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

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98-80616 (E)

The meeting was called to order at 10.15 a.m.

Agenda item 114: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*) (A/52/821)

1. **Mr. Paschke** (Under-Secretary-General for Internal Oversight Services), introducing the report of the Office of Internal Oversight Services (OIOS) on the audit of the Second United Nations Conference on Human Settlements (Habitat II) (A/52/821), said that OIOS had conducted the audit from September 1996 to March 1997 with the objectives of assessing the adequacy of the financial controls over the Conference and the effectiveness of the Habitat II secretariat in its preparation.

2. The audit found that, while the Conference had been widely acknowledged as an important and successful political event, it had also been marked by serious financial management problems. A breakdown of internal controls had resulted in inadequate financial accountability and had left the United Nations Centre for Human Settlements (UNCHS) with an uncovered deficit estimated at $2 million.

3. As examples of problems identified by the auditors, the Habitat II secretariat had resorted to extensive hiring of consultants, at a total cost of $2.5 million, without the benefit of competitive bidding and, in some cases, with little value received in return. The Secretary-General of Habitat II had travelled more than 80 per cent of his time, incurring travel costs of $370,000, while the Deputy Secretary-General had spent more than 50 per cent of his time in travel status, incurring costs of approximately $210,000. A cost plan for use of the $8.2 million in voluntary contributions had never been submitted and, as a result, no allotments had been issued for the use of those funds; that had delayed the preparation of financial statements. Conference expenditures had been shifted to, and borrowed from, other funds to compensate for the shortfall in voluntary contributions.

4. In order to address the situation and prevent similar problems in the future, OIOS recommended, *inter alia*, that UNCHS should recalculate the income, expenditures and deficit of the Conference and make additional efforts to realize outstanding pledges; seek a decision from the legislative bodies on how to cover the remaining deficit; and take appropriate measures to improve internal controls and financial management for future conferences.

5. While not wishing to de-emphasize the seriousness of the financial and managerial problems, OIOS felt compelled to point out that pledged contributions to the Conference had not been realized as expected and that funding from the regular budget had been limited. Criticism of the Habitat II secretariat must therefore be tempered with the understanding that the mounting of a successful international conference on the scale of Habitat II required an appropriate level of financial resources. OIOS also took note of the corrective action taken by the management of UNCHS and commended it for its decision to establish an Audit Committee to monitor the implementation of the recommendations of OIOS and the Board of Auditors.

6. **Mr. Moktefi** (Algeria) said that the report showed how a lack of internal controls could have an impact on the financial situation of an organization. A review of the requirements for recruitment of consultants was needed in order to avoid a repetition of the situation described in the report. The report also underscored the important role of the Department of Management in the monitoring of internal financial systems. His delegation would welcome further informal consultations on the report in order to extract the lessons to be learned from the experience of the Habitat II Conference.

7. **Mr. Yamagiwa** (Japan) said that his delegation fully supported the recommendations of OIOS contained in paragraph 57 of the report. The report revealed mismanagement of the Habitat II Conference with respect to both finances and personnel, and his delegation wondered where managerial responsibility was to be assigned and what remedial or disciplinary measures needed to be taken.

8. It appeared, from paragraphs 13 to 16 of the report, that United Nations rules restricting the hiring of retired United Nations staff members had been circumvented, if not directly violated. There also seemed to be problems with respect to the appointment and service of the Deputy Secretary-General of the Conference: although it was not his delegation’s intention to engage in micro-management, it would like to be informed of the criteria for approval of annual leave coinciding with official travel. It also requested clarification of the official travel of the Deputy Secretary-General after the expiration of his contract.

9. It was difficult to take corrective action after the fact, but he asked the Secretariat to inform the Committee whether any measures had been taken when the problems surrounding the Habitat II Conference had arisen, and what might be done in the light of the observations contained in the report of OIOS.

10. **Mr. Repasch** (United States of America) said that, while his delegation had not been surprised at the findings of OIOS, it remained outraged at the mismanagement which had occurred and supported the statement made by the representative of Japan. With regard to management

responsibility, his delegation would like to know who had been responsible for authorizing the travel of the Secretary-General and Deputy Secretary-General of the Conference. In conclusion, he requested Habitat to implement fully the recommendations of OIOS.

11. **Ms. Buergo Rodriguez** (Cuba) said that, in view of the importance of the issues raised in the report, informal consultations should be held before any decision was taken on the matter.

