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Fifth Committee

Summary record of the 6th meeting
Held at Headquarters, New York, on Monday, 16 October 2006, at 10 a.m.

Chairman: Mr. Mammadov (Vice-Chairman). . . . . (Azerbaijan)
Vice-Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Abraszewski

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06-57299 (E)

In the absence of Mr. Yousfi (Algeria), Mr. Mammadov (Azerbaijan), Vice-Chairman, took the Chair.

The meeting was called to order at 10.10 a.m.

Agenda item 117: Programme budget for the biennium 2006-2007

Construction of additional office facilities at the Economic Commission for Africa in Addis Ababa (A/61/158 and A/61/362)

Construction of additional conference facilities at the Vienna International Centre (A/61/166 and A/61/361)

Contingent liability reserve for the United Nations Postal Administration (A/61/295 and A/61/480)

Identification of additional resources for the Development Account (A/61/282 and A/61/479)

1. **Ms. Van Buerle** (Director, Programme Planning and Budget Division) said that the Committee would note from the update provided in paragraphs 4 to 6 of the report of the Secretary-General on the construction of additional facilities in Addis Ababa (A/61/158) that progress had been made in completing the addendum to the host country agreement with, and in acquiring land from, the Ethiopian authorities. Since the issuance of the report, the Secretariat had learned that formal signature of the documents was due to take place shortly. Paragraphs 7 to 10 of the report indicated that the lead architect for the project had submitted to the Economic Commission for Africa (ECA) a full set of final construction documents. Since the issuance of the report, the process of selecting a project coordinator had begun. The General Assembly was invited to take note of the progress report.

2. Paragraphs 3 to 6 of the report of the Secretary-General on the construction of additional conference facilities at the Vienna International Centre (A/61/166) pointed out that the financial ceiling in the agreement with the Government of the host country for the new facility was €52.5 million, with the United Nations and the three other occupants of the Centre contributing €2.5 million, payable in the biennium 2008-2009. On the basis of existing cost-sharing ratios, the United Nations Office at Vienna would pay €100,000 of that sum, to be considered in the context of the proposed programme budget for the same biennium. The building permit for the works had been obtained in July 2006 and infrastructure preparations were under way. No departure from the existing timeline or costs was expected. The General Assembly was invited to take note of the progress report.

3. In paragraph 3 of his report on a contingent liability reserve for the United Nations Postal Administration (UNPA) (A/61/295), the Secretary-General proposed the establishment of a reserve from UNPA net income to meet contingent liabilities for postal services. Both internal and external auditors had consistently emphasized the need for such a fund to cover liabilities for the use of stamps sold but not presented for mailing. Paragraphs 4 to 6 of the report analysed the situation, including efforts to cut costs and to obtain benchmarking data from other postal services regarding similar provisions for contingent liability. The Secretary-General accordingly proposed a reserve of $3.3 million; if the General Assembly was in agreement, it must provide for an exception to regulation 3.14 and rule 103.7 of the Financial Regulations and Rules of the United Nations. The General Assembly was invited to consider taking the action proposed in paragraph 11 of the report.

4. The report of the Secretary-General on the identification of additional resources for the Development Account (A/61/282), prepared in response to the request for recommendations made by the General Assembly in its resolution 60/246, provided background information on the origins and financing of the Development Account (chaps. II and III) and explored the possibilities of identifying cost savings and transferring the resulting sums to the Account (chaps. IV and V). The Committee would recall that, as a one-time exercise for the current 2006-2007 biennium, it had decided to recost the Development Account. The General Assembly was invited to take a decision on whether or not to extend the recosting to the next biennium, as well as on whether or not the Development Account should continue to be increased by suspending the application of financial regulations 5.3 and 5.4, especially in the light of competing priorities for the use of the regular budget.

5. **Mr. Abraszewski** (Vice-Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the report of the Advisory Committee on construction of additional office facilities at the Economic Commission for Africa (A/61/362), said that

the Advisory Committee had noted the project's expected completion date of the end of 2009, and the assurance that no requests for additional funding would be made. It recalled its previous concern that estimates of construction and related costs had steadily increased since the first such estimates in 2001 and looked forward to future progress reports.

6. Introducing the report of the Advisory Committee on construction of additional conference facilities at the Vienna International Centre (A/61/361), he said that the Advisory Committee had noted the cost-sharing arrangement between the four entities based at the Centre, and the establishment of their responsibility for maintenance and replacement costs. He recalled the Advisory Committee's past concerns about asbestos removal, and requested updated information on the plans to address the problem between 2008 and 2010.

