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Chairman: Mr. Sharma . . . . (Nepal)

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

Contents

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

Agenda item 114: Improving the financial situation of the United Nations (*continued*) (A/57/498)

1. **Mr. Pulido León** (Venezuela), speaking on behalf of the Group of 77 and China, reaffirmed the legal obligation of Member States to bear the expenses of the Organization. However, States that were temporarily unable to meet their financial obligations as a consequence of genuine economic difficulties should be given sympathetic consideration.

2. The Group of 77 and China noted with concern that the expectations that had been created in 2001 that the Organization would finally emerge from the financial crisis of the preceding years had not been realized in 2002, a year that had been marked by a precarious cash flow situation and by a decrease in the number of States that had paid their contributions in full. The recurrent cash flow difficulties that the Organization faced in the second half of each year in its regular budget were due mainly to the late payment of assessed contributions by the major contributor and resulted in cross-borrowing from the peacekeeping budget. All Member States must pay their contributions in full and on time so that the Organization would have financial resources available to it early in the year. The Secretariat should inform Member States of how it intended to resolve the situation without recourse to cross-borrowing.

3. The Group of 77 and China also noted that the Organization's year-end debt was projected to be $850 million and called upon all Member States that were in arrears, in particular the major contributor, to pay all outstanding contributions as early as possible.

4. An additional cause of concern was the delay in the reimbursement of developing countries that contributed troops and contingent-owned equipment to United Nations peacekeeping operations. All such outstanding amounts, including those dating back several years, should be paid promptly and a solution should be found to the problem caused by the practice of cross-borrowing.

5. The Group of 77 and China had taken due note of the need for additional resources in order to implement the legislative mandates to which the Under-Secretary-General for Management had referred. That element would require comprehensive discussion in the Fifth Committee, but the Group of 77 and China was committed to a careful review of each proposal for additional resources.

6. **Mr. Volkov** (Russian Federation) said that the statistics and assessment given by the Under-Secretary-General for Management had shown that the Organization was no longer in the dire financial situation that had threatened it throughout most of the 1990s. However, while 2001 had been a record year for the payment by Member States of their assessments and for payments to them for troops and contingent-owned equipment, there were no grounds for optimism about the current year because substantial problems remained. The accumulated arrears in assessments remained enormous, at $2.4 billion, including $1.7 billion of debts in respect of peacekeeping operations, and cross-borrowing from the peacekeeping budget to finance regular-budget activities was increasing. The Organization owed approximately $850 million to Member States which had contributed peacekeeping troops and equipment. At a time when new requirements were being placed on the regular budget and the situation in regions of the world in crisis was making huge demands on the Organization's peacekeeping operations, the financial circumstances were a matter of concern. Financial instability was also complicating the process of reform.

7. The Russian Federation appreciated the efforts that were being made to ensure that the payments expected from Member States, especially the major contributors, were made. It was continuing its efforts to support the Organization, and had made payments of over $102 million in 2001, and over $38 million in 2002, fulfilling the commitment it had made in 1995 to clear its payment arrears for the regular budget and peacekeeping operations within seven years. It wished to reiterate its position that all the Member States, without exception, should demonstrate their political will to fulfil their obligations under the Charter and pay their assessments in order to enable the Organization to function properly and maintain financial stability. Despite the economic crisis it had undergone in 1998, the Russian Federation had done its utmost to meet its obligations. At the same time, it fully understood the position of the world's poorest countries, which were not in a position to pay their assessments. The Under-Secretary-General for Management had estimated that the regular budget would grow by up to $300 million; faced with that rate of increase, it was particularly

important that assessments should be paid in full and on time.

8. **Ms. Løj** (Denmark), speaking on behalf of the European Union, the associated countries Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia and Turkey, noted with satisfaction that the Organization's finances had slowly but surely continued to move away from the state of crisis and precariousness of earlier years. As the demands on the United Nations continued to grow, the Secretary-General must have a solid and predictable financial basis on which to carry out mandated activities in a cost-efficient manner.

9. While the overall assessment for 2002 was positive, the European Union had nevertheless taken due note of the words of caution expressed by the Under-Secretary-General for Management concerning the status of contributions, the cash flow situation and the capacity of the regular budget for the biennium 2002-2003. It was a matter of concern that, to date, only 105 countries, compared with 122 in 2001, had paid their assessed regular budget contributions in full. Indeed, the total amount of unpaid assessments was alarmingly high and showed that the Organization's financial stability remained under pressure. All Member States should fulfil their obligations under the Charter and pay their contributions in full, on time and without conditions.

10. The declining number of Member States that had paid their contributions in full had created a worsening cash situation and it might again become necessary to resort to cross-borrowing from the peacekeeping budget by the end of 2002. It had been noted, however, that the amount available for that purpose would decrease in the future.

11. The European Union was concerned at the slowdown in the scheduled payment of the Organization's debt to Member States that had contributed troops and contingent-owned equipment to peacekeeping operations. Unfortunately, the Secretary-General's stated goal of paying for all current obligations in the year in which they were incurred would not be met. The European Union was also concerned at the disturbingly high number of "add-ons" to the regular budget for the biennium 2002-2003 and would return to that subject in connection with the first performance report and the proposed programme budget outline for the biennium 2004-2005.