12. *It was so decided.*

Agenda item 116: Programme budget for the biennium 1998-1999 (*continued*) (A/52/7/Add.10, A/52/758, A/52/848, A/52/894)

13. **Mr. Atiyanto** (Indonesia), speaking on behalf of the Group of 77 and China, welcomed the establishment of the Development Account and said that the issue of its utilization was of great importance. The Secretary-General's aim of creating a "dividend for development" merited favourable consideration.

14. However, the Group of 77 and China deeply deplored the quality of the note by the Secretary-General (A/52/848), which was superficial and lacking in clarity and did not meet the requirements of General Assembly resolution 52/12 B and General Assembly decision 52/464. Furthermore, there were factual errors, for instance in paragraph 7 regarding the level of available resources for the Development Account; in resolution 52/221, the General Assembly had appropriated $13.065 million under section 34 of the regular budget.

15. It was difficult to understand the sustainability of the Development Account on the basis of the rationale given in paragraph 4 of the note. It was unclear how the Account would become sustainable through the budget appropriation process once it reached the level of $200 million. He also wondered how the Account would be replenished after the year 2003. The Committee should be kept informed of the means to achieve reductions in administrative overhead costs, as well as areas where proposed savings were to be achieved. The Secretary-General should provide justification for his conclusion that non-programme costs constituted 38 per cent of the regular budget and should inform the Committee how he intended to reduce that figure to 25 per cent and what the effects of such proposed reductions would be on programme delivery. The Committee should also be informed of the impact of the proposed savings on the level of posts, taking into account the comments of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) in paragraphs 8 and 9 of its report (A/52/7/Add.10).

16. The Group of 77 and China had a great interest in the early utilization of the Development Account and felt that there was a need for a thorough discussion of the modalities. The programme objectives for its utilization should be concrete and precise. Section III of the Secretary-General's note, however, simply indicated that the Account would be utilized to assist the international community in understanding the emerging challenges and persistent problems of development. The programme objectives should include assisting developing countries in addressing the challenges of globalization by enhancing international cooperation in the financing of economic development, South-South cooperation, the eradication of poverty, technical cooperation and increased trade competitiveness for developing countries. Proposals for the utilization of the Account should be presented by the United Nations units working on development issues.

17. The proposed reduction in administrative costs should in no way affect the full implementation of mandated programmes and activities. Moreover, the transfer of resources associated with productivity gains was not a budget reduction exercise. It was important to implement the "dividend for development" concept without affecting legislative mandates and taking into consideration the sustainability of the Account beyond 2003.

18. The Group of 77 and China requested the Secretary-General to submit another detailed and comprehensive report, in accordance with resolution 52/12 B, before the third part of the resumed fifty-second session of the Fifth Committee.

19. **Ms. Buergo Rodriguez** (Cuba), speaking on a point of order, said that her delegation regretted that no representative of the Department of Economic and Social Affairs had been present during the statement made on behalf of the Group of 77 and China.

20. **The Chairman** said that he also regretted that no representative of the Department of Management had been present.

21. **Mr. Thorne** (United Kingdom), speaking on behalf of the European Union, reiterated the Union's support for the concept of the Development Account launched by the Secretary-General in his Track II reform proposals. Efficient did not necessarily mean cheap or substandard, nor did efficiency savings mean overall budget cuts. The resources freed through the implementation of efficiency measures would be transferred to the Development Account and used for development activities.

22. The essence of the concept required incentives to encourage programme managers to show initiative and flexibility in the search for innovative, imaginative, efficient and new ways of working so as to achieve the objectives of the Organization. The European Union did not, however, see how that could be reconciled with a priori approval by the General Assembly. It accepted the argument that the United Nations could not be treated as a private company, but it could not be immune from good management practices such as those currently being applied in many countries, both developed and developing. Thus, while it believed that each section of the programme budget should include an indication of prospective productivity gains anticipated in the forthcoming biennium, it should be clearly understood that the indication was not exhaustive nor did it impose restrictions on the freedom of programme managers to look for efficiency measures: that responsibility should remain within the purview of the Secretary-General.

23. By definition, efficiency measures adopted by the Secretariat should not affect mandated activities and must be sustainable over time. The European Union therefore agreed that the actual results of efficiency initiatives should be clearly indicated in the framework of the performance reports to the satisfaction of the General Assembly before additional savings could be transferred to the Development Account. It also agreed with the recommendation of ACABQ that any balance of appropriation should be transferred to a special account at the end of the biennium so as to ensure its availability in succeeding bienniums.

