



SUMMARY RECORD OF THE 4th MEETING

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

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The meeting was called to order at 10.40 a.m.

AGENDA ITEM 102: FINANCIAL REPORTS AND ACCOUNTS, AND REPORTS OF THE BOARD OF AUDITORS (continued) (A/37/5 and Add.1-7 and Add.7/Corr.1 and Add.8, A/37/443 and Corr.1)

- (a) UNITED NATIONS
- (b) UNITED NATIONS DEVELOPMENT PROGRAMME
- (c) UNITED NATIONS CHILDREN'S FUND
- (d) UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST
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1. Mr. SHUSTOV (Union of Soviet Socialist Republics) said that his delegation had carefully studied the reports of the Board of Auditors and the Advisory Committee and in general approved the conclusions and recommendations they contained. The Board of Auditors had performed most valuable work, since they had not only pointed to violations of the Financial Regulations and Rules but also indicated sectors in which savings could be made in the future.

2. The many violations of the Financial Regulations and Rules and the resultant squandering of resources were of concern to the Soviet delegation. The situation was particularly bad with respect to construction (A/37/5, vol. I, sect. II, paras. 23 and 24). It was astounding to learn that after 36 years model contracts were not yet employed and that use had not been made of the standard form of agreement of the American Institute of Architects (AIA) for contracts signed by the United Nations with architects; that either revealed incompetence on the part of the Secretariat staff or demonstrated that the matter received insufficient attention. Furthermore, use had been made of independent consultants, at a cost of more than \$150,000, for tasks which, under the contract, should have been carried out by the firm of architects.

3. Irresponsibility and breaches of the rules which governed the various aspects of the financial practice of the Organization were also evident in the fact that neither the Secretariat nor the offices away from Headquarters had complied with the rule that contracts of over \$20,000 must be referred to the Committee on Contracts. As a result, contracts detrimental to the interests of the United Nations were concluded and abuses were committed.

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(Mr. Shustov, USSR)

4. In the case of bidding procedures, established requirements were not always met (A/37/5, vol. I, sect. II, paras. 43 and 44); information was not provided to all the bidders on an equal basis, which gave rise to excessive and unjustified payments from the United Nations budget. Also inadmissible were the violations of the rules on the engagement of experts and consultants, who frequently were used to perform tasks which, according to the current instructions, should be carried out by regular staff members. Such contracts were really sinecures, involving unnecessary expenditure, and often the quality of the work left much to be desired. The auditors had also uncovered situations in which honorariums continued to be paid to officials whose contracts had expired. Insufficient financial control was particularly evident if one considered that in the period under review, 12 cases of fraud, involving \$250,000, had been brought to light. The losses resulting from that lack of control affected the interests of all Member States, especially the developing countries. His delegation hoped that measures would be taken to ensure a proper and economical use of funds.

5. In addition, there was inadequate control over equipment and other United Nations property items. The resulting large losses could have been avoided had officials complied with the basic financial rules and regulations approved by the General Assembly and, first and foremost, the rules on periodic inventories of supplies and equipment.

6. The practice referred to in paragraph 54 of the report of the Board of Auditors (A/37/5, vol. I, sect. II) was unacceptable in that it was tantamount to giving a free hand to programme managers to overspend allotments. The Controller could transfer resources only with the approval of ACABQ. The Secretary-General and ACABQ should endeavour to remedy that situation.

7. He drew the Committee's attention to paragraph 33 of the first report of ACABQ (A/37/7) and expressed his delegation's support for the recommendation in it that the amount of \$1,883,100 should be added to the surplus available for credit to Member States. Such action would be fair, since that amount was the result of a computation error or an oversight by the Secretariat, as a result of which the amount had not been duly allocated before the accounts for 1981 were closed.

8. At the thirty-sixth session of the General Assembly, the Secretariat had requested additional appropriations totalling \$2,533,100 to wipe out a presumed budget deficit for the biennium 1980-1981. In actual fact, the budget had shown a surplus, which meant that the call for additional resources had been the result of accounting errors and an erroneous evaluation of requirements. Consequently, that amount should not be considered as savings achieved in the performance of the budget under the provisions of General Assembly resolution 36/116 B but should be credited to Member States.

9. Accordingly, the Soviet delegation was submitting a draft decision (A/C.5/37/L.3) which proposed that the General Assembly should approve the recommendation of the Advisory Committee contained in paragraph 33 of document A/37/7 and should extend that recommendation to the amount of \$2,533,100 erroneously

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(Mr. Shustov, USSR)

requested by the Secretariat and allocated by the Assembly (resolution 36/234) to cover an assumed deficit in the budget for the biennium 1980-1981, which in fact had not occurred.