12. **Mr. Akram** (Pakistan) said that his delegation associated itself with the statement made by the representative of Venezuela on behalf of the Group of 77 and China. The financial figures for 2002 showed that, despite the reforms that had been undertaken in 2000, the Organization's financial stability remained uncertain and fragile and chronic financial problems were beginning to surface again after a brief pause in 2001. Both the level of unpaid assessments and the Organization's cash flow position gave cause for concern, particularly since, should current trends continue, the Secretariat would be obliged to cross-borrow from the peacekeeping budget and the debt owed to troop contributors would continue to rise. Such a fragile financial situation had the potential to threaten the solvency and stability of the United Nations and seriously undermine its capacity to implement mandated programmes and activities.

13. For a major troop contributor such as Pakistan, the Organization's financial uncertainties imposed a double burden. The mounting debt to Pakistan was a direct consequence of the practice of cross-borrowing from peacekeeping funds and, with arrears in assessed contributions to the peacekeeping budget at nearly $1.7 billion, further delays in reimbursements to troop contributors were likely. The Secretariat should explore other more equitable and innovative ways of financing its regular budget cash deficits. Should the current trend continue, further cross-borrowing might no longer be feasible in the near future and might even jeopardize the Organization's ability to fulfil its primary role under the Charter of the United Nations, namely, the maintenance of international peace and security.

14. Notwithstanding those difficulties, Pakistan would continue its proud tradition of contributing to the maintenance of international peace and security. That commitment, however, should be reciprocated by prompt and full settlement of the debts owed to Pakistan and other troop-contributing countries. It was unfair to place the burden for the reluctance of those that were better placed to pay on those that were manifestly least able to forgo the compensation owed them.

15. In order to ensure the Organization's financial stability, each Member State must demonstrate its

commitment by meeting its financial obligations in full and on time, in accordance with the Charter of the United Nations and the decisions of the General Assembly. In turn, the Secretariat must use the resources made available to it in an efficient and transparent manner and, to that end, programme managers must be made more accountable. The Secretariat should aim not merely at cutting costs but also at optimizing the use of available resources.

16. While the General Assembly did not normally adopt a substantive resolution on the item under consideration, it might be necessary to review that practice if the Organization’s financial situation did not improve. A strong message emanating from the General Assembly in the form of a resolution could help to generate the political will required to respond to the Organization’s financial uncertainties and difficulties. A United Nations locked in a never-ending financial crisis could be neither effective nor innovative in addressing the complex challenges confronting the world at the dawn of the twenty-first century.

17. **Mr. Kittikhoun** (Lao People’s Democratic Republic), speaking on behalf of the States members of the Association of South-East Asian Nations (ASEAN), supported the statement made by the representative of Venezuela on behalf of the Group of 77 and China. While it noted with satisfaction that total contributions from Member States in 2001 was the highest amount ever received in any one year, the Association remained concerned about the practice of cross-borrowing from peacekeeping accounts to finance regular budget expenditures and about the fact that the budget had not kept pace with mandated activities. Reimbursements for troops and contingent-owned equipment should also be speeded up. The high level of unpaid assessments threatened the Organization’s ability to implement the programmes and activities mandated by Member States effectively. Only if Member States paid their assessed contributions in full, on time and without conditions could the Organization achieve the level of funding needed to fulfil the mandates entrusted to it.

18. **Mr. Chowdhury** (Bangladesh) said that his delegation associated itself with the statement made by the representative of Venezuela on behalf of the Group of 77 and China. It was a matter of concern that, after a historic good year for the United Nations with record levels of contributions and payments to Member States, the Organization was once again faced with an insufficient cash balance, mounting unpaid assessments and increased cross-borrowing from the peacekeeping account. The main reason for that state of affairs was the failure of a few Member States to pay their contributions in full, on time and without conditions, in fulfilment of their obligations under the Charter of the United Nations.

19. The practice of cross-borrowing was particularly disturbing. The Member States that responded to the call to maintain international peace and security, often under difficult domestic circumstances, were mainly developing countries, on which delays in reimbursement placed additional burdens. As the largest troop contributor, Bangladesh would welcome further details of the specific measures that were envisaged to remedy the situation.

20. His delegation was pleased to learn of the action being taken by the United States of America to pay its arrears to the Organization. Those payments would help to lower the Organization’s debt to Member States significantly. It also welcomed the decision of the United States Government to lift the ceiling on its peacekeeping contribution. Such a development was particularly welcome at a time of rising demand for an increase in the Organization’s peacekeeping capacity.

21. **Mr. Brar** (India) associated his delegation with the statement made by the representative of Venezuela on behalf of the Group of 77 and China. The projections of the Organization’s year-end financial situation gave cause for concern. The problems that some Member States had in meeting their obligations were understandable and were not the cause of the current situation, which was largely due to the failure of a large number of Member States to fulfil their obligations in full and on time. While his delegation was heartened by the Secretariat’s expectation that the arrears owed to the regular budget would be reduced to $298 million by the end of 2002 from the current level of $576 million, the situation with regard to unpaid peacekeeping assessments was most unsatisfactory. Nearly 80 per cent of the peacekeeping arrears was owed by 12 major contributors. At the same time, the largest amounts owed by way of reimbursements to troop contributors were owed to developing countries. Troop contributors had been informed, moreover, that additional payments during the year would be made only if contributions were received. That situation posed an unfair economic burden on developing

countries. The United Nations could not continue to penalize Member States that had not only shown a consistent commitment to peacekeeping by providing troops and equipment but had also been paying their assessed contributions in full and on time.