24. Finally, the European Union would welcome an indication of the purposes to which the Secretary-General intended to put the resources in the Development Account and of how reporting to Member States on those programmes would be carried out, and how programming, monitoring and evaluation would be handled.

25. **Mr. Blukis** (Latvia), **Mr. Jaremczuk** (Poland) and **Mr. Mihut** (Romania) said that their delegations associated themselves with the statement made by the United Kingdom on behalf of the European Union.

26. **Ms. Chen Yue** (China) said that her delegation supported the statement made by the representative of Indonesia on behalf of the Group of 77 and China. The overall concept of using the savings achieved from administrative costs for the Development Account was a good one, but measures to reduce such costs should not be carried out at the expense of the full implementation of mandated programmes and activities. Objective and realistic savings targets must be set. Her delegation fully shared the views expressed by ACABQ in paragraph 15 of its eleventh report (A/52/7/Add.10) and in paragraphs 3 and 4 of its report on the utilization of the Development Account (A/52/894).

27. Her delegation was concerned about the questions raised by ACABQ on the definition of non-programme costs and the methodology used to establish the ratio of such costs in the report of the Secretary-General. It believed that a more precise definition and a more practical methodology were needed. It also agreed with ACABQ in rejecting the assumption that public information activities were non-programme activities.

28. With regard to the sustainability of the Development Account, her delegation believed that the potential for productivity improvements through streamlining and simplification was limited, and agreed with ACABQ that the target of transferring $200 million to the Account by the end of the biennium 2002-2003 was overambitious. The main objective of the principles governing the utilization of the Account should be real assistance to development; there should be no undue emphasis on a schedule for results. Moreover, Member States, especially developing countries, should have a voice in project selection.

29. **Mr. Dvinyanin** (Russian Federation) said his delegation believed that the establishment of the Development Account was an inseparable part of the reform process and that the Committee must consider carefully every aspect of its future utilization.

30. Referring to the note by the Secretary-General (A/52/848), he asked for clarification as to how the target of $200 million had been determined and how that target would actually be achieved by the end of the biennium 2002-2003. No clear explanation had been provided about the criteria for separating programme and non-programme costs in the proposed reduction of administrative costs. There must be a clear understanding that any reallocation of resources to the Development Account should be made on the basis of a decision of the General Assembly. His delegation supported the Advisory Committee’s comment in paragraph 7 of its report (A/52/894) regarding the Secretariat’s ability to carry out all the tasks assigned to it in the current financial situation. It did not feel that the constant search for ways to achieve savings in administrative costs was an end in itself; such efforts should in no way affect the operations of the United Nations, including its development activities.

31. On the question of the future sustainability of the Development Account, it was unclear how the Account would become sustainable through the existing budget appropriation process. The search for potential savings had its limits and priority must be accorded to the implementation of mandated programmes and activities. His delegation agreed with the

Advisory Committee that proposals related to efficiency measures must be treated separately from information on changes related to currency fluctuation and inflation (A/52/894, para. 3). He reaffirmed the need for strict observance of the Financial Rules and Regulations, particularly with regard to the reimbursement of unexpended sums to Member States.

32. Although almost a quarter of the current biennium had already elapsed, there were still no practical proposals by the Secretary-General with regard to the utilization of the $13 million envisaged for the Development Account under section 34 of the programme budget for the current biennium.

33. He hoped that the Secretariat would provide all the information required so that the Committee could take a rapid decision on the question.

34. **Mr. Kabir** (Bangladesh) said that his delegation fully supported that statement made on behalf of the Group of 77 and China. It was disappointed at the way the entire issue had been treated in the note by the Secretary-General (A/52/848), and shared the Advisory Committee's view that the note did not fully meet the requirements of General Assembly resolution 52/12 B. Paragraphs 5 and 6 of the note merely duplicated the information provided in an earlier document (A/51/950/Add.5).

35. His delegation noted the Secretary-General's assurance in paragraph 4 of his note that reductions in administrative costs would be sought without reducing the ability of the Organization to deliver its mandated programmes. It could not, however, share the Secretary-General's optimism that the target of $200 million could be reached by the end of the biennium 2002-2003. His delegation was also concerned about the Secretary-General's suggestion that programmes and projects would not be implemented if no support from the Development Account was available; that might throw a project into disarray half way through its implementation.

