all the resources allocated to a section without feeling compelled to meet a savings target. Second, failure to ensure that the development account had a certain level of resources at the beginning of the budget year might hamper its use. Member States should agree on an allocation for the development account in their consideration of the budget proposals. Third, in the performance report, it was difficult to distinguish between savings from improved productivity on the one hand, and budget reductions resulting from changes in programme implementation, such as downsizing or postponements, on the other. In the latter case, automatic transfers to the development account might not be appropriate.

22. Any savings accruing in 1998-1999 should not be allocated to the development account but should be returned to Member States, together with surpluses from currency fluctuations and inflation (recosting).

23. **Mr. Odaga-Jalomayo** (Uganda) expressed his delegation's full support for the statement delivered by the representative of Indonesia on behalf of the Group of 77 and China. The report of the Secretary-General on reduction and refocusing of non-programme costs (A/52/758) was confusing and contradictory. The term "non-programme" seemed more applicable to funds and programmes than to the United Nations proper. It was not clear why the resources of the Office of Communications and Public Information – whose substantive role had earlier been affirmed by the Secretary-General – were expected to be redeployed. His delegation also agreed with the Advisory Committee (A/52/7/Add.10, para. 6) that there was no technical justification for the potentially damaging assertion that 25 per cent of conference services was devoted to non-programme entities.

24. His delegation supported genuine efficiency measures intended to realize savings but, like the Advisory Committee (A/52/7/Add.10, para. 15), had always maintained that savings must never impair the capacity of the Organization to deliver mandated services and activities. It seemed, however, that, as a result of efficiency measures, the level and quality of services, including translation, press releases and the cleanliness of the building, had been eroded. Not surprisingly, a lack of press officers familiar with the technical language of the Fifth Committee had been given as the reason for the deterioration in the quality of press releases.

25. His delegation objected to and resented the suggestion that a reduction in the periodicity and length of intergovernmental meetings in the administrative and finance areas would yield an estimated saving of $22 million during the next two bienniums. The Organization belonged to the Member States, which were fully cognizant of their commitments and obligations. Further, like the Advisory Committee, his delegation questioned the validity of the figure of $22 million.

26. He looked forward to the detailed report to be submitted by the Secretary-General on the subject. Overall, he

supported the proposals of the Advisory Committee on redeploying savings to the development account but remained concerned about the issue of sustainability. The Secretary-General might wish to consider the Advisory Committee's proposals.

27. **Mr. Herrera** (Mexico) said that his delegation had always supported the concept of the development account and had actively participated in the drafting of paragraph 24 of General Assembly resolution 52/12 B which, *inter alia*, requested the Secretary-General to submit a detailed report on the modalities of implementation, the specific purposes and associated performance criteria for the use of the resources in question. Nevertheless, he agreed with the Advisory Committee that the target of $195 million in savings could not be achieved (A/52/7/Add.10, para. 8). The two reports before the Committee should be seen as a useful first step, pending the submission of the report required by resolution 52/12 B.

28. **Ms. Shearouse** (United States of America) said that her delegation continued to support the achievement of further reductions in administrative and other overhead costs of the Organization and the allocation of such savings to an account that would finance high-priority economic and social development projects. She welcomed the report of the Secretary-General as a basis for discussion of how so-called non-programme costs could be reduced. There was no doubt that the savings target set by the Secretary-General could be met without affecting the implementation of the Organization's priority programmes, as illustrated by the substantial savings already achieved in the area of documentation. Her delegation believed that the Fifth Committee itself could help to increase efficiency by revising its work methods. It also agreed with the Secretary-General that simplifying rules, streamlining work procedures and reducing layers of bureaucratic approval processes would enhance efficiency.

29. In that context, the alternative proposals of the Advisory Committee were somewhat disappointing, particularly its treatment of the issue of "non-programme costs". Her delegation would appreciate clarification in that regard. She expressed full support, however, for the Advisory Committee's proposals concerning the development account. In that connection, her delegation eagerly awaited the report of the Secretary-General, a prerequisite for any in-depth discussion of the matter.

30. **Mr. Moktefi** (Algeria) expressed his delegation's full support for the statement delivered by the representative of Indonesia on behalf of the Group of 77 and China. His delegation endorsed the principle of establishing a development account. The report of the Secretary-General (A/52/758), however, left many questions unanswered, particularly concerning the definition of programme and non-programme costs. The report was confusing and imprecise, and there was no justification for the proposals it contained. It also failed to analyse the functions and expenses of the various departments and offices.

31. The approach suggested by the Advisory Committee seemed more pragmatic and realistic, although the long-term viability and sustainability of anticipated savings were problematic. His delegation feared that the initiative might serve as a justification for future reductions in the overall level of the programme budget, leading to the elimination of hundreds of posts. If that was the tacit goal, his delegation could not subscribe to it. He therefore looked forward to receiving more specific information on the operation of the development account in the forthcoming report of the Secretary-General.