10. MR. OLESTEK (Czechoslovakia) commended the efforts of the Board of Auditors in suggesting ways of enhancing the efficiency of the Organization and utilizing its resources more rationally.

11. However, there was no detailed analysis in the report of the Board of Auditors of the question of accumulated non-convertible currencies, including the Czechoslovak koruna, or of the developments in the consideration of that matter in the Governing Council of UNDP. The members of the Fifth Committee were acquainted with the problem, thanks to the information in the documents of UNDP and the Second Committee. In accordance with the general consensus on the universal and voluntary character of contributions to UNDP, Czechoslovakia supported the idea that voluntary contributions could be made in national currencies and had endeavoured to create conditions to reduce their accumulation, even though that was the task of UNDP, through initiatives such as the organization of courses and seminars in Czechoslovakia.

12. The efforts of UNDP, and in particular of its Administrator, to resolve those problems were laudable. However, the Board of Auditors was of the opinion that no significant progress had been possible in the utilization of non-convertible currencies and stated that the book value of those currencies had diminished owing to the increase in the value of the United States dollar. It should be observed, nevertheless, that the reduction in the accumulation of non-convertible currencies owed far more to the efforts of UNDP and individual Member States than to the fluctuations of the dollar in the money markets; moreover, the currencies had been accumulating in previous periods, when contrary trends had been seen in the money markets.

13. Czechoslovakia was prepared to do all in its power to make contributions to UNDP, so that the Programme could surmount its many difficulties at a time when the latter were growing more rapidly than its resources. His delegation appealed to UNDP to take into account the exhortation of the Board of Auditors and to intensify its efforts to maximize the utilization of non-convertible currencies.

AGENDA ITEM 110: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS: REPORT OF THE COMMITTEE ON CONTRIBUTIONS (A/37/11)

14. Mr. ALI (Chairman of the Committee on Contributions), introducing the report of the Committee (A/37/11), recalled that General Assembly resolution 36/231 A requested the Committee on Contributions to prepare a set of guidelines for the collection of data and its presentation by Member States; to submit to the General Assembly a thorough study on alternative methods to assess the real capacity to pay of Member States; and, pending completion of the study, to observe the basic criteria set out in paragraph 4 of the resolution in reviewing the scale of assessments.

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(Mr. Ali)

15. Different interpretations of resolution 36/231 A and its implications for the work of the Committee on Contributions had arisen in the Committee, but most members considered that the review of the scale of assessments should take precedence over other work of the Committee. With regard to the question of whether the criteria appearing in paragraph 4 of the resolution were binding or whether the Committee was free to formulate other proposals for determining the scale of assessments, advice had been sought from the Legal Counsel, who had stated that the Committee, in discharging its functions, was obliged to carry out its tasks in accordance with the directives of the Assembly. On the basis of that advice, the Committee on Contributions had concluded that the terms of paragraph 4 of resolution 36/231 A were binding and that the next scale of assessments should be established in accordance with those criteria.

16. A country's assessment was based, not on its national income in absolute terms, but on the relative level of its taxable income compared with the total taxable income of Member States as a whole. Taxable income was defined as the difference between the national income and the amount of relief received or absorbed as a result of the application of the low per capita income allowance formula. Thus, the primary statistical data required were estimates of national income in national currency, exchange rates for converting them into United States dollars and population estimates to arrive at per capita income figures.

17. In response to a request for information from Member States on national income in national currencies for the period 1969-1980, one third of Member States had provided complete information, another third had provided only partial information, and the remaining third had not replied. Of the two thirds which had supplied information, 57 were Member States with assessments ranging from 0.01 per cent to 0.02 per cent. Thus, estimates of national income for the years for which data had not been provided by Governments had had to be made by the United Nations Statistical Office at market prices. For purposes of comparison, estimates expressed in national currencies had had to be converted into United States dollars, using as a conversion factor the average rate of exchange between the national currency concerned and the United States dollar. The conversion rates for member countries of IMF reflected the average exchange rates published in International Financial Statistics. For centrally-planned economies, the conversion rate had been the average of United Nations operational rates of exchange, published on a regular basis in the United Nations Monthly Bulletin of Statistics.

18. In reviewing the national income estimates for individual countries, the Committee had decided on the priority of data sources to be used where data from different sources did not agree (A/37/11, para. 15). The Committee had considered several mechanisms for dealing with the problem of domestic inflation uncompensated for by exchange rate adjustments, and had agreed to correct the glaring anomalies in the data submitted by some Member States (for example, Argentina, Ghana) or the estimates of the Statistical Office (for example, Iraq, Nigeria and Qatar). The work of the Committee on Contributions had been hampered by the lack of information received from Member States. The Committee thus once more urged Member States to supply complete statistical data in response to its questionnaire, so as to reduce to a minimum the estimates to be made by the Statistical Office.

