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AGENDA ITEM 80

Report of the Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies (continued) (A/6289 and Add.1 and 2, A/6343, A/6465, A/6475, A/C.5/1073, A/C.5/L.873 and Add.1)

1. Mr. OUATTARA (Ivory Coast) agreed with the Chairman of the Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies (A/C.5/1073) that it was the support of Member States that would make it possible for the United Nations to carry on successfully the fight against poverty, ignorance and disease and so achieve a stable basis for peace. In order to achieve those ends, the United Nations must have a sound financial situation. If the assistance it provided was to be effective, the field of activity of each organization within the system must be clearly defined. Budgets must be planned in such a way that the maximum effect was obtained from a minimum amount of resources. In that connexion the fifth report of the Advisory Committee on Administrative and Budgetary Questions on the 1949 budget estimates^{1/} was still very relevant. As regards the recommendations made in the Ad Hoc Committee's second report (A/6343), it was true that some difficulty might be encountered in implementing them, but the Ad Hoc Committee had no doubt taken that into account and expected those responsible to show a degree of adaptability. His delegation saw many advantages in the idea of a biennial budget cycle and supported the proposal for a common panel of auditors. It hoped that the Administrative Committee on Co-ordination would accept the Ad Hoc Committee's recommendations. If each specialized agency paid heed only to its own policy-making and control bodies, the situation which had given rise to the establishment of the Ad Hoc Committee would merely be perpetuated.

2. As the Secretary-General indicated in his note (A/6465, para. 7), the creation of a joint inspection unit would be a major innovation. In his delegation's view, the experts should be selected strictly in accord-

ance with the criteria set forth in the Ad Hoc Committee's second report and in close collaboration with ACC.

3. In general, his delegation approved of the Ad Hoc Committee's report and the recommendations it contained. It would support the draft resolution (A/C.5/L.873 and Add.1), of which it was a sponsor. Despite the work of the Ad Hoc Committee, however, the Organization's financial situation remained a cause of concern; the deficit exceeded \$100 million. His delegation therefore urged all Member States to make further substantial voluntary contributions.

4. Mr. FERNANDEZ MAROTO (Spain) paid a tribute to the work of the Ad Hoc Committee and said that every effort should be made to implement its recommendations, despite the difficulties to be anticipated. Other delegations had discussed many of the recommendations, so that he would confine himself to those concerning the budget cycle (A/6343, para. 56). His delegation considered that if the right procedures were adopted, the advantages of a biennial budget cycle would outweigh the disadvantages. The Organization's budget would be drawn up every two years, but in such a way that the accounts for each of the two annual periods were closed and liquidated separately. The allocations for the first year would be as authorized in the budget adopted, while those for the second year would include any additions or reductions to be made because a larger amount was found necessary or because activities had been completed during the first annual period. That would be done by decision of the General Assembly, which would always be free at the end of the first year to revise the estimates for the second year. Such a system would have various advantages. First it would promote stability and restraint in expenditure, because of the longer cycle and the opportunity to study proposed changes in greater detail. Secondly, it would not be necessary at the end of the first year to consider items of expenditure in which there was no change. There would thus be a saving of time for the Committee, which could eliminate its general debate or at least confine it to items in which changes were proposed. Thirdly, it would provide a greater opportunity for fitting United Nations budgetary procedure into a process of medium-term planning, with favourable effects for the future integration of budgets and programmes. Fourthly, it would not detract from the flexibility and dynamism of the United Nations, which would be free to take steps to have the estimates revised whenever necessary. Fifthly, the system would mean a considerable reduction in the Secretariat's workload. Finally, it would require little amendment to the present financial regulations. His own Government had followed a biennial budget cycle success-

^{1/} Official Records of the General Assembly, Third Session, Part I, Plenary Meetings, Annexes, document A/675.

fully for the past sixteen years. He hoped that those suggestions would help the Secretary-General in his study of the matter and that a decision would be taken at the twenty-second session of the General Assembly.

5. Mr. TODOROV (Bulgaria) said that the Ad Hoc Committee's second report contained many useful recommendations which could lead to a more effective use of resources and reduce the burden borne by Member States. The recommendations rightly aimed at improving budget preparation, presentation and performance and at increasing the control of the General Assembly. The creation of the proposed inspection unit would be a useful step, and the recommendation for the reconstitution of the Special Committee on Co-ordination of the Economic and Social Council was very practical, for the problem of co-ordination could be solved only if it was handled by a single organ.

