



General Assembly

Seventy-third session

Official Records

Distr.: General
24 July 2019

Original: English

Fifth Committee

Summary record of the 34th meeting

Held at Headquarters, New York, on Tuesday, 7 May 2019, at 10 a.m.

Chair: Ms. Bird (Australia)
*Chair of the Advisory Committee on Administrative
and Budgetary Questions:* Mr. Terzi

Contents

Agenda item 138: Improving the financial situation of the United Nations
(*continued*)

Agenda item 134: Financial reports and audited financial statements, and reports of
the Board of Auditors (*continued*)

This record is subject to correction.

Corrections should be sent as soon as possible, under the signature of a member of the delegation concerned, to the Chief of the Documents Management Section (dms@un.org), and incorporated in a copy of the record.

Corrected records will be reissued electronically on the Official Document System of the United Nations (<http://documents.un.org/>).

19-07483 (E)



Please recycle



The meeting was called to order at 10.05 a.m.

Agenda item 138: Improving the financial situation of the United Nations (*continued*)

1. **Ms. Beagle** (Under-Secretary-General for Management Strategy, Policy and Compliance), accompanying her statement* with a digital slide presentation, said that, since her presentation on the financial situation of the United Nations at the Committee's 8th meeting, the Secretary-General had briefed the General Assembly on that situation on 1 March 2019 and had a related report ([A/73/809](#)) for the Committee's consideration at the second part of the Assembly's resumed seventy-third session. In that report, he had set out measures to address the Organization's liquidity problems and broader structural constraints related to budget management. Accordingly, her current presentation would focus on the financial situation of the regular budget, peacekeeping operations and the international tribunals as at the reporting cut-off date of 30 April 2019.

2. The cash situation of the regular budget had been characterized by severe liquidity issues in recent years, with larger deficits arising earlier in the year and persisting for longer periods. In 2018, shortfalls had started as early as the end of May, and the cash deficit in the regular budget had reached \$488 million at the end of October, exhausting the reserves of \$353 million, an amount that comprised \$150 million from the Working Capital Fund and \$203 million from the Special Account. The remaining deficit, taking into account the reserves, had been \$135 million, which had been covered by borrowing from the accounts of closed peacekeeping operations.

3. As at 31 December 2018, the cash shortfall in the regular budget had been \$323 million, but the cash position had improved to \$484 million by 30 April 2019 as a result of contributions from Member States in the first quarter of 2019. By the cut-off date, letters of assessment had been issued at a level of \$2.85 billion, \$362 million higher than in 2018. Total payments of \$1.7 billion had been received as at 30 April 2019. Unpaid contributions had amounted to \$1.7 billion, \$146 million higher than at 30 April 2018.

4. As at 31 December 2018, 152 Member States had paid their regular budget contributions in full, 7 more than at 31 December 2017. As at 30 April 2019, 89 Member States had paid their regular budget

contributions in full, 1 more than at 30 April 2018; 2 more Member States had paid since the cut-off date.

5. The financial period for peacekeeping operations differed from that of the regular budget in that it ran from 1 July to 30 June rather than for the calendar year. Moreover, letters of assessment were issued separately for each operation and, as those letters could only be issued for the mandate period authorized by the Security Council for each mission, they were issued for different periods throughout the year.

6. Unpaid contributions for peacekeeping operations had totalled \$1.5 billion at 31 December 2018. By 30 April 2019, new letters of assessment in the amount of \$3.3 billion had been issued and payments of \$2.7 billion had been received. As at 30 April 2019, unpaid contributions had totalled \$2.1 billion, including \$205 million for the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO), for which letters of assessment had been issued on 5 April 2019. The total outstanding amount of \$2.1 billion as at 30 April 2019 had comprised approximately \$1.7 billion owed for active missions and \$414 million owed for closed missions. Of the amount owed for active missions, \$1.1 billion related to letters of assessment issued in 2019, while \$562 million related to letters issued in 2018 and earlier.

7. As at 31 December 2018, 45 Member States had paid all peacekeeping assessments in full, representing an improvement over 2017. As at 30 April 2019, 45 Member States had paid all peacekeeping assessments in full, 7 more than at 30 April 2018. Since the cut-off date, two more Member States had paid all peacekeeping assessments in full. Of those Member States with the largest shares of unpaid contributions as at 30 April 2019, one had made payments after the cut-off date.

8. Although the total cash available for peacekeeping had amounted to \$1.45 billion at the end of 2018, comprising approximately \$1.28 billion in the accounts of active missions, \$23 million in the accounts of closed missions and \$141 million in the Peacekeeping Reserve Fund, that amount was segregated in accordance with the decision of the General Assembly to maintain separate accounts for each mission. The Assembly had specified that no peacekeeping mission should be financed by borrowing from other active peacekeeping missions. The use of the Peacekeeping Reserve Fund was restricted to new operations and the expansion of existing operations.