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(Mr. Ali)

19. In accordance with the criteria established in paragraph 4 of resolution 36/231 A, a statistical base period of 10 years, together with a low per capita income allowance formula of \$2,100 and 85 per cent, had been used in the establishment of the scale recommended for 1983-1985. In order to assess the consequences of a change in the statistical base period and the revised allowance formula, the Committee had considered variants of machine scales based on statistical base periods of between 1 and 12 years in combination with the previous allowance formula of \$1,800 and 75 per cent and the revised allowance formula of \$2,100 and 85 per cent. The variants considered appeared in annex III of document A/37/11. In comparing the machine scale variants based on average national income over periods greater than 10 years without applying the low per capita income allowance formula, and applying the revised formula of \$2,100 and 85 per cent, the Committee had noted that if the 1982 budget level was used, a total of 9.5 per cent, or \$US 68.5 million, was shifted from countries below the per capita limit to countries above the limit.

20. As had happened on other occasions on which the parameters used in establishing a proposed scale differed from those used in the previous scale, the Committee on Contributions considered it useful to provide the Fifth Committee with information on the effects of the change in parameters. The combined effect of extending the statistical base period from 7 to 10 years and increasing the formula from \$1,800 and 75 per cent to \$2,100 and 85 per cent was to produce a shift of approximately 3.5 per cent, or \$25.3 million (still on the basis of the 1982 budget level), from countries in which the average per capita income was below \$2,100 to countries in which it was above that amount. Those figures reflected the application of the criteria specified in paragraphs 4 (a) and (b) of resolution 36/231 A. The extension of the statistical base period from 7 to 10 years principally benefited the oil-exporting and intermediate-income countries, which over the latter part of the statistical base period had experienced an above average rate of growth in national income.

21. In comparing the machine scales which appeared in paragraph 24 of document A/37/11, it should be noted, for example, that in the case of Brazil 31 of the 58 points of relief arose from the extension of the base period. In the cases of Bulgaria, Iran, Iraq and Yugoslavia, approximately two thirds of the relief was due to the extension of the base period and one third to the change in the allowance formula. In the case of Saudi Arabia, the relief of 21 points arising from the extension of the base period was partially offset by an increase of 13 points due to the change in the allowance formula. The net effect for Saudi Arabia was a relief of 8 points. In the case of the countries having increases, half of the increase in points absorbed by Canada, Italy and the United Kingdom, for example, was due to the extension of the base period, the other half being due to the change in the allowance formula. In the cases of France and the Federal Republic of Germany, the extension of the statistical base period accounted for one third or less of the additional points, while two thirds or more was due to the change in the allowance formula. The converse was true of the USSR, in which case two thirds of the additional points were due to the extension of the base period and less than

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(Mr. Ali)

one third to the change in the low per capita income allowance formula. With regard to Japan, the extension of the base period gave rise to a reduction of three basic points offset by an increase of 34 points due to the changes in the low income allowance formula.

22. The repercussions on Member States of prolonging the base period would not be the same in three years' time, when the income growth rate of the oil-exporting countries had slowed down or income levels had actually diminished. The recession affecting the majority of developed countries had spread to middle income countries as well, and had created problems in balances of payments. The principal point to bear in mind was that the selection of a specific parameter, such as the statistical base period, should be based not on its immediate effects on the assessments of the Member States but rather on equity and the relative stability of the assessments in the long term.

23. In compliance with requests by various members of the Fifth Committee, the Committee on Contributions had decided to include as annex IV to its report a comparison of the official scale for 1980-1982 with the machine scale and the recommended scale for 1983-1985, to facilitate the study of the decisions of the Committee on Contributions on mitigation of individual assessments. According to the machine scale, the assessments for the Sudan and Uganda should have been 0.02 per cent. Although the Committee had taken into account paragraph 4 (d) of resolution 36/231 A, it had recommended that their assessments should be reduced to the current level of 0.01 per cent.

24. There had again been differences of opinion regarding the advisability of limiting the increase of individual rates of assessment to a reasonable level, as suggested in paragraph 4 (c) of the resolution. It should be pointed out that if a percentage limit was set on increases of individual rates of assessment the converse should also be done (i.e., the reductions of assessments should be limited), since the sum of the percentage increases must equal the sum of the percentage reductions to arrive at a 100 per cent scale.

