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at 10 a.m.
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SUMMARY RECORD OF THE 9th MEETING

Chairman: Mr. OKEYO (Kenya)

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

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The meeting was called to order at 10.25 a.m.

AGENDA ITEM 113: FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS (A/42/5/Add.2, vol. II; A/43/5, vols. I, II and III, and Add.1-8, A/43/445 and 674) (continued)

1. Ms. HAGA (Norway), speaking on behalf of the five Nordic countries, said that in the current situation of financial difficulty and ongoing administrative reform, full financial accountability was of basic importance in ensuring the trust and confidence of Member States in the activities of the Organization. In view of the size of their voluntary contributions to the United Nations system, the Nordic countries were particularly concerned United Nations activities should be implemented as efficiently and effectively as possible and that organizations should keep correct records of their finances. Systematic external auditing was of great value in that connection.

2. The Board of Auditors had two main functions: monitoring the formal financial activity of the organizations and monitoring their administrative practices. In the latter area, the Board was providing the organizations with valuable inputs and guidelines for improving their efficiency in the broad area of administration and management. The Nordic countries proposed that in future the summaries of recommendations and findings should be divided as far as possible into two parts: one on traditional financial auditing and the other on management auditing.

3. The Nordic countries welcomed the increasingly serious consideration given in recent years to the reports of the Board of Auditors by the Fifth Committee, which had provided the organizations under review with guidelines for follow-up action. It was essential for the administrations concerned to respond to the recommendations from the Committee and the Board of Auditors by taking remedial action. The organizations' governing bodies were also key instruments in the follow-up process and it was the responsibility of Member States to participate actively in the process through their representatives in the bodies concerned. In that connection, she endorsed the Canadian proposal that representatives of the Board of Auditors should be present at meetings of governing bodies.

4. Regarding the shortcomings and deficiencies identified by the Board of Auditors, the Nordic countries shared in general the concerns that had been expressed and were in general agreement with the Board's recommendations. With regard to UNICEF in particular, the Nordic delegations welcomed the clean opinion which had now been given on the 1986 as well as the 1987 financial statements. They were, however, concerned about the magnitude of the errors in the 1986 accounts and trusted that the lesson had been learned. They appreciated the efforts of the UNICEF Administration to take corrective action and urged UNICEF to keep up the good practices introduced.

5. It was unfortunate that UNDP and UNFPA could not have been given a clean opinion. There was sometimes a fine line to be drawn between what the external auditors might regard as poor management and what resulted from existing practices made necessary by the decisions of governing bodies. For example, the Nordic

(Ms. Haga, Norway)

countries recognized the difficulties of the auditors in respect of government-executed projects, as well as those of UNDP and UNFPA. As a matter of principle, the Nordic countries were in favour of a high degree of government-executed projects, while at the same time insisting on full compliance with external auditing rules. Those two goals were difficult to reconcile but the existing system could undoubtedly be improved, although there was probably no solution that could fully satisfy all the objectives.

6. It was particularly regrettable when organizations received a qualified opinion for the same reasons several years in a row as it tended to damage their reputation. The Nordic delegations urged UNDP and UNFPA to continue their efforts to provide the information needed on government-executed projects and programmes executed by specialized agencies and to co-operate with the Board of Auditors in finding mutually acceptable solutions. They concurred in the recommendation that procedures currently performed by UNFPA and UNDP on the basis of verbal understandings should be formalized in written agreements. In the case of UNFPA, they found the making of substantial changes in the approved staffing tables without prior approval of the UNDP Governing Council or ACABQ an unacceptable practice that should not be repeated.

7. The Nordic delegations fully shared the concerns expressed by the Board of Auditors and ACABQ concerning the financial reserves and liquidity position of UNDP. Given the need in many developing countries, the steady accumulation of resources in UNDP was not acceptable. They appreciated that the UNDP Governing Council was keeping those problems under review and urged all the parties concerned to take action to speed up programme delivery. The growing share of total UNDP expenditure devoted to administration was also of great concern to the Nordic countries and should be carefully reviewed by the Governing Council. With regard to the problems identified by the Board of Auditors in other United Nations bodies which had received a clean opinion, the Nordic delegations urged administrations and governing bodies throughout the system to take a constructive approach to the auditors' observations. Through joint effort it should be possible to reach mutually acceptable solutions to the problems identified.

AGENDA ITEM 120: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (A/43/11)

8. Mr. ALI (Chairman of the Committee on Contributions) introduced the report of the Committee on Contributions on its forty-eighth session (A/43/11). At that session, the Committee had devoted the majority of its time to the preparation of the scale of assessments for the period 1989-1991 in accordance with General Assembly resolution 42/208. Other matters considered included the assessment of non-member States; the collection of contributions; the payment of contributions from non-member States; and communications received from specialized agencies. The scale of assessments recommended for adoption by the General Assembly appeared in paragraph 68 of the report in the form of a draft resolution. The constraints of resolution 42/208 and the difficulties inherent in the quantification of the basic principle underlying the current methodology, namely, capacity to pay, unfortunately meant that the recommended scale was far from perfect.

