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at 3 p.m.
New York

SUMMARY RECORD OF THE 16th MEETING

Chairman: Mr. BRODODININGRAT (Indonesia)

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

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AGENDA ITEM 100: PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1982-1983 (continued)

General debate

ORGANIZATION OF WORK

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The meeting was called to order at 3.05 p.m.

General debate (continued)

1. Mr. ALI (Bangladesh) said that it was not the zero-growth rate itself, but the so-called zero-growth approach and deliberate orientation of the budgetary policy adopted by the Secretary-General which his delegation found difficult to accept. Instead of determining the growth rate prior to considering the programmes, what should have been done was to determine the resources needed to implement the agreed programmes and then to arrive at the growth rate, taking account of the need for stringent financial discipline and efficiency.
2. The zero-growth rate appeared to have been determined arbitrarily and without any legislative basis. While the Secretary-General had, on the whole, been right to reflect in his budget proposals the economic and financial difficulties being faced by many Member States, the way in which he had done so was wrong. The vast majority of Member States, namely the developing countries, expected the United Nations to play a greater and more effective role in the field of socio-economic development. Although those countries had the most severe economic problems, they had never called for a zero real growth rate; rather, they had always shown readiness to shoulder their share of the burden. The Secretary-General's concern about the meagre resources available for development of the developing countries compared to the massive spending on arms, as expressed in his report on the work of the Organization (A/36/1), ought to have been properly reflected in the proposed programme budget.
3. Given that the Committee had not been provided with any figure showing how resources would be divided between substantive activities and administrative costs, or any indication of how programme delivery was to remain unaffected, his delegation found little consolation in the Secretary-General's assurance that there would be no weakening or curtailment of substantive activities in support of economic and social development. It therefore fully supported the recommendation contained in paragraph 475 of the report of the Committee for Programme and Co-ordination (A/36/38). As the Advisory Committee had concluded in paragraph 23 of its report (A/36/7), the budget proposals did not show much evidence of a redistribution of resources. In fact, the proposed growth rate in the field of economic, social and humanitarian activities was negative. It was therefore important to know how resources had been redeployed and how their redeployment would affect the Organization's programme delivery capability.
4. His delegation fully supported the Indian proposal that the Assistant Secretary-General for Programme Planning and Co-ordination or his representative should assist the Fifth Committee in its consideration of the programme aspects of the proposed budget.

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(Mr. Ali, Bangladesh)

5. In view of the observation made in paragraph 106 of the CPC report (A/36/38), it might be appropriate for the General Assembly to formulate a few basic guidelines for the preparation of the proposed programme budget so that the Secretary-General would not have to grope around in the dark and the Committee could be spared from arbitrary decisions.

6. Mr. WILLIAMS (Panama), referring to the budgetary policy adopted by the Secretary-General, as described in paragraph 2 of the foreword to the proposed programme budget for the biennium 1982-1983, said that the international community obviously had to contemplate savings, strict controls and remedies in the face of the serious instability of the world economic and financial situation. However, account also had to be taken of the extent to which world monetary imbalances, the instability of the currency in which the budget estimates were formulated, and inflationary pressures affected Member States, especially the developing countries. Those countries faced a bleak outlook when it came to meeting their financial obligations to the Organization. A major root cause of current imbalances in the monetary situation was the failure to heed warnings sounded in the 1950s about the dangers of discontinuing regulation of the price of gold.

7. As far as the zero-growth budget was concerned, his delegation considered it to be detrimental to the newly emergent and developing nations. Over the past five biennia the budget had increased by almost geometrical proportions, largely to take account of inflation. Of course, the Organization had grown over that period and its services had improved. Had the increases in the budget been devoted entirely to the economic, social and cultural sectors, there would be no cause for criticism. However, as the Chairman of the Advisory Committee and a number of representatives had pointed out, that had not been the case. It was to cover inflation that Member States, already hit by high domestic inflation rates, were being asked to pay increased assessments. In addition, it was well known that some 68 per cent of the regular budget was devoted to staff costs, instead of being used to promote substantive activities to aid the development of the most needy parts of the world. However, he believed that solutions could be found in the various legislative organs through concerted efforts to fulfil the obligations imposed on Member States by the Charter.