25. Some members of the Committee had felt that the limiting of increases was necessary to compensate for excessive variations in assessments and to increase the fairness and equity of the scale of assessments. One member of the Committee had thus proposed a schedule of points limits or percentage limits that could be used as a guide for mitigating excessive variations between two successive scales. Mitigation had proved especially difficult because many members had felt that the criteria established in General Assembly resolution 36/231 A had already transferred an excessive share of the financial burden to the developed countries. Other members had reiterated the opinion that the procedure of establishing a percentage limit was too mechanistic and would lead to a distortion of the relative capacity to pay. Still other members had contended that it was reasonable to increase the assessments of some oil exporting countries, given the increased incomes of those countries during the statistical base periods used in establishing the scale of assessments. They had also opposed the previous practice of distributing points among the developed countries as a result of reductions in the rates of assessment of certain other countries.

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(Mr. Ali)

26. Paragraphs 28 to 34 of the report dealt with representations by Member States. In most cases, the Committee on Contributions had been able to find a satisfactory solution to the problems raised.

27. It could be seen that, in the scale of assessments recommended by the Committee in paragraph 65, 75 Member States were assessed at 0.01 per cent, 11 Member States at 0.02 per cent and 7 Member States at 0.03 per cent, giving a total of 93 Member States - or 59 per cent of the membership of the United Nations - whose contributions amounted to 1.18 per cent. Paragraph 37 of the report showed the distribution of the scale among the various groups of countries since 1978.

28. Given the difference of opinions among the members of the Committee concerning important questions, it had not been easy to work out a scale of assessments that would have the support of all the members of the Committee, and that was unfortunately reflected in the reservations that had been recorded in the report.

29. The priority given to the study of the scale of assessments had prevented the completion of the thorough study on alternative methods to assess the real capacity to pay of Member States called for in paragraph 3 of resolution 36/231 A. The Committee had merely considered briefly the meaning of "real" capacity to pay and had compared it with the criterion used thus far in establishing the scale, which was "relative" capacity to pay. The Secretariat had prepared a paper on alternative methods, including the possibility of introducing some methodological changes when preparing the current scale of assessments. The paper dealt with the incorporation of social and economic indicators, the use of more recent preliminary estimates of national income, making adjustments for inflation and for changes in exchange rates, and changes in the taxable income which formed part of the current methodology for determining the scale of assessments. The Committee had found itself compelled to defer further study of the question until the 1983 session.

30. The Committee had also reviewed the assessments for new Member States and the assessments levied on non-member States to defray the expenses of activities in which the latter were participating; the Governments in question had already been informed of those assessments by the Secretary-General. It was hoped that whatever comments there were on those assessments would be made known to the Committee on Contributions so that it could consider them at its session the following year.

31. The draft resolution in paragraph 65 of the report contained the scale of assessments of Member States and the assessments of non-member States recommended by the Committee on Contributions.

32. MR. SOEPRAPTO (Indonesia) said that since at the current session the Fifth Committee was required to study the recommendations of the Committee on Contributions on the scale of assessments for the apportionment of the expenses for the United Nations for the period 1983-1985, a fair and equitable formula had to be agreed. The recommendation on a new scale of assessments was especially important since the scale had to be applied at the beginning of 1983.

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(Mr. Soeprapto, Indonesia)

33. His country and many other Members were in favour of using the criteria contained in General Assembly resolution 36/231 A as a basis for determining the new scale of assessments, since they were convinced that the application of those criteria could correct the imbalances in financial responsibilities that were reflected in the current scale of assessments. It was therefore particularly heartening that the Committee on Contributions had taken those criteria into account when making its recommendations for the period 1983-1985.

34. His delegation attached particular importance to the criterion of using a base period of 10 years rather than seven because that would make it possible to reflect more accurately the level of economic and social development of the Member States and each country's capacity to pay. That criterion was especially important in determining the assessments of the least developed countries, which, in his delegation's view, should not exceed the current level.

35. Furthermore, the criterion of raising the upper limit of the low per capita income allowance formula was also important because in that way the consequences of world inflation could be at least partially mitigated.

36. The Committee on Contributions had made a serious effort to prepare a fair and equitable scale of assessments for the period 1983-1985. Even though its recommendations might not satisfy everyone, a decision on the matter had to be taken at the current session. All the members of the Fifth Committee must adopt a more positive attitude and thereby enable consensus to be reached.

ORGANIZATION OF WORK (A/C.5/37/L.1)

37. The CHAIRMAN invited delegations to make comments on the note presenting the status of documentation of the Fifth Committee (A/C.5/37/L.1), which had just been issued. He spoke for the delegations in urging the Secretariat to ensure that documentation was issued as soon as possible. He announced that, in addition to agenda item 102, the Committee would continue to consider agenda item 110, on the report of the Committee on Contributions. It would subsequently take up agenda items 108, 109 and 8 (b).

38. MR. DUQUE (Secretary of the Committee) said that document A/37/236 had now been issued.

The meeting rose at 12.10 p.m.