22. A further cause for concern was the resumption of cross-borrowing from the peacekeeping budget to finance regular budget expenditures. Such a practice would adversely affect the ability of the Organization to reimburse contributors of troops and contingent-owned equipment. Specific proposals for minimizing cross-borrowing should therefore be presented to the Secretariat with the aim of eventually eliminating it altogether.

23. With regard to the unexpectedly large increase in the budget for the current year, immediate corrective action should be taken to ensure compatibility between approved mandates and the resources available for their implementation.

24. **Mr. Stagno** (Costa Rica), speaking on behalf of the Rio Group, said that the Group noted with concern the deterioration in the Organization's financial situation since the previous year and the shrinking number of Member States that had paid their assessed contributions in full. Payment of assessed contributions in full, on time and without conditions was the only way to resolve the Organization's financial crisis and all Member States, especially the main contributor, should therefore fulfil their financial obligations. Member States that were temporarily unable to fulfil their obligations as a consequence of genuine economic difficulties should, however, be given sympathetic consideration.

25. The Rio Group deplored the continuing practice of cross-borrowing from the peacekeeping account to finance regular budget activities. It was a practice that imposed a double financial burden on troop contributors, since, in addition to their assessed contributions, they were forced to bear the burden of the Organization's debt. The majority of troop contributors were developing nations that could use those resources to help meet their basic needs.

26. The Rio Group took note of the need for additional resources to fulfil legislative mandates and was prepared to give careful consideration to each request. With regard to the special political missions under way in the region, the Rio Group wished to underscore its particular interest in the United Nations Verification Mission in Guatemala (MINUGUA).

27. **Mr. Heinbecker** (Canada), speaking also on behalf of Australia and New Zealand, said that the statement by the Under-Secretary-General for Management was a clear reminder to Member States of their critical responsibility to pay their assessed contributions in full, on time and without conditions. The list of Member States that had paid all their assessments in full was depressingly short — only nine — and included both developed and developing countries. The issue was therefore less about resources than about will. Since the contributions of those nine countries accounted for less than 6 per cent of the budget, it was easy to understand the reasons for the Organization's current financial difficulties.

28. The delays in the payment of assessed contributions had particularly harsh implications for troop contributors, many of which were developing countries that had largely fulfilled their obligations. The delegations on whose behalf he spoke were concerned that the good progress achieved by the Secretariat in recent months towards clearing the backlog in reimbursements to Member States would unravel. While borrowing from other accounts had enabled the Organization to continue to operate financially, it was neither efficient nor good fiscal practice. Moreover, those avenues would be less readily available in the future.

29. He hoped that the Organization's financial situation would continue to improve over the next six months as Member States fulfilled their responsibilities and he welcomed the steps that had been taken by the United States of America to reduce its arrears and to lift the cap on its peacekeeping assessment. It was also encouraging to note that the United States of America was considering making regular budget payments at the beginning of the year rather than at the end. Other Member States, particularly the major contributors, should also take steps to address the problem of their late payments and arrears so that the United Nations could return to a more stable and secure financial footing, which was essential for the effective and efficient performance of its mandated tasks.

30. **Mr. Zhang** Yishan (China) said that his delegation associated itself with the statement made by the representative of Venezuela on behalf of the Group of 77 and China. In a complex and unstable world, the

international community had high expectations of the United Nations. However, without stable financial foundations, it would be difficult for the Organization to play its proper role. His delegation was very concerned that the amount of unpaid assessments stood at $2.4 billion, and that the single biggest contributor alone owed over $1.3 billion. The failure to pay assessed contributions in full, on time and without conditions was undoubtedly the major cause of the Organization's cash flow problems. Most Member States had been making the same appeal for assessments to be paid every year in the Fifth Committee, unfortunately to no avail. It was encouraging that some payments were expected over the next three months. He hoped that those contributions would indeed be forthcoming, since they would go some way towards alleviating the current difficulties.

31. **Mr. Stoffer** (United States of America), welcoming the reforms that had been undertaken to improve management, security and the efficient use of resources, said that the financial situation was far healthier than it had been a few years earlier. His country was working hard to meet its financial obligations. By the end of October, it would have paid $255 million, or approximately 90 per cent of its assessed contribution to the regular budget for 2002, with the remainder to be paid as soon as Congress approved the annual budget. By the same date, it would have paid almost $285 million in peacekeeping assessments, including amounts for the international tribunals, and, by early 2003, it would be ready to pay out a further $227 million. It would shortly release funds amounting to almost $250 million to cover the payment of peacekeeping arrears, in addition to a recent payment it had made of $70 million as a result of the lifting of the cap on its assessment rate. Thus, his country was ready to complete an important chapter in its relations with the United Nations.

32. Nevertheless, his delegation remained concerned by the need for further reform of the Organization. Mandates must be kept in close alignment with the resources contributed by Member States, and programme managers must identify obsolete and ineffective activities immediately in order to release funds for higher priorities. Over the coming weeks, concerted efforts were needed to pursue two important initiatives: one aimed at the revitalization of the Headquarters buildings, and the other focusing on the maintenance of the operational relevance of the Organization.