8. Unfortunately, it seemed that there were some who did not believe in the principles of the Charter. Claims had been made in the Committee that certain of the conferences and meetings held with the approval of the Committee on Conferences were meaningless and that much of the documentation was a waste of money. Yet, surely, the purpose of those conferences was to seek solutions to major world problems. Surely it was the very *raison d'être* of the Organization to provide a forum for negotiation and to prevent fratrici-

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(Mr. Williams, Panama)

dal wars. How anyone could describe the Organisation's public information activities as unnecessary or useless was incomprehensible. If the provision of impartial information on world-wide issues was unimportant, then the Organization had been labouring in vain for 36 years.

9. Miss ZONICLE (Bahamas) said that the exercise in which the Committee was engaged was of the highest importance. The similarities of the United Nations budget process with the budget process at the national level must not blind delegations to the crucial differences whose implications could not be ignored. If the present review was to have any significance, it was essential to be clear: firstly, about the nature and aim of the budgetary process, particularly with respect to programme budgeting; secondly, about the implications of the current budget estimates and, thirdly, about the implications of the budgetary review for meaningful achievements over the forthcoming biennium.

10. Before addressing these three issues, she observed that the contributions of Member States to the United Nations budget were tiny in terms of national public expenditure. In a world of limited resources, upward or downward shifts in resources, and therefore in priorities, had inverse effects on other resources and priorities. Viewed from that perspective and bearing in mind the obligations of States under the Charter, the conclusions drawn by the Secretary-General in paragraph 2 of his foreword were untenable.

11. Since the budget estimates represented proposals for the appropriation of resources to implement the Organization's medium-term plan, the review process in which the Committee was engaged was inextricably linked in their preparation and execution. That process was a critical tool, not only for evaluation, but also for introducing the necessary corrections and shifts in resources and personnel to guarantee the achievement of the goals and objectives. The usefulness of the budget presentation for the evaluation of current on-going activities was diminished because the financial tables and narrative were generally more descriptive than analytical. The budget proposals failed to indicate the impact on the objectives of resource reductions, completions or redeployment. The budget would have been a better evaluative tool: firstly, if it had indicated, by object of expenditure, initial as well as revised, appropriations for the second biennium; secondly, if specific activities and conference requirements had been related to the programme elements or outputs of a subprogramme; thirdly, if narratives justifying requests for additional resources on the basis of follow-up requirements had included information on the effects of such follow-up activities; fourthly, if the budget had included recommendations for, or reports on, new measures to curb the effect of inflation on the budget; and, lastly, if the recommendation in paragraph 475 of the CPC report (A/36/38/) had been implemented.

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(Miss Zonicle, Bahamas)

12. The Committee had a duty to ensure that any gap between what had been adopted and what would be executed was as small as possible. It appeared obvious that the Committee's action could be most fruitfully concentrated on the forthcoming revised budget base rather than on the current budget base. Neither the Secretary-General's foreword and introduction nor the comments so far made in the Committee had made it possible to ascertain how the concept of zero growth could be translated into policies or machinery to ensure effectiveness and efficiency.

13. The zero-based approach had been defined as a total review covering the setting of goals and objectives, the necessary operating decisions, and the evaluation of changing responsibilities all of which must be analysed during and as an integral part of the budgetary process. That process must consist in: firstly, the preparation by the programme manager of a "decision package" for each activity or operation, including an analysis of cost, purpose, alternative courses of action, measures of performance, consequences of non-performance and benefits; secondly, identification of the ways and means of performing each activity; thirdly, identification of the various levels at which the activity would be performed; fourthly, identification of a minimum spending level and of the costs and benefits of additional spending levels; and, lastly, a listing of "decision packages" in order of importance. It would be observed that such considerations as alternative courses of action and identification of minimum spending levels were absent from the budget proposal under consideration. Furthermore, zero-based budgeting was intended to provide senior management with detailed information for accomplishing the objectives to bring to light redundancies and duplication of effort among departments and to allow a performance audit to be made in order to determine whether each activity or operation had been duly performed. Lastly, none of the changes made should require recycling of budget inputs, since the "decision package" listing would identify the activities and operations that could be added or deleted.

14. As seen from the above perspective, zero-based budgeting provided an objective basis from which to control or mitigate pressures on the programme budgeting process. Such pressures frequently handicapped programme managers, senior administrators and Member States in evaluating the impact of various funding levels on individual programmes and programme elements. They stemmed from: the many legitimate needs of a conflict-ridden world; the gap to be bridged between the decision-making process and the programme evaluation and co-ordination; the need for an objective yardstick to develop less costly and more effective solutions for certain programmes; the lack of objective mechanisms for changing predetermined funding levels when workloads or performance standards were not met; and the constant recourse to reclassification of posts in order to have an efficient staffing table.