7. Turning to the report of the Advisory Committee on the contingent liability reserve for UNPA (A/61/480), he said that the Advisory Committee saw merit in the proposal of the Secretary-General to establish a reserve, but urged that more thought should be given to further streamlining UNPA operations in order to maximize income. It had noted the need for an exemption from regulation 3.14 and rule 103.7 of the Financial Regulations and Rules of the United Nations.

8. Introducing the report of the Advisory Committee on identification of additional resources for the Development Account (A/61/479), he recalled that the General Assembly was required to decide, firstly, whether to exploit the possibility of deviating from the full application of the Organization's Financial Regulations in order to increase the value of the Account and, secondly, whether the recosting of the Account for the current biennium should be considered a one-time exercise or a practice to be continued.

9. **Ms. Lock** (South Africa), speaking on behalf of the Group of 77 and China, recalled that the General Assembly, in its resolution 52/12 B, had accepted the Secretary-General's proposals and recommendations on promoting sustained and sustainable development as a central policy of the Organization, including the creation of a development account. In his report on the identification of additional resources for the Development Account (A/61/282), the Secretary-General had addressed the failure to fulfil the original objectives for funding the Account and the constraints on identifying new resources at a time when the Secretariat was confronted with new mandates. The Group recalled that the General Assembly, in its resolution 54/15, had specified that the transfer of cost savings into the Account must not result in budget reductions.

10. The report illustrated that the root of the problem was not failure to identify resources for transfer to the Account, but rather failure to establish a system to seek the approval of the General Assembly for such a transfer once a cost saving had been identified, rather than leaving programme managers to determine the use of such savings. The Group hoped that the General Assembly would take a decision at the current session on how to address the lack of growth in the Account since its inception, and wished to draw attention to the possibility of suspending the provisions of financial regulations 5.3 and 5.4 in respect of surpluses in order to enable funds to be transferred to the Account.

11. The Group had been surprised at the Advisory Committee's reference to the recosting of the Account as a one-time exercise, as that conflicted with General Assembly resolution 60/246. The Member States had acknowledged the merit of programmes implemented under the Development Account. Over the most recent two bienniums, the value of applications for such activities had been $91.8 million. As the Member States had undertaken to make development a priority, the resources provided for those programmes could not be considered excessive, let alone adequate.

12. The Group trusted that the construction projects at the Economic Commission for Africa and the Vienna International Centre would be completed on time and acknowledged the contributions of the host-country Governments involved. It would like further information on the modalities of the proposal to establish a reserve for UNPA contingent liabilities and on the impact of that proposal on the Financial Regulations and Rules. It would also like clarification of the Advisory Committee's belief that UNPA operations should be further streamlined, as UNPA was expected to show a profit at the end of the current biennium, thanks to existing cost-cutting efforts, changes in operating methods and new products.

13. **Ms. Koski** (Finland), speaking on behalf of the European Union; the acceding countries Bulgaria and Romania; the candidate countries Croatia, the former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process countries Albania, Bosnia and Herzegovina, Montenegro and Serbia; and,

in addition, Moldova, Norway and Ukraine, welcomed the cooperation of the Austrian and Ethiopian Governments in the construction projects at ECA and the Vienna International Centre. In connection with the Vienna International Centre, the European Union, concurring with the view of the Advisory Committee, would like regular updates on asbestos removal.

14. Noting that all the oversight bodies supported the recommendation to establish a contingent liability reserve for UNPA, the European Union was prepared to discuss the proposal, but wished additional options to protect against actual and potential losses caused by the use of UNPA stamps for bulk mail to be explored. As a working capital fund already existed, it was not convinced a new fund was required. It commended the Swiss authorities for reaching an agreement to help UNPA to operate in a more cost-effective way.

15. The Development Account focused on two objectives of United Nations reform: first, to make programme management and administration more cost-effective, and, second, to increase emphasis on socio-economic development and capacity-building in the field. Having supported the establishment of the Account, the European Union had noted the professional way in which it had been managed, its role in promoting the Millennium Development Goals, the use of local expertise and consultants and the encouragement of inter-agency cooperation. While the report of the Secretary-General had stated frankly that any cost savings tended to be used by programme managers for purposes other than expanding the Development Account, it had made no concrete proposals to remedy the situation. The European Union hoped for further clarification of the issue in informal consultations.