* Subsequently circulated as document [A/73/443/Add.1](#).

9. As at 30 April 2019, \$339 million had been owed to Member States for troops and formed police units. With regard to claims for contingent-owned equipment, \$584 million had been owed in the case of active missions, and \$86 million had been owed in the case of closed missions. As at the cut-off date, reimbursements in respect of troops and formed police units had been current up to January 2019 for all missions except for MONUSCO, the United Nations Mission in South Sudan (UNMISS), the United Nations Mission for Justice Support in Haiti (MINUJUSTH), the United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA) and the United Nations Mission for the Referendum in Western Sahara (MINURSO). Payments in respect of contingent-owned equipment claims had been current up to December 2018 for all missions except for MONUSCO, UNMISS, MINUJUSTH, the United Nations Support Office in Somalia (UNSOS) and MINURSO.

10. The Secretary-General was committed to meeting obligations to Member States providing troops and equipment as expeditiously as the cash situation permitted. The Secretariat monitored the peacekeeping cash flow situation closely with a view to maximizing payments, but depended on Member States' meeting their financial obligations and on the expeditious finalization of memorandums of understanding with contributors of contingent-owned equipment.

11. As at 30 April 2019, unpaid contributions for the international tribunals had stood at \$90 million, including payments owed in respect of the International Criminal Tribunal for Rwanda, for which letters of assessment had last been issued in 2016; in respect of the International Tribunal for the Former Yugoslavia, for which letters had last been issued in 2018; and in respect of the International Residual Mechanism for Criminal Tribunals, for which letters had last been issued in 2019. As at the cut-off date, 173 Member States had paid their assessments in full for the International Criminal Tribunal for Rwanda, 130 had done so for the International Tribunal for the Former Yugoslavia, and 67 had done so for the International Residual Mechanism for Criminal Tribunals. Other Member States were encouraged to follow their example.

12. As at 30 April 2019, 65 Member States had paid their contributions in full for all the tribunals; 2 more Member States had paid since that date. Of those Member States with the largest shares of unpaid contributions as at 30 April 2019, one had made a payment after that date. While the cash position of the

tribunals was currently positive, the final outcome for 2019 would depend on Member States' continuing to meet their financial obligations.

13. In conclusion, she expressed appreciation to the 40 Member States that had paid all assessments in full as at 7 May 2019, as the financial health of the Organization depended on Member States' meeting their financial obligations in full and on time. Sound cash flow was essential to enable the Organization to fulfil its mandates. The Secretariat was committed to using the resources entrusted to it in a cost-effective and efficient manner and to providing information in the most transparent way possible.

Agenda item 134: Financial reports and audited financial statements, and reports of the Board of Auditors (*continued*) ([A/73/5 \(Vol. II\)](#), [A/73/750](#) and [A/73/857](#))

14. **Mr. Korn** (Chair of the Audit Operations Committee), introducing the financial report and audited financial statements for the 12-month period from 1 July 2017 to 30 June 2018 and report of the Board of Auditors on United Nations peacekeeping operations ([A/73/5 \(Vol. II\)](#)), said that the Board had issued an unqualified opinion on the financial statements. In 2017, the Administration had migrated all data from the Galileo asset and inventory management system to the Umoja enterprise resource planning system, and 2017/18 had been the first year for which financial statements had been prepared without data imported from Galileo. While the Board supported the integration of asset data into Umoja, it had identified a number of weaknesses. Specifically, physical verification and counting of assets had been incomplete, and it was difficult to identify non-serialized equipment in Umoja. Consequently, contrary to current accounting policies, non-serialized equipment valued at \$54.0 million had been capitalized rather than expensed. It had therefore been necessary to adjust the value of inventories and recertify the financial statements.

15. The Security Council had underscored the need to enhance the overall effectiveness and efficiency of United Nations peacekeeping, calling for an integrated framework for measuring performance on the basis of data collection and analysis. The Special Committee on Peacekeeping Operations had requested the Secretariat to measure and monitor peacekeeping performance and to collect centralized performance data for the planning and evaluation of peacekeeping missions. The Administration had begun to implement a system to

monitor performance, and had accepted the Board's recommendation to improve data collection to enable comparison of performance between missions.

16. Troop-contributing countries were selected on an informal basis, and the established criteria for selecting the best offer had not been documented. Moreover, critical information was not shared within the Administration.

17. The performance of contingents varied when they were confronted with violence against civilians. However, all troop-contributing countries received the same level of reimbursement per soldier deployed, as reimbursement was based on numbers rather than performance. Moreover, some troop-contributing countries imposed hidden caveats that were not openly negotiated with the Administration and tended to become apparent only when a contingent's leading officer refused an order from a mission's force commander. Such caveats, however, had no effect on the reimbursement or future selection of a troop-contributing country, were rarely reported, as missions felt that doing so might cause tensions with the relevant contingent's home country, and were tacitly accepted by the Administration, given the limited number of countries willing to deploy troops to the most dangerous missions.