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(Miss Zonicle, Bahamas)

15. The zero-based approach appeared to facilitate the realization of the ideal represented by the dual goals of effectiveness (achievement of results) and efficiency (achievement of results at minimum cost). Her delegation wished to emphasize the importance of that distinction, since current evaluation efforts in the United Nations tended to concentrate on effectiveness rather than on a combination of effectiveness and efficiency. She invited other delegations to analyse the underlying thrust of paragraphs (10 (a) and 43 of document A/C.5/36/1 and of the reports of the Joint Inspection Unit in documents A/36/181 and A/36/172.

16. Her delegation wished to suggest that the Committee could bridge the gap between adoption and effective and efficient implementation by requesting that the revised and supplementary budget estimates should be accompanied by analytical rather than descriptive data. In the short term, that would mean that statements of administrative and financial implications should include summary data on: the status of implementation of programmes affected by decisions, with reference, wherever possible, to time-frames; the impact of various funding levels on each new or ongoing programme and programme element; and the various possible levels of activity required for each function. The Secretariat could be guided in that undertaking by the relevant recommendations in paragraph 33 of the report of the Joint Inspection Unit (A/36/168) and by the observations of the Chairman of ACABQ reproduced in paragraphs 22 and 27 of the summary record of the Committee's 8th meeting (A/C.5/36/SR.8).

17. In the long term, her delegation saw some merit in making the zero-based approach a multifaceted mechanism to supplement and refine efficient programme budgeting. Such an approach would in no way restrict the application of article 17, paragraph 1, of the Charter which implicitly recognized that the budget must respond to the needs of Member States.

18. Mr. FIDER (Philippines) said that the more rigorous examination stimulated by the current programme budget as compared with past budgets might be due partly to the fact that the present occasion was the first since 1954 on which a zero-growth budget had been proposed, and partly to the impression given by the term "zero-growth", which carried a very negative connotation. The unnecessary publicity preceding the Secretary-General's presentation had also contributed to the negative impression. His delegation understood the Secretary-General to mean that the proposed budget for the biennium 1982-1983 showed no real increase although it provided for the effects of inflation. The first idea that had come to mind with the use of the term "zero growth" had been that of stagnation and a virtual stunting

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(Mr. Fider, Philippines)

of the Organization's growth. That, however, did not appear to be the intention of the Secretary-General who had assured delegations that the present budget proposals were part of a wider process aimed at a more cost-effective use of the Organization's resources and the enhancement of work productivity in every unit of the Secretariat, and was the result of a carefully considered redeployment of resources among the Organization's various areas of activity. If that process was successfully carried out, its outcome would represent real growth, and his delegation would have no basic problem with the budget proposals of the Secretary-General, who had rightly pointed out that the world was going through difficult times that called for austerity. His delegation's position was, however, based on the assumption that there was indeed a real redeployment of resources from activities of marginal benefit to Member States to those of extreme value. It looked forward to seeing the Secretary-General's report on activities that were considered obsolete or of marginal importance.

19. His delegation supported the reduction of \$45.8 million recommended by the ACABQ and believed that in some areas further cuts could be made without adversely affecting the Organization's substantive work. Foremost among them was the provision for salaries and allowances, comprising 75 per cent to 80 per cent of the total budget, and far exceeding the salaries and allowances of the United States Civil Service on which they were based. Since United States civil servants and those of most other countries had suffered reductions in real income, the United Nations staff could be expected to accept similar cuts. His delegation had always viewed with concern the numerous occasions on which staff based in New York, Geneva and Vienna travelled on missions that could well be entrusted to resident or regional representatives. It also considered that first class travel should be limited to the Secretary-General and the Under-Secretaries-General. There could also be considerable pruning of Secretariat staff. A start could be made by examining the need for reappointing those whose contracts would expire during the forthcoming biennium and by considering the possibility of filling the posts from existing Secretariat staff, thus avoiding reclassification of posts in order to promote personnel. His delegation also urged the early completion of the study on the cost of renting office space, since it was essential to compare the long-term cost of renting with that of providing the Organization's own office space.

20. Member States contributed to some of the wastage incurred by the Organization by holding late meetings, requesting studies of questionable usefulness, making unnecessarily long statements and requesting voluminous documentation.