6. His delegation supported the experts' recommendations and was a sponsor of the draft resolution before the Committee. However, the recommendations had to be improved and supplemented. Some of them, for example, were not sufficiently detailed. In connexion with budget preparation, presentation and performance, the experts should have advocated a clearer division of powers between the organ that voted the budget and the organ that administered it. In addition, they should have recommended a clearer distinction between those parts of the budget document which had been included purely for information and those parts on which a vote had to be taken. It would have been consistent with the Ad Hoc Committee's aims for technical assistance activities to be included in the United Nations Development Programme instead of in the regular budget of the Organization. It would also be useful for the regular budget to be divided into administrative and operational budgets. Lastly, the experts had been unable to make recommendations on the removal from the Organization's budget of expenses incurred for purposes contrary to the Charter of the United Nations, such as the amortization of the United Nations bond issue. The Organization's financial situation would not return to normal until that problem had been solved.

7. Mr. DIACONESCU (Romania) stated that at the twentieth session his delegation had supported the French proposal for a general review of the financial and administrative aspects of the activities of the United Nations system. It considered that such a review should be made at regular intervals, so that any shortcomings preventing normal operation could be remedied. The results of the Ad Hoc Committee's work showed that the confidence placed in it had been largely justified. A good beginning had been made. The Ad Hoc Committee had shown the complexity of the situation, had given new life to what had become routine and somewhat neglected activities and had put forward a number of realistic and constructive proposals. Some of its recommendations deserved particular attention.

8. One excellent idea was that controls, especially external controls, should be strengthened and given greater continuity. The Ad Hoc Committee rightly stated that if maximum results were to be achieved, programmes and methods of work must be kept under

constant review. It accordingly made two recommendations (A/6343, para. 67), one for the establishment of a common panel of auditors and the other for the creation of a joint inspection unit. The two proposals were complementary and would help to eliminate routine, duplication, marginal activities and administrative gaps. The panel of auditors might, however, function better with a larger membership than the existing group. There should no longer be any reason for apprehensions such as might have been raised in the past by proposals to establish an inspection unit.

9. Another important idea put forward by the Ad Hoc Committee was for long-term planning of programmes and budgets and for the establishment of a definite order of priorities. Previous sessions of the General Assembly, the Economic and Social Council and other United Nations bodies had shown that there was now unanimous agreement at the international level that planning could help States to achieve balanced and stable economic development. Without planning and an order of priorities, the complex activities of the United Nations could scarcely make proper progress. His delegation therefore welcomed the Ad Hoc Committee's recommendations in that regard (A/6343, para. 73), particularly those on an integrated system of long-term planning, programme formulation and budget preparation, the formulation of priority objectives for each planning period, the synchronization of planning and budget cycles with those of other organizations and improvement of plans through systematic evaluation of past activities.

10. In that connexion, he drew attention to the views put to the Ad Hoc Committee^{2/} and the Economic and Social Council at its 1431st meeting,^{3/} on 13 July 1966, by the Under-Secretary for Economic and Social Affairs on the preparation and execution of the programme and budget for economic and social activities. The idea of planning led naturally to that of evaluation. An evaluation of the aims, cost and effectiveness of each programme would be very useful to the body responsible for approving the programmes. As the Ad Hoc Committee pointed out in chapter VII of its report, since needs were practically unlimited and available resources limited, it was all the more necessary to make operations more effective so that the maximum return would be obtained from each unit of money expended.

11. Another important matter which had occupied the Ad Hoc Committee was the presentation of programmes and budgets. As stated in chapter III of its report, the Committee had found that in a number of cases budgetary methods and procedures could be made more effective and that budgets were sometimes prepared and reviewed in a manner which deprived the procedures for approval by Member States of some of their value. It also noted that the structure of the budget was such that it contained no figures on certain categories of expenditure and that it allowed the administrative organs too much latitude. It therefore seemed logical to apply certain common principles designed to ensure greater clarity, to facilitate con-

^{2/} See documents A/AC.124/SR.55 and A/AC.124/SR.56 (mimeographed).