33. **Ms. Merchant** (Norway) said that the decline in the real value of the United Nations budget over recent years had been accompanied by increasing reliance on extrabudgetary funding for priority activities. That was not a cost-effective way to address global issues and undermined the principle of collective responsibility for common concerns. All Member States should accept full responsibility for providing the Organization with the necessary resources to carry out its mandates. Her delegation was alarmed at the rising levels of unpaid assessed contributions and supported all measures designed to encourage their timely, full and unconditional payment.

34. **Mr. Ivanou** (Belarus) said that, while the financial situation of the United Nations had improved somewhat in recent years, it remained far from ideal. The elimination of the regular budget cash deficit at year's end was a significant achievement. However, the regrettable practice of cross-borrowing from the peacekeeping budget in order to finance expenditure under the regular budget had continued. Consequently, it would not be possible to achieve, in the near future, the goal of making payments to Member States for troops and contingent-owned equipment in the same year that the troops and equipment were contributed.

35. In his statement at the Committee's 12th meeting, the Under-Secretary-General for Management had rightly emphasized the issue of the adequacy of the Organization's budgets to fund all of the mandates approved by Member States. In that connection, his delegation agreed that the implementation of additional reforms should not be a pretext for another round of budget cuts. As to the proposed $305 million increase in the level of the budget, the Committee should revert to the issue in 2003 in the context of the preparation of the proposed programme budget for the biennium 2004-2005.

36. The belated and irregular payment of assessed contributions and the arrears accumulated by Member States were among the main causes of the Organization's current financial difficulties. He noted, in that connection, that the bulk of the arrears was owed by only a few States. The problem lay not so much in a lack of political will on the part of individual Governments as in the imperfections of the existing scale of assessments, which did not fully reflect

Member States' capacity to pay. His delegation believed that revising the scale of assessments so that it took full account of capacity to pay, strengthening internal financial discipline, and rationalizing the use of existing resources were the keys to improving the financial situation of the United Nations.

37. In recent years, Belarus had regularly been among the first countries to pay its regular budget contributions in full, reflecting its commitment to the strengthening of the Organization. In that connection, he appealed to all Member States to fulfil their financial obligations on time and without conditions.

38. **Ms. Udo** (Nigeria) said that her delegation associated itself with the comments made by the representative of Venezuela on behalf of the Group of 77 and China. Despite the progress made in 2001, it was clear that the Organization would once again experience a deficit cash balance by the end of 2002. In response to cash flow difficulties, the Secretariat continued to resort to cross-borrowing from peacekeeping funds, at the expense of Member States which were owed money for troops and contingent-owned equipment. By the end of the year, the debts built up towards those States would have reached $850 million. Member States were called upon to pay their assessments in full, on time and without conditions, and the United Nations should do likewise and make concerted efforts to pay the amounts owed to States for troops and contingent-owned equipment. An alternative to the practice of cross-borrowing must be found as a matter of urgency. Member States should honour their commitments and meet their respective financial obligations.

39. **Mr. Ha** Chan-ho (Republic of Korea) shared the concerns that had been expressed regarding unpaid assessments and cross-borrowing. However, Member States that had genuine difficulties in meeting their financial obligations should be encouraged by the fact that overall assessment levels for peacekeeping had declined from a peak of $3 billion in 2001 to below $2.1 billion in 2002. In contrast, the budgets of the international tribunals had risen continuously since their inception, and that trend was unlikely to be reversed. He expressed concern over the lack of an explicit completion strategy for the work of the tribunals. He urged the United Nations to use the expected payment of arrears by the largest single contributor to reimburse Member States immediately for the amounts owed for troops and contingent-owned equipment. Further efforts must be made to enhance the efficiency of the Organization. The fact that the overall level of the budget had not increased for several years did not necessarily justify a substantial increase for the next biennium. Each programme and activity should be assessed on its merits, in terms of resource requirements and effectiveness in reaching stated objectives. Lastly, his delegation was prepared to discuss alternatives to the current system of including special political missions within the framework of the regular budgetary procedures.

40. **Mr. Yamazaki** (Japan) said that, in addition to the criteria for assessing the financial health of the Organization referred to by the Under-Secretary-General for Management, it was important to consider the relationship between the level of the budget and the ability of Member States to pay. In that regard, the number of countries paying assessed contributions in full and on time had decreased over the past two years. Two other factors would make it more difficult to improve the financial situation of the United Nations, namely an unfavourable exchange rate and a shortage of peacekeeping cash to use for cross-borrowing. He pointed out that only through the full payment by Japan of its regular budget contributions earlier than in previous years had a cash deficit been resolved earlier in the year. While his delegation welcomed the efforts made by the United States to pay its outstanding contributions, it looked forward to further efforts in that regard. He expressed concern that a steep increase of over $300 million was predicted for the regular budget in the biennium 2002-2003, despite evidence that Member States were having difficulty in meeting their existing commitments.

41. **Mr. Anderegg** (Switzerland) said that the total amount of outstanding contributions to the budget had reached $2.4 billion by 30 September 2002; that represented a substantial loss to the majority of Member States, especially those contributing troops and contingent-owned equipment, in terms of potential interest. His delegation was especially concerned about the non-payment of assessments for the international tribunals. He drew attention to a number of inconsistencies in the figures given in the reports concerning peacekeeping finances. While he appreciated the inherent difficulty in planning the financing for such operations, he believed that further improvements could be made.