21. While having no objection to the proposed zero-growth budget on the understanding that money would be redeployed from projects of marginal value to substantive projects, particularly in the socio-

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(Mr. Fider, Philippines)

economic field, his delegation would be prepared to consider worthwhile projects that might be put forward during the forthcoming biennium and that were not covered or anticipated in the current budget proposal.

22. Mr. GODFREY (New Zealand) said that the proposed budget was a responsibly prepared document, not because it was based on any particular level of real growth, but because it was a first, tentative step towards the implementation of a rational ordering of priorities and reallocation of resources. While the net result was something akin to zero real growth, it was important to remember that high inflation and fluctuating exchange rates were having a considerable impact on assessed contributions. For instance, his country's contribution to the United Nations regular budget for 1982, expressed in New Zealand dollars, would show an increase of some 40 per cent over 1981. That was the sort of comparison which national Treasures and Finance Ministers would have to make.

23. Although the proposed budget, as it stood, showed zero real growth, everyone was aware that the Committee's final proposals to the General Assembly would show a different picture. Additional funds would be required to implement decisions taken in the course of the session, as was inevitable in a dynamic organization. What must be avoided was a flabby United Nations, ultimately suffocating under the weight of its own deliberations. All Member States wanted value for money and to avoid waste. Accordingly, continued progress in the reordering of priorities was the critical issue and, in that connexion, his delegation welcomed the JIU report on the subject (A/36/171) and the good work done by CPC; it likewise looked forward to the results of the special review.

24. In generally supporting the proposed budget, his delegation took note of the Secretary-General's comment in section X of his report on the work of the Organization (A/36/1) that programmes in support of economic and social development in developing countries would in no way be weakened, curtailed or pre-empted.

25. As promised, the Secretary-General's assumptions about the effects of inflation and exchange rate movements during the next biennium should be updated later in the session.

26. Mr. PAL (India) said that the three principles of budgetary policy had been concisely set forth in one of the Upanishads: "give"; "control"; and "have mercy". After the statement by the Under-Secretary-General for Administration, Finance and Management at the 13th meeting, however, he was not greatly disposed to be merciful. That statement had not diminished the validity of any one of the points he had raised in his own first statement during the general debate on the proposed budget.

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(Mr. Pal, India)

27. The Under-Secretary-General claimed that any attempt to ascribe responsibility for the budget to a single office was divisive and mistaken. Rule 103.3 of the Financial Regulations and Rules stipulated that the budget estimates should be reviewed by the Controller, in the light of whose recommendations the Secretary-General would decide as to the proposed programme budget to be submitted to the General Assembly. Leaving aside the issue of whether the United Nations had a Controller at the present time, it seemed unlikely that the Secretary-General would have the time personally to review all the recommendations submitted to him.

28. His own point had been that, in the same way as the Office of Financial Services presented the financial implications of the budget proposals to the Fifth Committee, the Office for Programme Planning and Co-ordination should be called upon to introduce the programming implications in so far as they affected the economic and social sectors of the Organization's work. It had been explicitly stated in document A/35/527, paragraph 54, that the involvement of the Office for Programme Planning and Co-ordination in the formulation of the budget as a result of the restructuring exercise would in no way affect the over-all financial and budgetary responsibilities of the Office of Financial Services. His suggestion, therefore, was hardly divisive, but it had not yet received a response in any case.

29. The Under-Secretary-General disputed the validity of comparisons between the regular budget of the United Nations and the budgets of agencies which were supported by voluntary contributions. Despite the possibility that funds might not be forthcoming, the heads of such agencies had courageously decided that a zero-growth rate would not be sufficient to carry out the programmes of work decided on and that they must submit ambitious proposals for their respective legislative bodies to accept or reject. The remarkable thing was that the Secretary-General, faced with the same circumstances, had come to diametrically opposite conclusions. The Under-Secretary-General said that there was no basis for criticizing the budget proposals on the ground that a certain group of Member States had not called for a zero-growth budget - but that had never been suggested. What had been pointed out was that the General Assembly had not given the Secretary-General any directive to draw up a zero-growth budget and, in the absence of such a mandate, he should presumably act in accordance with the views of the majority of Member States. Numerically, the Group of 77 represented the majority in the United Nations, and the members of that Group were generally undergoing more severe hardships than the group of States whose current economic difficulties the Secretary-General claimed he had had to take into account in formulating his budget proposals. The Fifth Committee should consider whether the approach taken by the Secretary-General was constitutionally correct.