18. The link between the performance and generation of forces needed to be fully articulated and established in policy; contingents' past performance should be a determining factor in selecting future troop-contributing countries. The Administration had accepted the Board's recommendation to link reimbursement rates to performance. It had also accepted the Board's recommendation to ensure that support was provided, if necessary by third countries, to troop-contributing countries that lacked training or equipment.

19. Troop-contributing countries were responsible for supplying ammunition with an expected life in excess of the anticipated length of deployment. However, current guidelines on the required shelf life and levels of ammunition were inadequate, allowing for different interpretations by missions and troop-contributing countries with regard to the upper age limit for ammunition. The Administration had therefore agreed to finalize its review of the ammunition guidelines and establish an adequate upper age limit for ammunition.

20. Six currently deployed units from five troop-contributing countries had supplied ammunition with expiration dates that predated their deployment. The

Administration had therefore agreed to establish a compliance control system to ensure that inspections of ammunition and explosives were properly conducted upon arrival.

21. Reimbursement in respect of troops and formed police units and self-sustainment services was based on the actual troop strength reported by field missions. As troop strength reports were not always accurate, the Administration had agreed to develop guidance for missions on how to prepare such reports. Lastly, the recommendations on air operations made by the Board in its report on United Nations peacekeeping operations for the 2016/17 period ([A/72/5 \(Vol. II\)](#)) had not been implemented.

22. **Mr. Guazo** (Office of Programme Planning, Finance and Budget), introducing the Secretary-General's report on the implementation of the recommendations of the Board of Auditors concerning United Nations peacekeeping operations for the financial period ended 30 June 2018 ([A/73/750](#)), said that the report took into account the requests of the General Assembly in its resolution [72/8 B](#) that the Secretary-General ensure the full implementation of the recommendations of the Board of Auditors and the related recommendations of the Advisory Committee on Administrative and Budgetary Questions in a timely manner; indicate an expected time frame for the implementation of the Board's recommendations and the priorities for their implementation, including the office holders to be held accountable and measures taken in that regard; and provide a full explanation for the delays in the implementation of all outstanding recommendations of the Board, the root causes of the recurring issues and the measures to be taken.

23. Of the 75 recommendations made by the Board in the 2016/17 financial year, 39 had been implemented, 35 were under implementation and 1 had not been implemented as at 30 June 2018. Over the prior four financial years (2012/13–2015/16), the Board had made a total of 198 recommendations, of which 15 had been overtaken by events, 168 had been implemented, 14 were under implementation, and 1 had not been implemented as at 30 June 2018. In its report, the Board had acknowledged that its recommendations often required action to ensure compliance and could in some cases take a long time to implement. It had therefore expressed appreciation that more than 50 per cent of its recommendations made in the 2016/17 period had been implemented. Of the 51 recommendations that were under implementation

or had not been implemented, the Administration had requested the closure of 16 recommendations; implementation of the remaining 35 had been in progress as of January 2019.

24. **Mr. Terzi** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/73/857), said that the Advisory Committee commended the Board on the quality of its report (A/73/5 (Vol. II)). The Advisory Committee, in its report on cross-cutting issues related to peacekeeping operations (A/73/755) and in its reports on individual peacekeeping missions, had provided comments on the Board's findings.

25. **Ms. Tarbush** (Observer for the State of Palestine), speaking on behalf of the Group of 77 and China, said that the Group appreciated the valuable work of the Board of Auditors, which was critical to external audit and oversight at the United Nations and assisted Member States in monitoring peacekeeping expenditures and mandate fulfilment. The Group attached great importance to the financial oversight provided by the Board, which complemented the oversight provided by the Office of Internal Oversight Services and the Joint Inspection Unit. Close collaboration among those bodies was essential to preventing duplication of effort and wastage of resources. The increased focus on results in the Board's report would enable the Committee to better address the challenges associated with peacekeeping missions.

26. As at 31 January 2019, 50 of the 52 recommendations issued by the Board remained under implementation and none of the 17 main recommendations, considered to be of the highest priority, had been implemented in full. The Group was particularly concerned at the low rate of implementation of the main recommendations, notwithstanding the Secretariat's efforts to address the matter. The Group was also concerned that the implementation of certain recommendations had been deferred or abandoned as a result of the perceived or expected outcomes of the Secretary-General's management reforms. The Board's recommendations and the Secretary-General's management reforms should be viewed as contributing in a complementary manner to the achievement of the common goal of more efficient and effective mandate fulfilment. The Secretariat must therefore implement in full the Board's recommendations, as endorsed by the General Assembly.