42. **Ms. Lock** (South Africa) said that her delegation wished to associate itself with the statement made by the representative of Venezuela on behalf of the Group of 77 and China. Member States had an obligation to pay their assessed contributions in full, on time and without conditions. Some countries, however, were unable to fulfil that obligation because of genuine economic difficulties, and she urged that they be treated with understanding. While the financial situation of the United Nations had improved in recent years, it was imperative to ensure that the Organization was provided with sufficient resources to fund all the mandates approved by Member States. Her delegation remained concerned about the practice of cross-borrowing from the peacekeeping budget in order to finance expenditure under the regular budget, which, in turn, hampered the Organization's ability to pay Member States for troops and contingent-owned equipment. Noting that the majority of the 24 Member States to which the United Nations owed the bulk of that debt were developing countries and African countries, she called on the Secretariat to avoid adopting short-term solutions that could adversely affect those Member States in both the immediate and the long terms. Lastly, she assured the Committee of South Africa's commitment to pay its assessed contributions in full, on time and without conditions.

43. **Mr. Connor** (Under-Secretary-General for Management), responding to a point raised by the representative of Venezuela speaking on behalf of the Group of 77 and China, said that 2002 was forecast to be a good year not on the basis of what had taken place, but in the light of what was expected to occur. The substantial and very welcome commitments made by the United States Government with respect to cash flow would enable the Organization to make additional payments for troops and contingent-owned equipment by year end. Further commitments made by the major contributor would help to improve the long-term financial situation. First, the Government of the United States had pledged to re-synchronize its regular budget payments; that would eliminate the need for cross-borrowing from the peacekeeping budget. Second, the United States was to lift the cap of 25 per cent on its peacekeeping contributions for the years 2001 to 2004. The cap, which was mandated by national legislation, was expected to be in the range of 27 to 28 per cent. Third, the Government of the United States had promised to make further efforts to clear old arrears.

44. **Mr. Chaudhry** (Pakistan) said that, in addition to the $199 million available in the Peacekeeping Reserve Fund, cash in closed missions totalled $406 million, an amount which surely exceeded the Organization's likely cross-borrowing needs. He asked whether a portion of the closed mission cash could be used to pay Member States for troops and contingent-owned equipment.

45. **Mr. Connor** (Under-Secretary-General for Management) said that the Administration feared the absence of closed mission cash. Indeed, some of the $406 million currently available was already earmarked to finance certain items. Commitments had, however, been made in respect of payments for troops and equipment.

Agenda item 112: Programme budget for the biennium 2002-2003 (*continued*)

Capital master plan (A/57/7/Add.4 and A/57/285)

46. **Mr. Niwa** (Assistant Secretary-General for Central Support Services), introducing the report of the Secretary-General on the capital master plan (A/57/285), said that that document had taken as its starting point the guidance and recommendations contained in the related report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) of 8 December 2000 (A/55/675) and in General Assembly resolution 55/238. He recalled that the Assembly had authorized the Secretary-General to proceed with the preparation of a comprehensive design plan and detailed cost analysis for the capital master plan, identifying all viable alternatives and including measures designed to protect the Organization from cost overruns. The Secretariat had developed a series of alternatives, with the assistance of a team of architectural and engineering firms, and those alternatives had been organized into the options and approaches proposed in the report.

47. Member States would have to decide between the adoption of a reactive approach, involving continuous ad hoc repairs, or a planned refurbishment programme, the capital master plan. In the Secretary-General's judgement, the Organization could not ignore the life-threatening hazards to which delegates and staff were increasingly being exposed. Ad hoc repairs would not bring significant improvements although the cost to Member States would be substantial. The Advisory Committee had concluded in its recent report on the

matter (A/57/7/Add.4, para. 4) that there was no choice but to proceed with the implementation of the capital master plan. He was therefore presenting that option to the Fifth Committee as the preferred approach of the Secretary-General.

48. Should Member States choose the capital master plan, they would then have to decide whether to proceed on the basis of the baseline scope or to approve the additional scope options. The baseline would fully satisfy current codes and standards and would constitute a complete response to existing refurbishment needs. The scope options, however, would allow the Organization to address future needs and to practice what it preached through the pursuit of sustainable development and the introduction of green technologies. The Administration therefore agreed with the Advisory Committee that proceeding with the scope options was the right decision for the long term.

49. It had been assumed that, owing to the lack of the necessary swing space for relocation out of the Headquarters complex, the planned refurbishment would have to be carried out in an incremental manner — the so-called second approach outlined in paragraphs 43 to 47 of the report of the Secretary-General (A/57/285). However, in July 2002, the City of New York had proposed the construction, through the United Nations Development Corporation (UNDC), of a building that could be utilized as swing space on the east side of First Avenue between 41st and 42nd Streets, on the current site of the Robert Moses playground. That proposal would enable the Administration to adopt the so-called first approach to the implementation of the capital master plan (A/57/285, paras. 40-42). It also addressed one of the major concerns voiced by Member States, namely, that cooperation should be extended by the host city, and it was indicative of the personal commitment of Mayor Michael Bloomberg to make the United Nations feel comfortable in New York. In New York State, in order to obtain legislative approval for the demapping of a park, it was necessary to provide compensating equivalent space in the same vicinity. Accordingly, the Secretary-General was proposing that a walkway/bikeway should be constructed along the East River, spanning the length of the Headquarters complex, as mitigation for the loss of the playground site and that the related costs should be absorbed by the United Nations.