(Mr. Ali)

9. Paragraph 1 (a) of resolution 42/208 requested the Committee on Contributions to prepare the scale of assessments for 1989-1991 on the basis of the methodology and criteria used to prepare the current scale. While the Committee had adhered faithfully to the guidelines provided by the resolution, it had decided that the adjustments for external indebtedness and exchange rate anomalies required elaboration because of their ad hoc treatment in the preparation of the scale for 1986-1988. In accordance with paragraph 1 (b) of the resolution, the Committee had also reviewed the limits in the scheme to avoid excessive variations of individual rates of assessment between successive scales.

10. The difficulties the Committee had faced in trying to make appropriate adjustments for external indebtedness and exchange rate anomalies were reflected in paragraphs 11 to 38, which described the materials presented to the Committee in that regard, the discussions which had ensued, the decisions arrived at and the ultimate adjustments made. They were also reflected in the separate opinion and the additional statement in paragraphs 69 and 70 of the report.

11. The difficulties that had arisen with regard to external indebtedness were related to the availability and reliability of data as well as to the division of opinion in the Committee on how best to use the limited information. Whatever the inherent shortcomings, however, the adjustments for external indebtedness in the recommended new scale were more systematic and based on data for a considerably larger number of countries than had been the case with the ad hoc adjustments made in preparing the scale for the years 1986-1988.

12. The application of the modified methodology for price-adjusted rates of exchange (PARE) considered by the Committee had generated anomalous effects both for countries requiring adjustments and in comparison with unadjusted countries. In the end, therefore, the Committee had decided to adjust national income for debt relief only and to give consideration to countries with significant exchange rate distortions during the final mitigation process.

13. The machine scale shown in column 4 of annex I to the report was based on national income averages for the period 1977-1986. Where applicable, national income had been adjusted for debt relief and low per capita income. The assessable income for each country resulting from that process had provided the base for the calculation of individual assessment rates as percentages of total assessable income for all countries. Those rates had been adjusted by applying the ceiling and floor rates and the scheme of limits.

14. In accordance with past practice, the machine scale had been subjected to a mitigation process designed to alleviate inequities perceived by the Committee members on the basis of their understanding of economic realities in the different parts of the world which they represented. In particular, exchange rate anomalies and external debt burdens had been taken into consideration. The total number of points involved in the process was 77, or 0.77 per cent, as shown in column 4 of annex II to the report. In that context, he noted a typographical error in column 4

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where the 8 points added to the machine scale for France had been accidentally entered in the next line for Gabon.

15. As noted in paragraph 50 of the report, the recommended scale included 94 Member States with a rate at or below 0.03 per cent. Of those, 79 Member States were assessed at 0.01, 9 Member States at 0.02 and 6 Member States at 0.03 per cent. The assessment rate of the Group of 77 as a whole had increased by 34 points, or 3.5 per cent, a result very similar to that of 1985. Unlike 1985, however, the increase was not entirely due to increased rates for OPEC countries. Their combined rates had increased by 14 points, or 3.9 per cent, as compared to 20 points, or 3.3 per cent, for the other Member States in the Group of 77. The share of the OECD countries had increased by 10 points, or 0.1 per cent, as compared to 34 points and 0.5 per cent in 1985. The combined rates of the countries with centrally planned economies had decreased by 43 points, or 2.9 per cent, as compared to a reduction by 64 points, or 4.1 per cent, in 1985. The recommended scale increased the rates of assessment of 27 Member States by a total of 123 points and decreased the rates of 23 Member States by 119 points. The highest increase (54 points) was for Japan, followed by Italy with 20 points. The Union of Soviet Socialist Republics showed the highest decrease, 25 points, followed by the Federal Republic of Germany and France with 14 and 12 points respectively.

16. The Committee's recommended assessment for non-member States for the period 1989-1991 was also shown in paragraph 68. Those assessments had been established in exactly the same manner as for Member States. Unfortunately, however, through an error the scheme of limits had not been applied to the rate for the Republic of Korea which should in consequence be reduced to 0.22 per cent. The Committee had also considered a proposal to modify the existing cumbersome procedures for billing non-member States for the United Nations activities in which they participated and the collection of their contributions. The proposal consisted essentially in replacing the current post facto assessment with a flat annual fee charged in advance. A number of questions had been raised in the Committee in conjunction with that proposal and the Committee had requested a follow-up note from the Secretariat for consideration at its forty-ninth session. Paragraph 64 contained the Committee's interim proposal that, with immediate effect, non-member States should pay at the beginning of each calendar year an amount equivalent to their average annual contribution during the past 10 years with an adjustment to be made after the end of the year on the basis of actual participation during the year and following current procedures. He hoped the Fifth Committee would be in a position to adopt that proposal.

17. In conclusion, he stressed that, notwithstanding the separate opinion of one of its members, the recommended scale of assessments for the years 1989-1991 represented the result of the Committee's collective effort and judgement. That result had been achieved within the constraints of resolution 42/208 and with full awareness of the intrinsic difficulties of translating the concept of capacity to pay into an equitable scale accepted without reservation by all Member States. He urged the Fifth Committee to recognize those difficulties in considering the recommended scale and also to take into account the important function of the new scale in promptly

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assessing Member States for 1989 so as not to aggravate the financial situation of the United Nations. Lastly, he reminded the Committee of the scale's impact on the United Nations system at large, given that most of the other parts of the system relied on the United Nations scale in original or modified form for their own assessment purposes. With those thoughts in mind, he commended the recommended scale for adoption.

The meeting rose at 11 a.m.