27. The Group had noted that the Board, in its current report, set out recommendations that repeated or resembled those in previous reports, in addition to highlighting new challenges relating to peacekeeping operations, such as the need to fully harness the capabilities of Umoja in the administration of peacekeeping funds. Continued improvements were also required in the areas of budgeting and budgetary reporting and of air operations management. The Group looked forward to examining, in informal consultations, the ways in which the Secretariat could address those matters.

28. The Group was concerned about a number of the issues raised by the Board, and would seek clarifications on the following during the Committee's informal consultations: shortcomings in the physical verification of items, which had compromised the reliability of data; the lack of standardization of processes and methodologies, which had led missions to develop separate guidelines, thereby undermining the consistency of the Organization's work; the lack of a comprehensive and unified strategic review policy for peacekeeping operations, which prevented stakeholders from objectively evaluating mandate implementation; weaknesses in compliance control in ammunition management, which jeopardized the security and work of peacekeepers, as well as the Organization's funds; issues related to accuracy and reliability in the reporting of contingent-owned equipment and troop strength; the persistent absence of a letter of assist process in Umoja; and imperfections in supply chain management and procurement.

29. The Group would also seek clarification with regard to the capital structure ratios of peacekeeping missions, and in particular the resulting liquidity problems. Owing to the unique situation of the United Nations, liquidity, expressed as the ratio between cash and short-term investments, on the one hand, and current liabilities, on the other, was one of the best measures of the Organization's financial health.

30. The Board's report contained information related to peacekeeping policy that was generally discussed by the Special Committee on Peacekeeping Operations. While the Special Committee had examined some of the Board's recommendations in the past, it had not reached consensus or taken decisions on those recommendations.

31. **Mr. De Preter** (Observer for the European Union), speaking also on behalf of the candidate countries Albania, Montenegro, North Macedonia, Serbia and

Turkey; the stabilization and association process country Bosnia and Herzegovina; and, in addition, Georgia, the Republic of Moldova and Ukraine, said that the European Union appreciated the important work carried out by the Board, which prompted the United Nations to operate in a more transparent and cost-effective way, thereby enabling it to implement its mandates more efficiently.

32. The European Union was pleased that the Board had issued an unqualified opinion on the financial statements of peacekeeping operations. It also welcomed the consideration given by the Board to performance and such related issues as contingent-owned equipment, troop and asset management, procurement, and management processes. The momentum generated by United Nations reforms and the Secretary-General's Action for Peacekeeping initiative should be harnessed to ensure more efficient, effective, transparent and accountable mandate implementation. The European Union looked forward to examining the Board's recommendations in detail, including in the discussions on cross-cutting issues related to peacekeeping.

33. The European Union supported the Board's call for an updated procurement framework underpinned by sustainable procurement practices and simplified, nimble procedures. It also appreciated the Board's reiteration of its recommendations on air operations following its comprehensive audit completed in 2017. The European Union would comment on the details of the Board's findings and the corresponding observations of the Advisory Committee in the discussions on the budgets of individual missions and on the overview of the financing of the United Nations peacekeeping operations.

34. **Ms. Strainic** (United States of America) said that her delegation attached great importance to the work of the Board, whose reports provided valuable insight into issues essential to the efficient functioning and reform of peacekeeping operations. She looked forward to discussing the progress made in implementing the Board's previous recommendations, including those on inventory and property management, enterprise risk management and business process improvement. Her delegation was also pleased that all peacekeeping operations remained financially stable, with sufficient cash resources to sustain core operations.

35. A standardized and transparent approach should be developed to evaluate and enhance performance in peacekeeping operations, in particular by improving the quality and timeliness of performance-related reporting.

The Board's recommendations must be implemented in full and in a timely manner to improve mandate fulfilment and resource utilization. Many of the Board's recommendations, in particular those related to performance, were mutually reinforcing and should therefore be implemented in a coordinated manner to ensure maximum impact.

36. **Mr. Yamaguchi** (Japan) said that his delegation attached great importance to the oversight role of the Board, whose reports provided valuable insight into the financial situation of the United Nations. Japan was pleased that the financial position of peacekeeping operations had been sound in 2017/18, with sufficient resources to sustain core operations; his country would continue to fulfil its obligations as a major financial contributor to the Organization. In view of the importance of the effective, efficient and accountable management of peacekeeping operations, Japan supported the Board's observations regarding asset management, cost recovery, the comprehensive performance assessment system, the review of the ammunition guidelines and the use of air operations budgets. While some of the Board's observations were not intended for discussion by the Committee, they were nevertheless relevant to the consideration of the administrative and budgetary aspects of peacekeeping. Of the recommendations made by the Board in 2016/17, 52 per cent had been fully implemented, an improvement over 2015/16. The Secretary-General must continue to ensure the full and timely implementation of all the Board's recommendations.

The meeting rose at 10.50 a.m.