36. With regard to the proposed objectives and directions, his delegation believed that, since the Account would be small in size, the projects funded from it were also likely to be modest in their objectives and size. The Account might end up supporting projects related more to seminars and consultancies that would bring little tangible benefit to the developing countries. While his delegation could support the proposal for the implementation of various global and regional programmes and platforms of action emanating from various global conferences, it proposed that the Account should focus on projects such as the transfer of technology to developing countries, with a priority focus on the needs of the least developed countries and the African countries, the establishment of a network to promote human development in those countries and to evaluate and analyse the impact of globalization, and the creation of a global fund to assist the poorer segment of the population within the context of national and regional priorities. The concept of microcredit could be considered in that context.

37. His delegation looked forward to receiving specific proposals for the implementation of projects under the Development Account. The Secretary-General's proposal was predicated on the assumption that all Member States would pay their assessed contributions on time, in full and without any conditions. His delegation asked how the Secretary-General would proceed in the event that assessed contributions were not paid, particularly by the major contributor.

38. **Ms. Buergo Rodriguez** (Cuba) said that her delegation supported the statement made by the representative of Indonesia on behalf of the Group of 77 and China. The report by the Secretary-General on the reduction and refocusing of non-programme costs (A/52/758) and the note by the Secretary-General on the utilization of the Development Account (A/52/848) did not accord with either the letter or the spirit of the relevant General Assembly resolutions and decisions. Her delegation was concerned about the poor quality of some documents submitted recently by the Secretariat. The emphasis on brevity was undermining quality. The documents lacked the necessary analysis and background information; that adversely affected the efficiency of deliberations and of the decision-making process and generated additional costs for the Organization arising from new requests for documents.

39. The note by the Secretary-General (A/52/848) had serious shortcomings; as noted by the Advisory Committee, it contained both contradictions and factual errors. She asked what was meant by the last sentence of paragraph 4 and, in particular, whether the Secretariat envisaged that programme budgets approved after the year 2003 would include new resources under section 34, and what the Secretariat's projections were on the number of posts that would need to be abolished to reach the projected figure. She also requested a detailed explanation of the objectives and orientation of the programme, and of the principles for the utilization of the Development Account and the criteria for evaluating its output. She wondered what was the scope of the principle set forth in paragraph 6 (a) and of the objective defined in paragraph 5 (b), and what was meant by the phrase "networking of experts". She asked whether the Secretariat envisaged a fundamental change in the nature of the activities which were traditionally financed from the budget and whether it had considered how the resources under section 34 would be linked with the resources under section 21.

40. The General Assembly would not be able to take a position on the two documents (A/52/758 and A/52/848) until a substantive report was submitted in response to the prior decisions of the General Assembly and to the various views expressed during the debate in the plenary Assembly and in the Committee. The report should include a proposal on how the resources approved under section 34 of the programme budget for the current biennium would be utilized.

41. **Ms. Fahmy** (Egypt) said that she, too, regretted that the representative of the Secretary-General had not been present during the delivery of the statement on behalf of the Group of 77 and China, and requested that the views expressed in that statement should be transmitted to the Secretary-General.

42. Commenting on paragraph 5 (a) of the Secretary-General's note (A/52/848), on the promotion of development of developing countries through utilization of the Development Account, she said there was a need to include an explanation of what kind of assistance would be given to developing countries in facing the challenges of globalization.

43. With regard to paragraph 5 (b), she disagreed as to the need for better networking of experts so as to promote an enhanced appreciation of global economic and social issues. The mission of the United Nations was to participate in solving problems of development; the Development Account should not be used to finance the understanding of the international community.

44. Turning to part IV of the Secretary-General's note, on the principles governing utilization/performance criteria, she noted with concern from paragraph 6 (d) that the proposal, once implemented, should be required to generate other sources of finance. That condition was difficult to achieve, and should be looked into carefully. The proposal was not a matter for any United Nations development agency, since the issue was tied in with a reduction in official development assistance.

45. Accordingly, the Secretariat should heed the statement made on behalf of the Group of 77. The Secretary-General's next report must take into account the proposals put forward by development agencies in the United Nations system.

46. **Mr. Watanabe** (Japan) said that his delegation attached great importance to the rapid implementation of the Development Account and believed that the Committee should come to an early agreement on the projects for which the funds would be used during the current biennium and on the modalities for the Development Account in the future. He asked why the document containing the proposals for the utilization of the amount of $12.7 million, referred to in paragraph 7 of the Secretary-General's note (A/52/848), had not yet appeared.