50. The City of New York would have to overcome many obstacles in a very short space of time in order to make its proposal a reality. It therefore needed to receive a strong signal from the General Assembly during the main part of the current session that the United Nations wanted and needed the new building, that it was prepared to mitigate the loss of the playground and that it intended to proceed with the capital master plan as a matter of urgency, subject to the approval of a funding mechanism in 2003.

51. The United Nations Development Corporation hoped to secure the necessary approvals for the new building by the end of 2003. If a funding commitment was received from the United Nations, construction would take place in 2004 and 2005. In late 2004, the first phase of the capital master plan, involving the refurbishment of site infrastructure and the basements in the Headquarters complex, would begin. In late 2005, all meetings and most office-type functions would be relocated to the new building. Refurbishment of the Headquarters building would be undertaken from 2006 to 2009. In late 2009, implementation of the capital master plan would be complete. The new building would then be vacated, and delegates and staff would return to the Headquarters building. Most or all of the temporary meeting rooms in the new building would be converted to office space, and staff currently located in the DC-1 and DC-2 buildings and in commercially leased space would move into the new building.

52. As a public benefit corporation of the State of New York formed to support the needs of the United Nations, UNDC was able to issue bonds in order to raise funds for the construction of buildings for the Organization. The cost of leasing the new building from UNDC during the swing space period was estimated at $96 million. However, the availability of swing space would reduce the baseline refurbishment cost by approximately $103 million. While there would be leasing costs after the completion of the capital master plan, they would likely be lower than the cost of renting commercially leased space at market rates. Moreover, the Administration was now proposing a lease-purchase agreement. The cost of such an arrangement would depend on the interest rate and duration of the bonds issued by UNDC for construction of the building. Thus, if the United Nations were to purchase the building in 2010, the cost would be approximately $316 million, plus annual lease costs for

the 900,000 square foot building of close to $25 million; in 2016, the cost would be $271 million and if the building was purchased at the end of the bond period, perhaps in 2036, there would be no added cost as the lease payments over the years would have paid the bonds in full. If, on the other hand, the Organization were to buy the building immediately on its completion in late 2005, the cost would be around $335 million, plus the cost of converting temporary meeting rooms to office space, estimated at between $15 and $25 million.

53. Decisions regarding the management of the capital master plan had been based on industry best practices. The management structure would consist of three main components: the United Nations capital master plan programme management group, the architectural and engineering team, and the construction management team. Their respective functions were described in section V of the report. It would be important to have sufficient personnel to ensure the smooth running of the project. Staffing requirements, however, would change over time, and it would be necessary to recruit specialists or outsource certain functions. Maximum flexibility should be given to the project management team to secure completion of the capital master plan on time, within budget and within the quality parameters.

54. Concerning financing, the preferred option was an interest-free loan to be repaid over time through additional assessed contributions. The Secretary-General had intended to establish a financial advisory board to raise funds for the project. However, in the light of the proposal by the City of New York, he had decided to broaden the terms of reference of the advisory board to encompass other areas in which he might need advice. The board would now focus on issues related to the new building, including architectural integrity and harmony and the linkage with the visitors' experience project, as well as on resource mobilization for in-kind and cash contributions.

55. The Secretary-General believed that, since the United Nations was an international organization, financing for the refurbishment should come primarily from Member States, without prejudice to any possible additional contributions from the private sector. It was vital, however, that the continued development of the project should not be made hostage to a final decision on funding. If an agreement was reached, in principle, on the phasing and scope options, it would be very costly to set the project aside until a consensus was reached on the financial modalities.

56. A series of decisions was required from the General Assembly: a decision to undertake a planned refurbishment, rather than to adopt a reactive approach; a decision on the scope of the capital master plan and what options to include, which would determine the estimated total cost of the project; a decision on the phasing of the work, including a decision as to whether to accept the proposal of the City of New York; a decision to authorize the funds needed to continue the detailed design work in 2003 and 2004; and a decision to reach agreement on the funding for the actual refurbishment work as soon as possible in 2003, so that a lease agreement could be signed with UNDC in October 2003 and funds could be available for the start of refurbishment in late 2004.

57. He was convinced that the proposals he had outlined represented the most cost-effective way of providing the Organization with a safer and more secure Headquarters.

58. **Mr. Mselle** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the report of the Advisory Committee on the capital master plan (A/57/7/Add.4), said that the Secretary-General had estimated the cost of the reactive approach to the maintenance of the Headquarters complex to be $2,088 million over 25 years. The capital master plan would cost just under $1,300 million on the basis of the assumptions contained in the report of the Secretary-General (A/57/285). That cost would increase at a rate of $35 million to $40 million per year. The Advisory Committee therefore agreed with the Secretary-General that the capital master plan was the most cost-effective choice available to the Member States. Firstly, it recommended that the General Assembly should during the current session approve the baseline scope with the scope options (A/57/7/Add.4, paras. 8 and 9). Secondly, in order to minimize cost escalation and other risks, it recommended that the capital master plan should be implemented by means of the first approach suggested by the Secretary-General, namely, vacating most of the Headquarters complex. More observations on that subject could be found in paragraphs 10 to 21 of the Advisory Committee's report; in recommending that option, ACABQ recognized the importance of the goodwill of the host city, and urged the Secretary-

General to work with it to minimize the financial impact of any delay.