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(Mr. Pal, India)

30. The concept of "zero growth" which the proposed budget supposedly embodied was radically new. It seemed to amount to the notion that any budget submitted to the Fifth Committee would consist of the inflation-adjusted sums necessary to continue the programmes already under way, while any further activities decided on by the Assembly would be regarded as having additional financial implications. But if that was so, the Secretary-General should always submit budgets based on zero growth, and the concept was less difficult to understand than the membership of the Organization was being led to believe. He would like an explanation of how, exactly, the philosophy underlying the current budget proposals differed from that used two or even four years previously.

31. Moreover, the Under-Secretary-General had been at pains to point out that the proposals before the Committee were the result of consultations with programme managers and heads of departments. But if the basis for the budget submission was determined simply by adjusting current spending levels for inflation, there was manifestly no need to consult anyone.

32. He agreed entirely with the Under-Secretary-General's statement that it was not possible to decide on a level of spending before agreeing on specific programmes; that, indeed, was the main reason why his delegation was critical of the proposed budget. It was hard to accept the notion that programmes should be constrained by a pre-determined and arbitrary limit on budgetary growth.

33. The Under-Secretary-General had implied that he (Mr. Pal) was withholding vital information in failing to acknowledge that the rates of growth he had quoted from the medium-term plan for the period 1980-1983 (A/33/6/Rev.1, chap. 3, para. 3.17) related to the biennium 1980-1981, or that CPC had recommended against their incorporation into the plan. But CPC had decided to retain chapter 3 as a reference document for its own use, as the Secretary-General had indicated that the rates represented his assumptions on growth for the coming two biennia. Moreover, in resolution 33/118, paragraph 7, the Assembly had endorsed the guidelines proposed by ACABQ (A/33/345) on the financial information to be included in future medium-term plans. The Advisory Committee had made it plain that the figures it had discussed had been chosen to cover the gamut of scales proposed by the Secretary-General in chapter 3 of the medium-term plan. And finally, in resolution 35/9, paragraph 1, the Assembly had taken note of the relative real growth rates proposed by CPC precisely because the sponsors of the resolution - paragraph 6 of which did indeed stipulate that the setting of relative real growth rates should be discontinued in future - recognized the difficulty of drawing up programme budget proposals for the biennium 1982-1983 in the absence of any kind of guidance.

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(Mr. Pal, India)

34. He had previously suggested that, if the Secretariat had succeeded in working an administrative miracle, it should not conceal the fact. After the Under-Secretary-General's efforts to turn day into night and water into wine, it was certain that he should be a candidate for canonization. Unfortunately, however, the gospel according to St. Helmut would always rank among the Apocrypha.

35. Mr. DEBATIN (Under-Secretary-General for Administration, Finance and Management) said that the normal course of events would have been to complete the special review of the Organization's work programmes before embarking on the budgetary consequences. Shortage of time had made that impossible, however, and consequently the budgetary details had had to be finalized before the outcome of the special review was known.

36. Since the Secretariat was aware that such a review was planned, the budget proposals had been drawn up on the assumption that all current programmes would be continued to the end of the biennium, while any modifications would be treated as having financial and administrative implications. Thus the proposed budget called for no increase in resources at the current stage. Of course, the Organization would grow and respond to new mandates, but the Secretary-General had determined that, for the moment, no additional resources would be required.

37. Mr. PAL (India) said he had understood that the budget proposals before the Committee had largely assumed their present form before the adoption of the decision to conduct a programme review. He asked for confirmation of that understanding.

ORGANIZATION OF WORK

38. The CHAIRMAN drew attention to a letter from the Under-Secretary-General for Public Information concerning the role of the press releases produced by his Department. At the suggestion of Mr. MARTORELL (Peru), he announced that photocopies of the letter in the original language would be made available to Committee members.

39. Mr. RUEDAS (Assistant Secretary-General for Financial Services) said that the large flow of original documentation to be processed by the Department of Conference Services was causing temporary difficulties in the production of summary records. The Department generally tried to issue a summary record in the original language within 24 hours of the meeting, and the corresponding translations some 36 to 48 hours thereafter. Obviously, those deadlines were not being met; but efforts would be made to produce the records as soon as possible. A special effort would be made to issue the records in which delegations were particularly interested by the end of the week.

The meeting rose at 5 p.m.