47. It should be borne in mind that the basic purpose of the Account was to support activities connected with global and regional development efforts that would ordinarily be funded from the regular budget but had not been financed because of insufficient funds. For example, the funds in the Development Account could be used to gather the views of experts and organizations, both within and outside the United Nations, with a view to devising a new development strategy, or to conduct a study on the establishment of a data bank of technologies that might contribute to South-South cooperation or assist in enhancing the capacity of developing countries to engage in economic research and analysis. It might be useful in future to request the Secretary-General to propose projects as part of the programme budget and present them to the Economic and Social Council for comments before the final approval of the programme budget by the General Assembly.

48. With regard to the modalities for the implementation of the Development Account, his delegation believed that a certain level of savings should be appropriated to section 34 at the time of the adoption of the programme budget. Every programme manager should be allowed to use all the resources approved by the General Assembly for the implementation of mandated programmes and activities. The mechanism proposed by the Advisory Committee was not consistent with budgetary discipline and could lead to confusion. The best way to utilize the Development Account was for Member States to consider the proposed savings measures in the context of consideration of the proposed programme budget and agree in advance on a fixed, reasonable level of resources to be allocated for the Development Account, instead of just accepting the level of savings at the end of each biennium. His delegation was flexible as to the size of the Development Account, which should be determined by the Committee.

49. **Mr. Gjesdal** (Norway) said that the Development Account reflected the essential purpose of United Nations reforms, as it was to be funded from savings on administrative costs. However, efficiency measures must not affect the quality of the services provided. The Account should be used, in particular, to help developing countries follow up the commitments made at United Nations conferences, while avoiding duplication. Wherever possible, existing mechanisms should be used for the application of the Account's resources.

50. Although his delegation strongly supported efforts to enable developing countries to take advantage of economic globalization, it would have appreciated it if the note by the

Secretary-General (A/52/848) had indicated more specific objectives, guidelines and directions regarding the utilization of the Development Account, as well as further details on the type of savings to be achieved. Since the quest for a development dividend was not, in and of itself, a budget reduction exercise, he asked whether the Account was to be continued beyond the year 2003. If so, he wondered whether further savings on administrative costs were foreseen to fund that extension and whether assessed contributions would also play a role. He did not agree with the Advisory Committee that windfall gains resulting from exchange-rate fluctuations, unforeseen vacancies and other circumstances could not be shifted to the Development Account. However, in using funds of that nature, the Organization should give priority to the Secretary-General's special missions, for which insufficient amounts had been budgeted.

51. **Mr. Moktefi** (Algeria) said that he shared the views expressed on behalf of the Group of 77 and China, as well as some of the comments in the report of the Advisory Committee (A/52/894). His delegation had supported the establishment of the Development Account, and hoped that it would be put into operation as soon as possible. The note by the Secretary-General (A/52/848) did not respond in detail to the concerns expressed during the first part of the resumed fifty-second session, particularly in relation to the reduction and refocusing of non-programme costs. He hoped that the Secretariat would present convincing arguments to the Committee on the viability of the productivity gains to be used to fund the Development Account and of the practical modalities for implementing the proposal. The Account's funding should not be based on speculation or on questionable assumptions. The target level of $200 million by the year 2003 was insufficient to meet the objectives set for the Account, and no viable means of achieving such savings without affecting the implementation of mandates or reducing posts had yet been identified. The Secretariat should prepare a more detailed and practical report on the subject.

52. **Mr. Park** (Republic of Korea) said that his delegation had expressed its support for the Development Account on a number of occasions; however, it wondered whether the modalities for implementation set forth in the note of the Secretary-General (A/52/848) would ensure the successful funding of the account to a level of $200 million. His delegation shared the concerns of the Advisory Committee in that respect. First, the time frame needed for achieving the target should be specified with reliable data based on actual records from the previous biennium. In that connection, the Secretariat should present more conclusive statistics to substantiate its claim that administrative costs comprised 38 per cent of the programme budget, and that a one third reduction in administrative costs would yield accumulated savings of $200 million by the biennium 2002-2003. Second, in order to give momentum to the implementation of the Development Account, specific initiatives to utilize the fund should be followed up in a timely manner. Third, it was essential to sustain the original concept of the Development Account: namely, to utilize actual gains from efficiency initiatives for the Account. The real productivity gains should not be the result of a cost avoidance or postponement and the level and quality of services in existing mandates should not be compromised in an effort to reach the target level of the Development Account.