32. **Ms. Powles** (New Zealand) expressed her delegation's continued strong support for the efforts of the Secretary-General to reform the Organization, in particular his emphasis on increasing efficiency, addressing the world's development needs and reducing administrative and overhead costs. While her delegation understood the Advisory Committee's concerns about the methods proposed to achieve those aims, it believed that the General Assembly must bear in mind two very important objectives of the exercise: increasing efficiency, which, beyond budget cuts and staff reductions, would mean employing more efficient management techniques; and ensuring the sustainability of the development account beyond the initial infusion of $12 million. Her delegation supported the proposal to consider the report on the reduction and refocusing of non-programme costs in the light of the forthcoming report on the development account, which, it hoped, would lead to the further development of ideas.

33. **Mr. Ahounou** (Côte d'Ivoire) said that the report of the Secretary-General (A/52/758) was well-structured but extremely theoretical and failed to deal with certain basic issues. For example, paragraphs 20-21 did not state how much money would be saved through delegation of authority and streamlining of procedures and processes, particularly in view of the fact that the problems of duplication and redundancy had supposedly been addressed during the restructuring of the Secretariat. The report should have included clear estimates and deadlines, and tables 1 and 2 were of little use in that regard. The ACABQ report had rightly pointed out that the desire for increased efficiency and productivity must be accompanied by a workable basis for implementation of measures directed to that end. The

Secretariat did not seem to have taken into account the fact that savings in the current biennium might not be available for redeployment in the next because Member States, informed of the real costs of programmes, might reduce the budget accordingly.

34. **Mr. Saha** (India) said that his delegation associated itself with the statement made by the representative of Indonesia on behalf of the Group of 77 and China and took note of the statements by the Under-Secretary-General for Management and by the United Kingdom on behalf of the European Union. He hoped that future reports on the reduction and refocusing of non-programme costs would be not only clear and analytical, but also technically sound.

35. **Mr. Hanson** (Canada) said that while his delegation welcomed the reallocation of savings to development, it agreed with the speakers who had emphasized the Committee's need to consider the forthcoming report on the development account. There was little to be gained from a speculative debate on the distinction between programme and non-programme costs, and the money which would be spent on conference services for such a debate could be better allocated to development.

36. **Mr. Connor** (Under-Secretary-General for Management) said that preparation of the report on the development account was well under way. While it was clear that neither the Secretary-General's report nor that of ACABQ enjoyed universal support in the Committee, the resulting dialogue had established a good basis for constructive cooperation.

Organization of work

37. **The Chairman** said that he deeply regretted that, at the request of certain delegations, the informal consultations on agenda item 118 (Joint Inspection Unit) had been omitted from the Committee's programme of work for the following week, and that at earlier informals delegations had merely repeated statements made at the main part of the session. The Committee had already lost 53 hours of conference services at a cost of nearly US$ 175,000, and he was unwilling to schedule further informal consultations unless delegations were prepared to participate substantively in the discussion with a view to making genuine progress towards a decision. He reminded delegations that the Committee should follow the same principles of effectiveness and efficiency that it advocated for the Organization as a whole.

38. **Mr. Sulaiman** (Syrian Arab Republic) noted that his delegation had requested that agenda item 119 (Pattern of conferences) should be included in the Committee's programme of work for the first part of the resumed session.

39. **The Chairman** said that he would ensure the inclusion of that agenda item in the programme of work.

40. **Mr. Moktefi** (Algeria) said that his delegation was deeply concerned at the removal of agenda item 118 from the Committee's programme of work and was surprised that some delegations continued to repeat the same proposals, adopting an attitude that was far from constructive.

41. **Ms. Silot Bravo** (Cuba) said that she associated herself with the request made by the representative of the Syrian Arab Republic concerning the inclusion of agenda item 119 (Pattern of conferences) in the Committee's programme of work. She also wondered when the Assistant Secretary-General for Conference Services would address the Committee concerning the date of issuance of the report on the upgrading of conference rooms and interpretation booths.

42. **The Chairman** said that he shared the representative of Cuba's frustration at the fact that, despite repeated requests, the Committee had received no substantive information concerning the status of that report.

43. **Ms. Achouri** (Tunisia) said that her delegation shared the representative of Algeria's disappointment at the removal of agenda item 118 from the programme of work. Rationalization of the Committee's methods of work required that all agenda items should be considered responsibly and placed on an equal footing. While differences of opinion were normal, the use of delaying tactics and refusal to engage in discussion undermined the credibility of both the Committee and the bodies whose reports it had before it. She urged all delegations to adopt a constructive spirit and refrain from hindering the Committee's work and that of its Bureau.

44. **Mr. Atiyanto** (Indonesia), speaking on behalf of the Group of 77 and China, said that the views expressed by the Syrian Arab Republic and Cuba fully reflected those of the Group.

45. **Mr. Sial** (Pakistan) said that the note by the Secretary-General transmitting the report of the Office of Internal Oversight Services on the audit of the use of consultants in 1996 (A/52/814), which was scheduled for consideration under agenda item 153, would be better dealt with in conjunction with the comprehensive policy guidelines governing the use of consultants which the General Assembly had requested in its resolution 51/226. He asked what the status of that document was.

46. **The Chairman** said that he would enquire into the matter and report to the Committee at a later meeting.

The meeting rose at 1.50 p.m.