^{3/} Document E/L.1127 (mimeographed), pp. 11 and 12.

trol and co-ordination and to provide essential data at present lacking. Certain suggestions made by members of the Ad Hoc Committee for the division of the budget into an administrative and an operational part, and for the elimination of controversial items from the regular budget deserved attention. It was regrettable that the Ad Hoc Committee had not reached agreement on those matters or on the adoption of a biennial budget cycle.

12. It would be the General Assembly's task to ensure that the programme of action suggested by the Ad Hoc Committee was carried out, a task which would be facilitated by the draft resolution before the Fifth Committee (A/C.5/L.873 and Add.1), of which his delegation was a sponsor. The introduction of the draft resolution by the French representative at the 1133rd meeting made any further comment superfluous. His delegation was confident that the Ad Hoc Committee's recommendations would be applied without delay. It expected the Advisory Committee, as the body permanently responsible for administrative and budgetary questions, to make every effort to ensure that result. For that reason, it fully supported the proposal made in paragraph 15 of the Advisory Committee's report (A/6475) that the Secretary-General should submit a progress report to it in May-June 1967.

13. In conclusion, he stressed his delegation's willingness to support any constructive proposal for strengthening control over the administrative and budgetary activities of the United Nations.

14. Mr. DINGLI (Malta) remarked that his delegation supported the recommendations contained in the Ad Hoc Committee's second report, considering that they would help to achieve the goals set in General Assembly resolution 2049 (XX), and had therefore become one of the sponsors of the draft resolution before the Fifth Committee. It welcomed the fact that the Chairman of the Advisory Committee and the Secretary-General in their statements to the Fifth Committee at its 1124th meeting had indicated their readiness to help to implement the recommendations and that the executive heads of the specialized agencies had indicated their broad agreement and willingness to co-operate. It was evident from those statements, however, that many proposals needed careful consideration and further elaboration and that compliance with them would not be easy. His delegation hoped in particular that the recommendations concerning budget preparation, the budget cycle and long-term planning would be implemented, since they would increase the effectiveness of technical assistance activities. It trusted that no effort would be spared by the United Nations or the specialized agencies to find ways of implementing the recommendations as soon as possible and that the latter, in particular, would not be inhibited by a reluctance to make any constitutional changes that might prove necessary.

15. Mr. VAKIL (Iran) congratulated the Ad Hoc Committee on its second report (A/6343), which was a model of drafting and itself a demonstration of the improvement that could be wrought in the Organization's methods of work. His delegation approved of the report as a whole, and had accordingly become one of the sponsors of draft resolution A/C.5/L.873

and Add.1. In the years to come that resolution would serve as a guideline in the fields of administration and finances of the United Nations system, and the recommendations of the Ad Hoc Committee should therefore be studied closely.

16. If imperfect administrative methods and insufficient co-ordination were in part responsible for the present situation, the main reason was the increase in the membership of the United Nations and the growing demand for development assistance. While his delegation endorsed the Ad Hoc Committee's recommendations, it did not wish to see them applied in such a way as to reduce assistance to the developing countries. On the contrary, such assistance should be increased.

17. The Ad Hoc Committee's report fell naturally into four parts. In regard to the first part—budgetary questions—his delegation agreed that the budgetary methods and procedures should be strengthened. On the other hand, excessive rigidity would be self-defeating. The Committee's recommendations concerning the submission of supplementary budget information were acceptable, provided that it entailed no staff increases in the departments concerned.

18. Turning to the second category of problems, those relating to audit and inspection, he expressed his delegation's support for the establishment of a common panel of auditors and a joint inspection unit. In view of their importance, however, he would welcome more detail concerning the cost, membership, methods and terms of reference of the proposed organs.

19. The third main question dealt with in the report was co-ordination. The natural difficulty of co-ordination was compounded by the transformation through which the United Nations had passed in the nineteen-fifties, the existence in the United Nations family of organizations older than the United Nations itself, and the tendency of each member of the family to pursue its own interests. Lack of co-ordination was one of the main reasons for the cumbersome administrative machinery of the United Nations and the waste of energy and resources. While his delegation supported the Ad Hoc Committee's approach to those problems, it felt that co-ordination was above all a state of mind that must be encouraged.