53. **Mr. Mirmohammad** (Islamic Republic of Iran) said he supported the statement made on behalf of the Group of 77 and China. Since the Development Account had become a regular budget section, it should be subject to the provisions of General Assembly resolution 41/213. Accordingly, the budget should include a programme narrative for that section which should reflect the views of Member States and should be discussed by the relevant legislative bodies, including the Committee for Programme and Coordination.

54. **Ms. Shearouse** (United States of America) said she agreed with the Advisory Committee that more detailed information was needed on the objectives of the Development Account and on the principles governing its utilization and performance criteria. Activities funded by the Account should have a short time-frame and should provide for clear performance indicators and evaluation criteria. She asked how the Account would relate to the existing regular programme of technical cooperation (budget section 21). She joined the representative of Japan in asking when the Secretary-General would make specific proposals on the use of the resources already appropriated under the current budget.

55. **Ms. Achouri** (Tunisia) said that she shared the views expressed on behalf of the Group of 77 and China. She deplored the poor quality of the note by the Secretary-General on the utilization of the Development Account (A/52/848). The document should have been in the form of a report instead of a note, as required by General Assembly resolution 52/12 B, and should have referred specifically to the reduction and refocusing of non-programme costs, since that issue was obviously linked to the Development Account. Moreover, it should have reflected the concerns expressed by Member States during the first part of the resumed session, as well as the comments made by the Advisory Committee in its report (A/52/7/Add.10). The note had also failed to take the Organization's financial crisis into account. The Secretariat should take the wishes of the Member States and the crucial issue of reform more seriously, and should submit a new report on the Development Account.

56. **Mr. Ekorong A Ndong** (Cameroon) supported the statement made on behalf of the Group of 77 and China. The note by the Secretary-General was very superficial and revealed the difficulty of putting the new Development Account into operation. For example, it was economically unfeasible to proceed as though the estimated future savings to be used to fund the Development Account were already available. The one positive aspect of the note, however, was the indication that the Account would be used to finance projects that would show results within two bienniums. The inadequacy of the information provided made it difficult for his delegation to consider the utilization of the Development Account in depth at the current session.

57. **Mr. Hetesy** (Hungary) said he supported the statement made by the representative of the United Kingdom on behalf of the European Union. The establishment of a Development Account funded through cost-saving measures was a new concept and was therefore hard to implement. He hoped that the fundamental questions and concerns raised by Member States and by the Advisory Committee would help the Secretariat to prepare more specific proposals that would enable the Fifth Committee to hold a meaningful debate on the issue. Only if the Secretariat gave priority to that task could the Committee and the General Assembly reach an informed decision on the matter by the end of the year.

58. **Ms. Powles** (New Zealand), speaking on behalf also of the delegations of Canada and Australia, said that the three delegations had always supported the Secretariat in its efforts to streamline administrative procedures and reduce administrative costs and had fully endorsed the Secretary-General's proposal for a general reduction of such costs to a more reasonable level of 25 per cent of the total costs of the Organization. Until all Member States were willing to increase their annual financial contributions to the United Nations and pay their arrears, the Secretariat had no alternative but to live within its means in the most efficient way possible. Her delegation and those of Australia and Canada, agreed with the Advisory Committee that the primary focus should be on increasing the productivity of all activities undertaken by the Organization. However, there was also value in setting indicative forward targets as an incentive to programme managers to reduce the administrative costs of their programmes.

59. It was clear that if the Development Account was not sustained after 1998, it would not survive. The three delegations supported the Secretary-General's proposal to divert savings from administration into the Account, because they believed that there were many development needs which would usefully benefit from such funding. The Committee must concentrate on encouraging the Secretariat to formulate feasible ideas on how to sustain the Development Account in the future. It should be borne in mind that the concept underlying the proposal was a reallocation of resources, not a resource reduction. It was not desirable to return to the situation where the only way of reducing the administrative costs of the Organization was to reduce the overall level of the budget

60. **Mr. Herrera** (Mexico) said that, although the Development Account was a good idea, he would not like to see it funded at all costs, to the detriment of the Organization's programmes and finances. He agreed with the comments contained in paragraph 2 of the Advisory Committee's report (A/52/894); in particular, the programme objectives outlined in paragraph 5 of the note by the Secretary-General (A/52/848) must be made more precise and must be discussed in greater depth. He hoped that the proposals referred to in paragraph 7 of the note by the Secretary-General would be submitted shortly.