16. **Ms. Izata** (Angola), speaking on behalf of the African Group, said that the Group welcomed the confirmation that the construction project at the Economic Commission for Africa would include the building of two additional floors, that the final construction documents were being completed, that the procedure to select a general contractor was under way, and that the total estimated project cost was not expected to increase. It appreciated the host-country Government's contribution of additional land and its support for the project.

17. **Ms. Shah** (United States of America) recalled that the General Assembly had intended the Development Account to be funded through savings achieved by gains in productivity. It had therefore expected that the Secretary-General's report (A/61/282) would, in response to General Assembly resolution 60/246, put forward ways in which the United Nations could operate more efficiently, thus releasing further resources. The report stated, however, that there was no reliable method to determine the costs of outputs and services and that efficiency savings could therefore not be identified. That, however, did not tally with the statement in the report that programme managers often retained efficiency savings to meet their own requirements. Her delegation had long advocated a cost-accounting system that would allow such information to be known. To that end, it had supported the adoption of International Public Sector Accounting Standards. Meanwhile, it would continue to review the Secretary-General's conclusion that other mechanisms might need to be used to fund an increase in the Development Account.

18. **Ms. Kumar** (Canada), speaking also on behalf of Australia and New Zealand, said that the Secretary-General's suggested suspension of financial regulations 5.3 and 5.4 in order to finance an increase in the Development Account was not acceptable. Money paid by Member States towards the running of the United Nations should be returned to them when it had not been fully spent. The fact that no information had been provided on the impact of Development Account activities should be taken into account in any future discussion of funding arrangements.

19. With regard to recosting, the Advisory Committee on Administrative and Budgetary Questions was correct in saying that the recent recosting for the 2006-2007 biennium should be understood to be a one-time decision. Since the Development Account was funded through savings, she wondered how it was possible to recost a pool of money representing activities that no longer took place. Not only might it be wise to decide not to recost again, but a similar decision might be made in relation to the programme budget for 2008-2009. The financing of the Development Account did not reflect on the commitment of delegations to the financing of United Nations development activities. The Development Account represented a marginal aspect of development finance, having been established in response to a specific negotiating problem some ten years earlier. It was questionable whether that approach, which had been based on concerns about budget cutting that had never materialized, was relevant

to the Organization's future policy on development funding.

20. **Mr. Virk** (Pakistan) recalled that, although an auxiliary aim of the establishment of the Development Account had been to improve the cost-effectiveness of programme management and administration, its core objective was capacity-building in developing countries through economic and technical cooperation in the form of individual projects, complementing the Organization's main development activities. Although marginal, the Development Account had made a useful contribution to programmes on advancement of women, sustainable development, trade partnerships and information and communication technology. The completion of 94 projects at a cost of US$ 67 million, in five tranches, represented a fair degree of implementation, the only real impediment being funding constraints. It was vital to ensure that, once launched, a project was adequately and predictably financed from available means. Increased use should also be made of local experts and consultants.

21. It was gratifying that 15 out of 24 projects within the budget for the biennium 2006-2007 had already been approved, while the remaining nine were at the final review stage. His delegation supported the recosting of the Development Account for the biennium 2007-2008 to the amount recommended by the Secretary-General. Additional sources for the sustainability of the Account must, however, be identified. System-wide savings had proved insufficient to meet the increasing and varied demands on the Account. Moreover, savings deriving from underperformance, downsizing of postponement of approved programme activities were unacceptable.

22. It was a matter for concern that the practice of implementing all programmes and activities within existing resources had been a major constraint on enhancing the Development Account. It was regrettable that no substantial progress had been achieved on realizing the target of US$ 200 million identified in 2002 and that no additional funding sources had been identified in the Secretary-General's report. His delegation would therefore favour using budget surpluses to increase the funding level of the Development Account, which would involve removing certain procedural impediments.

23. Savings should not affect normal programme activities or cause hardship to staff through forced separations, but all United Nations departments should continue to carry out management reviews to enhance efficiency and reduce overheads. The current level of US$ 67 million over five bienniums hardly justified describing development as a key pillar of United Nations activities, especially when compared with the more than US$ 5 billion spent on the maintenance of peace and security in response to crises arising from inadequate attention to social and economic development and poverty eradication. It should be an urgent priority to increase the resources of the Development Account so that it could make a significant contribution to efforts by 132 developing countries to implement the Millennium Development Goals and other targets in the fields of human rights and sustainable development.