20. The last part of the report, devoted to the problems of general administration, was the weakest. The Ad Hoc Committee had been unable to suggest ways of reducing the number of conferences and meetings, the volume of documentation or the size of the staff. The proliferation of meetings placed a severe strain on the human resources of Member States and accounted for a large proportion of the organizations' budgets. If Member States, whose responsibility it was, failed to rationalize the programme of conferences, the United Nations was in danger of talking rather than acting at a time when action was desperately needed. The same applied to the problem of documentation. While his delegation supported the Ad Hoc Committee's recommendations on the subject, it doubted their effectiveness. His delegation was also concerned at the administrative costs of extra-budgetary programmes; there again, the Ad Hoc Committee offered no solution.

21. Personnel problems were among the most intractable, and satisfactory solutions could be sought only on a long-term basis. It was clear that, in order to ensure equitable geographical distribution, it would be necessary to reduce the proportion of permanent contracts, but that must be accomplished without undermining morale. A common system of promotion would also have to be adopted by all the organizations in the United Nations system. Provision should be made for a long-term reduction in the number of staff members on the basis of a realistic revision of job descriptions.

22. Thus, while his delegation approved of the Ad Hoc Committee's report, it did not regard its recommendations as a panacea for all the Organization's ills. It was reassuring to know that the Secretary-General and the Advisory Committee were already concerning themselves with many of the matters considered by the Ad Hoc Committee, but that Committee's report presented for the first time an overall view of the Organization's administrative and financial problems. That was an important step forward, and the French delegation should be commended for its initiative in proposing the establishment of the Committee.

23. Most of the Ad Hoc Committee's recommendations concerned long-term measures. But there were steps that could be taken immediately. Member States should be urged to have their delegations bear in mind the principles set forth by the Ad Hoc Committee. The secretariats, too, should be imbued with a constant concern for economy in practical matters such as staff travel.

24. His delegation hoped that the Ad Hoc Committee's recommendations would not be applied too rigidly; the concern for efficiency and economy must not be carried to a point where it would interfere with the Organization's pursuit of its purposes under the Charter. The recommendations must not be expected to produce a revolution. The United Nations was passing through a crisis of growth which could not be explained in terms of financial management alone. The Ad Hoc Committee's recommendations must be given effect without limiting the services rendered by the United Nations system. It was in that spirit that his delegation supported draft resolution A/C.5/L.873 and Add.1.

25. Mr. AMERASINGHE (Ceylon) congratulated the Ad Hoc Committee on its admirable report. The massive sponsorship of draft resolution A/C.5/L.873 and Add.1 augured well for its unanimous adoption. However, the Ad Hoc Committee's recommendations must be subjected to careful scrutiny. It should not be forgotten that the Committee had come into being as a result of a financial crisis arising from a fundamental constitutional disagreement over the financing of peace-keeping operations. The problem of the Organization's deficit remained, as did the inability to agree on the structure and size of the deficit, and no amount of budgetary or administrative reforms could provide a solution.

26. There was a danger that in the general anxiety to have the recommendations carried into effect, insufficient attention might be given to all the implica-

tions of certain of them. He hoped that their acceptance would not preclude modification or improvement; indeed, it was the executive's duty to suggest changes where the practical value of the recommendations could be enhanced without impairing their substance.

27. Budgetary standardization, one of the main questions referred to the Ad Hoc Committee, required systematic long-term study. In the United Nations system, where the specialized agencies enjoyed greater freedom from scrutiny than the United Nations itself and where there was an inherent danger of duplication in economic and social activities, nothing was more important than the co-ordination of budgetary preparation. The budget was the primary instrument of co-ordination and control. The relationship agreements between the United Nations and the agencies made ample provision for consultation in the preparation of budgets and the synchronization of their presentation. What they did not provide for was official consultation, at the earliest stages of budget preparation, on the projects and programmes to be included, to ensure the necessary co-ordination before the budget was submitted to the General Assembly. Under the present procedure it was virtually impossible for the General Assembly to make more than formal changes in the budget.

28. The Ad Hoc Committee had concluded that the United Nations should continue with an annual budget cycle, but that the agencies should adopt a biennial cycle. In support of the adoption of a biennial cycle for the United Nations itself, it had been urged that it would save time, improve budget preparation, and facilitate co-ordination and programming. His delegation was not convinced that adoption of a biennial cycle would produce those results. Indeed, if project proposals were examined prior to their inclusion in the budget, as recommended by the Ad Hoc Committee, there would be no need for a biennial cycle, since the budget as presented to the General Assembly would then show all the implications of every proposal: its duration, its total cost and its annual phasing.