61. **Mr. Connor** (Under-Secretary-General for Management) said that the procurement manual requested by the representative of Saudi Arabia had been produced, but that delegations had not been advised of its availability until the previous day.

62. His Department's role with respect to the Development Account was to devise a methodology for putting it into operation, to target the expected results and to set a time-frame for their achievement. Accordingly, it had estimated that about 10 per cent of the Organization's resources would have been redeployed by the end of 2003. That was a manageable goal that would not affect the Organization's financial situation and would not require any change in the level of resources contributed by Member States.

63. Two issues were under discussion: first, the target level of the Development Account and the methodology by which its resource base would be guaranteed; and second, the refocusing of certain costs to support programme activities, which had no impact on the Development Account. The Secretary-General had always intended to seek the approval of the General Assembly at several stages of the redeployment exercise. Projects would be submitted in conjunction with the biennial budgets and would be refined to reflect changes in resources when the two performance reports were submitted. The target level would change if the Organization's overall budget was increased or reduced; however the note by the Secretary-General (A/52/848) had been presented as a neutral estimate relative to inflation and exchange-rate fluctuations. The methodology described in the documents under consideration was modelled on the budget outlines considered by the Fifth Committee, which compared the Organization's

level of real resources across two bienniums. The idea was to build the Development Account's resources up to the level of $200 million and to maintain them at that level, assuming that budget appropriations did not change. Thus, the projects funded by the Account would be ongoing.

64. The redeployment of resources to the Development Account would not involve any loss of posts, only new outputs. Accordingly, the note by the Secretary-General (A/52/848) contained no projections on staffing levels. The heart of the exercise was the redeployment, not the reduction, of resources. The report which some delegations had requested on the efficiencies to be achieved would be submitted for discussion in conjunction with the budget outline. It was perfectly possible to carry out all mandates in full while achieving efficiencies; in his Department alone, over 80 efficiency measures had been identified.

65. He agreed that the biennial budgets presented to programme managers should include only resources that they could spend. Lastly, since it appeared that Member States would not accept the idea that they should "contribute" $22 million by reducing their demands on the Secretariat (A/52/758, para. 43), that amount would no longer be considered part of the $200 million target.

66. **Mr. Desai** (Under-Secretary-General for Economic and Social Affairs) said that the note by the Secretary-General (A/52/848) had been very general and he wished to focus on a number of specific proposals that had been made for the utilization of the Development Account. Although relatively modest, the current appropriation of $13 million could be used to strengthen the capacity of developing countries to participate more effectively in global and regional processes. The United Nations Conference on Trade and Development (UNCTAD), for example, had put forward a proposal to develop the capacity of developing countries to participate in the new field of electronic commerce. The United Nations Environment Programme (UNEP) had proposed a project to facilitate access by developing countries to regional and global environmental databases. The Economic Commission for Africa had proposed a system of networking African research institutions to enable them to interact more effectively with each other and feed into the Commission's own work. The United Nations Centre for Human Settlements (Habitat), as a follow-up to its recent global conference (Habitat II), had proposed an exchange of experiences of best practices, which would include a strong South-South cooperation component.

67. All of those proposals, by strategically deploying the modest dividend for development thus far created, would contribute to the overall goal of promoting human development in the developing countries. He was still in discussion with the Executive Committee on Economic and Social Affairs with a view to fleshing out the proposals and he hoped that an official report would shortly be available. Should the proposals be approved by the General Assembly, he anticipated that results would be evident during the current biennium. He hoped, finally, that the General Assembly would allow for a measure of flexibility in the implementation of the proposals.

68. **Mr. Odaga-Jalomayo** (Uganda) said that his delegation looked forward to the formal submission of the proposals just outlined by the Under-Secretary-General for Economic and Social Affairs. In the meantime, however, it would be useful to know what criteria had been used in the selection of the proposals. He would also welcome clarification of the term "best practices", as used by the Under-Secretary-General. Finally, given the modest amount which had thus far been appropriated for the Account, it would clearly be necessary to prioritize the various proposals that had been received.

69. **Mr. Humenny** (Ukraine) asked whether it was proposed to use any portion of the development dividend for projects to aid countries with economies in transition.

70. **Mr. Blukis** (Latvia) said that he, too, was interested in the reply to the question just asked by the representative of Ukraine. It would also be helpful to know what criteria had been used to select the various project proposals outlined by the Under-Secretary-General. He was puzzled as to how the various parts of the project fitted together and what performance indicators would be used to measure outcomes. Those elements needed to be addressed by the Secretary-General in future reports on the subject.