59. The comments of the Advisory Committee on the management and financing of the project could be found in paragraphs 22 to 30 of its report. The cost of the plan option approved by the General Assembly would have to be further clarified when the Secretary-General submitted firm cost estimates as part of the proposals for financing agreed with the Member States. In considering financing options, the Advisory Committee wished to point out that commercial borrowing had not been the practice of the Organization in the past. As indicated in paragraph 25 of the report of the Advisory Committee, the financing arrangements should be developed as soon as possible after the negotiations with the host authorities were completed and the projected final cost was accurately known, and should then be reported to the General Assembly for its approval. The Advisory Committee further recommended that a special account should be set up, and that $44.5 million should be appropriated for it, as indicated in paragraph 24 of its report. It called for the full application of the relevant financial and staff regulations and rules and the rules and procedures concerning procurement and contracting of staff, and stressed the importance of oversight by the Internal Audit Service of the Office of Internal Oversight Services and by the Board of Auditors.

60. In paragraph 30 of its report, the Advisory Committee welcomed the offer of support from the City of New York in the implementation of the capital master plan. The General Assembly might wish to encourage further cooperation with the relevant host country authorities at each stage of the development and implementation of the plan, on matters including the financing options.

61. **Mr. Christiansen** (Denmark), speaking on behalf of the European Union, the associated countries Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia and Turkey, and, in addition, Iceland, Liechtenstein and Norway, pledged support for the proposed refurbishment of the United Nations complex through the capital master plan. The buildings were in dire need of renovation, and the plans would make a tangible and lasting contribution to the efforts to strengthen the Organization. The report of the Secretary-General (A/57/285) demonstrated that regular maintenance of the complex would not be able to keep up with the anticipated wear and tear of the building infrastructure and that the cost of such an approach would be higher than the cost of a complete renovation.

62. While the European Union supported the main elements of the capital master plan, it would like further details regarding design plans and other matters, including the location of new conference rooms; the proposed level of security protection of the complex and its relation to already initiated security arrangements; the impact on parking arrangements and other basic infrastructure; the prevention of cost overruns and delays; and legal aspects of construction management. Moreover, it would appreciate a firm commitment from the host city that it would provide a swing space site for the consolidation of office space between 41st and 42nd Streets.

63. It was essential to reach a common understanding during the current session concerning the overall financing of the capital master plan, in particular host country financing. He noted that the total cost of the baseline scope of the plan was slightly higher than the proposal put forward in 2000. The additional scope options presented by the Secretary-General required further consideration. Voluntary contributions from public and private sources could be an important source of additional funding. The European Union was of the view that the host country should bear a substantial proportion of the full cost of the project.

64. The Committee should consider the capital master plan in two stages. During the first stage, it should concentrate on the design, construction, swing space, management and other practical aspects of the Secretary-General’s proposal. At a later stage, it should turn its attention to the financial aspects.

65. **Mr. Effah-Apenteng** (Ghana) said his delegation believed that the structural deficiencies listed in the earlier report of the Secretary-General on the capital master plan (A/55/117 and Add.1) had made a compelling case for the major refurbishment of the United Nations Headquarters complex. It had been built over 51 years earlier, and his delegation endorsed the Secretary-General’s recommendation that the General Assembly should take note of the hazards of the current condition of the building. It also shared the Secretary-General’s assessment that the reactive approach was not a sustainable basis for maintaining the Headquarters complex, and accordingly it

supported the proposal for a long-term capital master plan which would take approximately six years to complete. Because any delay in implementing the plan would result in an escalation in cost of about 3.5 per cent per year, the General Assembly should agree to the baseline scope described in the report of the Secretary-General (A/57/285). It was unfortunate that, because of a potential conflict of interest, the United Nations Board of Auditors had been unable to examine the documents on the capital master plan and provide assurances that the assumptions underlying the estimates for the various options they contained were sound. The role of the Board of Auditors should have been viewed not so much as an advisory one, but as akin to due diligence. It was worth considering an intergovernmental mandate to allow it to provide the desired assurances.

66. The proposed provisions for preventing cost overruns did not seem guaranteed to yield results. If overruns occurred, they should be immediately reported so that corrective action could be taken, rather than reported as an appendage when the project was near completion, when it would be too late to take corrective action. While the Secretary-General should give the programme management group the necessary flexibility of authority, strong oversight and accountability should be maintained throughout. His delegation concurred with the views on oversight requirements expressed by the Advisory Committee in paragraph 28 of its report.

67. His delegation hoped that the financing option referred to in paragraph 65 of the report of the Secretary-General would be possible. Cost-effectiveness could best be assured by obtaining financing on an interest-free basis, if necessary from all Member States, without prejudice to funds that could be raised by the Secretary-General by other means.

68. **Mr. Kennedy** (United States of America) said that, while the United Nations Secretariat building had stood the test of time, it only appeared in good repair from a distance. The service life of much of its infrastructure had long expired, and there was a growing risk of catastrophic equipment failure. Rapid action was needed.

69. There were also sound fiscal reasons for acting rapidly. Even a one-year delay in authorizing funds for the proposed project would drive up the estimated cost of $1.1 billion by 3 to 4 per cent. Those extra costs would never be recovered; the funds should be committed immediately and applied to the renovation rather than being lost to inflation.

70. The City and State of New York, the local community and the Government of the United States were mobilizing behind the project, and the Government was examining its financing requirements. However, a tangible plan was needed. The project was an international, not a United States project, and it needed an unambiguous mandate from the Member States to maintain its momentum. He appealed to the Member States to approve the first approach — vacating the Headquarters complex and conducting a refurbishment programme via a swing space facility — as the only solution which would result in the lowest cost, the most efficient project management and the least disruption to the activities of the Organization.