24. His delegation supported the construction of additional conference facilities at the Vienna International Centre and additional office facilities at the headquarters of the Economic Commission for Africa, on the terms set out in documents A/61/166 and A/61/158, respectively. It commended the allocation of additional land for the latter project by the Government of Ethiopia and hoped that other host countries would emulate that gesture where additional construction projects were envisaged.

25. **Ms. Udo** (Nigeria) said that the issue of the construction of additional office facilities at the Economic Commission for Africa had been before the Committee for some years. It was gratifying that the allocation of land by the Government of Ethiopia had been formalized with the granting to the United Nations of the title deed. The remaining issue — the design and construction of an alternative public access road to the premises — would, no doubt, shortly be settled. Her delegation sought clarification, however, as to the approach usually adopted by the United Nations the event of renovation or construction works, given that the Addis Ababa municipality had been requested to fund the construction of the road. It would be useful to see the actual project schedule for the commencement and completion of construction. She asked how many firms had been retained for the bidding exercise, when such bidding would take place and when a project coordinator would be appointed. It was reassuring that the cost of the project, at about US$ 11 million, remained unchanged.

26. With regard to the construction of additional conference facilities at the Vienna International Centre,

her delegation commended the contribution of the host Government. It concurred with the Advisory Committee on Administrative and Budgetary Questions that the removal of asbestos should be an integral part of the project.

27. Her delegation supported any effort that led to increased resources for the Development Account. Recosting was a technical adjustment that the Committee made to the budget as and when necessary and should not be confused with a clear mandate by the General Assembly to credit the Development Account with surpluses.

28. **Mr. Getachew** (Ethiopia) said that he was confident that all remaining issues relating to the extension of the lease of land and the construction of a public access road would shortly be finalized. He assured the Committee that his Government would continue to cooperate with the United Nations for the successful completion of the project.

29. **Ms. Kuroda** (Japan) said that her delegation was concerned at the extent of the losses borne by the United Nations Postal Administration at United Nations Headquarters for the biennium ending 31 December 2005. She sought further clarification and wondered whether there were any lessons to be learned from the sound management of the postal services in Geneva and Vienna. Her delegation was cautious about any proposal that involved suspending the Financial Regulations of the United Nations.

30. Although her delegation had supported the establishment of the Development Account in 1997 as an innovative way of reducing administrative and other costs for the benefit of development activities, the Secretary-General's suggestion on recosting the Account should be treated with caution, since recosting was not the same as saving and could therefore not form the basis of the Account. It was acceptable only on a one-time basis. The priority should be to surrender budget surpluses in accordance with the Financial Regulations.

31. **Mr. Bander** (Iraq) asked how matters currently stood with regard to the construction of additional office facilities at the Economic Commission for Africa, particularly with regard to contractual and other administrative issues. The Committee should be kept abreast of the latest developments.

32. **Ms. Van Buerle** (Director, Programme Planning and Budget Division) said that a number of measures had been taken to improve the profitability of the United Nations Postal Administration, including the development of a marketing plan; investigations of new markets; the introduction of personalized stamps; the development of new websites; and the consolidation of the two European offices, as a result of which all Geneva operations would be administered through Vienna. Outsourcing had been considered but had been found not to be cost-effective. A number of posts had been eliminated following the 2002-2003 second performance report; with a resulting impact in the 2004-2005 biennium. As for the approach suggested in the Secretary-General's report with regard to suspending the Financial Regulations, she said that income that would normally revert to Member States to offset assessments would be set aside in a reserve fund, ultimately totalling up to US$ 3.3 million. With regard to the additional office facilities in Addis Ababa, it was anticipated that construction would start between April and June 2007 and — if all went well — be completed by March 2009. Interest in bidding had been expressed by five companies and efforts were currently under way to expand that number. As for the appointment of the project coordinator, the vacancy announcement was closed, applications were being reviewed and interviews would start shortly.

33. **Ms. Udo** (Nigeria) wondered on what grounds the Secretariat was seeking to expand the number of companies under consideration for the construction work. She asked whether the five that had already applied were not qualified or whether there was a rule concerning the number of bidders that must be considered. Secondly, she said that the schedule had fallen so far behind that it was clearly no longer valid. She wondered when it would be reviewed.

34. **Ms. Van Buerle** (Director, Programme Planning and Budget Division) said that the intention to extend the number of bidding companies was no reflection on the suitability of the existing bidders. In view of the magnitude of the work, it had been thought that the choice should be wider in the interests of competition. With regard to the review of the construction schedule, she said that, although that it might need some adjustment, the timetable was still on course to be honoured, as set out in document A/61/158.

The meeting rose at 11.20 a.m.