71. **Ms. Buergo Rodriguez** (Cuba) said that her delegation had taken note of the assurances that the transfer of resources associated with productivity gains into the Development Account would not result in any reduction of posts. Nevertheless, it had certain questions about the Account's sustainability, particularly after it attained the projected level of $200 million by the biennium 2002-2003. While it was claimed that the transfer of resources to the Account was not a budget reduction exercise but one of redeployment, there were unanswered questions about where savings would be made, since the current level of resources was barely enough to cover already mandated programmes. Indeed, since staff costs accounted for more than 70 per cent of the regular budget, it was difficult to see how transfers to the Development Account would have no effect on the number of posts.

72. It was essential to be more specific about the proposals to be included under the budget section for the Development Account. Since developing countries were to be the main beneficiaries of the proposals, it was important that projects implemented should be truly capable of yielding practical results. It appeared, however, that projects were focused mainly on research and similar activities, which were not the real needs of developing countries. Her delegation looked forward to the formal submission of the Secretary-General's report on which the Committee would have to take a decision.

73. **Mr. Ivanov** (Bulgaria) said that his delegation wished to align itself with the statement made by the representative of the United Kingdom on behalf of the European Union. He noted that a large part of the productivity savings was projected to accrue from the Department of Public Information and wondered whether it might not be useful for the Committee to hear the views of the Under-Secretary-General for Communications and Public Information on the matter.

74. **Mr. Ekorong A Ndong** (Cameroon) wished to know how proposals for the utilization of the Development Account would take account of the decisions of the Habitat II Conference, how the various proposals would be prioritized and how the sustainability of the Account would be assured beyond the biennium 2002-2003.

75. **Mr. Hanson** (Canada) said that he, too, had questions about the sustainability of the Development Account. He noted that, according to paragraph 4 of the note by the Secretary-General (A/52/848), once the target level of transfer was attained, the Account would become sustainable through the existing budget appropriation process. It was not clear whether that constituted a guarantee of the Account's sustainability.

76. **Mr. Watanabe** (Japan) asked when the formal proposals for the utilization of the Account would be submitted to the General Assembly. The amount appropriated thus far was not enough for all the projects that had been mentioned and he wondered whether the dividend would be used as seed money to attract additional resources.

77. **Mr. Desai** (Under-Secretary-General for Economic and Social Affairs) said that the $12.7 million which had already been appropriated for the Development Account was very modest compared to the approximately $600 million which the United Nations budgeted for programmes in the economic and social sector. If the amount had been larger, the proposals and even the priorities for its use would have been quite different. Those proposals had come from the individual organizations that would carry out the projects, which had determined what supplementary activities would best enhance their own effectiveness and be truly beneficial for developing countries; the Executive Committee on Economic and Social Affairs had then discussed the proposals. The prioritization process had consisted of determining which possible ways of spending the funds in the Development Account would have the greatest synergistic effect and would fill the most acute gaps in the work already being done. The emphasis on the networking of experts reflected the need to focus the limited resources available on a few key areas; if more resources subsequently became available to the Development Account, new activities would be planned. For the moment, the only activities being proposed were ones that could be fully funded by the Development Account.

78. In reply to the Latvian representative, he said that performance criteria would apply to those activities, just as they applied to activities under other budget sections, including section 21. In reply to the representative of Cameroon, he said that the funding for the implementation of the Habitat Agenda was intended only as an additional input that would significantly improve the overall capacity to deliver programmes. It was important to recall that funding from the Development Account would not represent the sum total of the Organization's development expenditure, but only 2 to 3 per cent of regular-budget appropriations for development activities. Lastly, since the Development Account was part of the programme budget, the timetable for the submission of specific proposals would depend on the progress of consultations with the Department of Management.

79. **Mr. Connor** (Under-Secretary-General for Management) said that the steps outlined in paragraphs 49 to 52 of the report of the Secretary-General on the reduction and refocusing of non-programme costs (A/52/758) were intended to ensure the sustainability of the Development Account. The principal control mechanism was the stipulation that the Account would not be subject to exchange-rate fluctuations. However, if the Account was simply left as a potentiality, there was a danger that the Member States themselves might decide to divert the savings identified to some other purpose. He therefore encouraged Member States to appropriate those savings to fund the specific development projects proposed.

The meeting rose at 1.15 p.m.