71. **Mr. Brar** (India) said that his delegation wished to see a decision on the capital master plan during the current session of the General Assembly, subject to any proposed financing package being acceptable. That view was based on the fact that a delay in implementation of the project would result in an escalation of 3.5 per cent per year in the cost of the project and an increase in the expenditure on emergency repairs, construction and energy for the Headquarters building if the reactive approach was adopted.

72. The options of lease purchase and outright purchase of the UNDC building to be used as swing space were being examined; the Secretariat should seek precise information from the City authorities regarding the costs involved in each of those options to help the Member States to come to a decision, taking into account the long-term needs of the Organization.

73. As indicated in the report of the Secretary-General (A/57/285, para. 41), once it was no longer needed as swing space, the proposed UNDC building would have enough capacity to accommodate United Nations staff currently in the UNDC-1 and UNDC-2 buildings and in commercially leased office space elsewhere. For that reason, a cost-benefit analysis should be performed in consultation with the offices of United Nations funds and programmes located in those buildings.

74. The refurbishment programme was extensive and was projected to cost three times more than the cost of constructing the swing space. The report of the

Secretary-General provided no detailed breakdown of the individual segments of that programme, although the involvement of architects and engineers should make that possible. The Member States would have a clearer view of the complex refurbishment programme if they knew the specific costs forecast by the design team.

75. The Secretariat should provide additional information on the time-frame for the refurbishment programme. Given the experience available, it should be possible to further compress the six-year plan, in order to avoid any cost overruns resulting from delays in implementation. The project management group should be responsible for oversight and accountability with the same purpose in mind. That oversight and accountability should be exercised particularly closely over the considerable number of temporary specialist staff employed on the project.

76. **Mr. Foo** Kok Jwee (Singapore) said that consideration of the capital master plan coincided with a process of reform within the United Nations. While it was important to enhance the capabilities of the Organization and its staff, the physical environment should not be neglected.

77. The earlier report of the Secretary-General on the capital master plan (A/55/117) had emphasized that the United Nations complex did not comply with current safety, fire and building codes, that it had a high concentration of asbestos and that it lacked an effective fire-sprinkler system. The occupants of the building would have a lower chance of survival during a fire and consumed more energy at a higher cost and had more accessibility problems than in any comparable modern building in New York or any other major city. Repeated maintenance operations were not a viable solution. Moreover, the complex had been built for a much smaller number of Member States and a much smaller calendar of meetings. His delegation supported the implementation of the capital master plan in order to upgrade the facilities of the complex to cope with future needs.

78. The merits of the capital master plan were obvious to all, but its financing remained a dilemma. On the one hand, some Member States were reluctant to endorse it without clear financing options. On the other hand, the Secretariat would find it difficult to secure financing without a clear mandate from Member States on the exact scope of the plan. Delays in approving the plan would, however, allow the building to deteriorate further, increasing remedial costs and increasing the cost of the plan itself with every successive year.

79. The option of obtaining an interest-free loan, the procedure that had been used for the original Secretariat building project, deserved serious consideration and further collaboration with the host Government should be explored. However, all feasible cost-effective financing options should be investigated. Host Governments had played a major role in the financing and upkeep of United Nations facilities in other parts of the world. In the case of New York, which derived considerable economic and cultural advantages from the presence of the United Nations, an in-principle pledge of an interest-free loan from the host Government would help to allay the concerns of the Member States as to how the capital master plan was to be funded. His delegation agreed with the recommendation of ACABQ that the relevant United Nations financial regulations and rules, and procurement and contractual rules and procedures should be strictly applied at all stages of the capital master plan project. The Office of Internal Oversight Services and the Board of Auditors should be given the appropriate resources to exercise effective oversight over the plan and the General Assembly should receive detailed periodic progress reports. The Committee should not consider only the financial implications of the plan; it should remember that the lives, safety and welfare of those working at the United Nations would be affected by its decision.

80. **Ms. Santos-Neves** (Brazil) said that her delegation shared the view of the Secretary-General that the Organization had no choice but to proceed with the capital master plan, as the reactive approach to the problems was economically unviable. However, the cost of the plan was high, and not all Member States had the same capacity to make additional contributions from their national budgets.

81. Many host countries in the developed world had provided facilities for the United Nations, and the host country’s willingness to do the same for the Organization’s Headquarters was important. Her delegation looked forward to hearing its views on that matter. There were, however, complementary sources of financing which the report of the Secretary-General could have explored in greater detail. Her delegation was not convinced that only the more visible parts of

the renovation would be of interest to private-sector contributors, as seemed to be indicated in paragraph 68 of the report.

82. As for the physical facilities of the building, conference rooms should be treated as regular working spaces and some thought should be given to providing adequate sources of daylight in those rooms.

83. With regard to the action to be taken by the General Assembly, the provision of funds which the Secretary-General recommended should be included in future budgets, for the project design work should only be made if that work would be of use regardless of the outcome of negotiations on the capital master plan itself. The baseline scope should be approved, but actual expenditure should be cleared only when a consensus had emerged on the financial provisions for the entire capital master plan. Her delegation also considered it premature to approve all the scope options, including those relating to additional security and redundant building systems, before the method of financing of the baseline scope was clear.

The meeting rose at 1.15 p.m.