29. His delegation also had reservations about the proposed inspection unit. It was not clear how matters requiring "on-the-spot inquiries" were to be brought to the unit's notice. The proposal as it stood seemed somewhat inquisitorial. His delegation also wondered whether the Ad Hoc Committee's recommendation that the unit should be established on a temporary basis reflected doubt as to its enduring utility. Moreover, if the recommendations were adopted there would be three groups competent to suggest reforms in management practices and procedures with consequent need for co-ordination.

30. The report of the Ad Hoc Committee was of inestimable value. While his delegation had reservations on some items it approved of the recommendations as a whole, and supported draft resolution A/C.5/L.873 and Add.1.

31. Mr. ILIC (Yugoslavia) recalled that the Ad Hoc Committee had been established at a time when the very authority of the United Nations had been weakened by its financial crisis and the lack of co-ordination among its numerous activities. That situation had engendered a feeling of indifference among some

Member States and of frustration among those who placed their hopes in the United Nations.

32. The Ad Hoc Committee had done commendable work and the spirit of co-operation displayed by its members had made it possible to evolve a series of agreed recommendations. The readiness of the specialized agencies to co-operate in the joint undertaking was also particularly important. The implementation of the experts' recommendations would introduce greater order and economy into the work of the United Nations and improve the co-ordination and efficiency of its activities. The wide sponsorship of the draft resolution before the Committee reflected a general desire to channel the work of the United Nations in a new direction, with a view to obtaining better results. The Secretary-General, the Advisory Committee and ACC should see that the work done was pursued with still greater determination. The Yugoslav delegation offered its full co-operation in that task.

33. Mr. MTINGWA (United Republic of Tanzania) said that his delegation was a co-sponsor of the draft resolution because it believed that the experts' recommendations were in the best interests of the United Nations and its Members and because it had been assured that the interests of the developing countries would not be jeopardized by any of the proposed measures. No ceiling should be placed on the Organization's economic and social activities in favour of the developing countries. Rather, implementation of the recommendations should enable the United Nations to devote more attention to those activities.

34. Mr. LYNCH (New Zealand) observed that the deliberations of the Ad Hoc Committee, the decisions on matters of co-ordination taken by the Economic and Social Council at its forty-first session and the suggestions made by the Advisory Committee in its main report (A/6307) gave a significant impetus to the Fifth Committee's current discussions. Those developments held promise that, as the United Nations family expanded its activity in response to the demands placed on it, the growth would be as orderly and as rational as Member States desired.

35. The Ad Hoc Committee's first report (A/6289 and Add.1 and 2) had not been intended to resolve any of the fundamental differences of opinion which had precipitated the Organization's financial difficulties, but it had revealed the causes of those difficulties. The review of United Nations current administrative and budgetary practices contained in the Ad Hoc Committee's second report (A/6343) was especially timely at the mid-point of a decade in which the cry for multilateral action had each year grown more insistent. All the proposals made deserved serious consideration. His delegation did not completely follow the reasoning behind every recommendation; nor did it see the relevance of certain parts of the report to the Ad Hoc Committee's immediate task. However, it fully agreed with the experts' emphasis on the need for economy and efficiency in the use of the very scarce resources available.

36. New Zealand considered that some of the most pertinent observations of the Ad Hoc Committee were those concerning the advantages of more rational and

uniform budget procedures, of improved financial reporting and of allowing the governing councils and finance committees of the individual organizations to play a more positive role in policy matters. In that general area, involving what might be called the "mechanics" of the budgetary process, the Ad Hoc Committee had made a notable contribution.

37. His delegation attached importance to the idea of long-term planning, which would perhaps be more accurately described as medium-range planning, since projections could not realistically extend beyond four to six years. Such planning should be accompanied by constant review and assessment of the results achieved. Member States had a common interest in knowing in advance what the level of their contribution was likely to be and how their money would be used and in receiving, through a continuous process of evaluation, every possible assurance that their funds were being put to the best use. It was true that the Organization's activities would have to be rationalized before any sophisticated planning and evaluation techniques could be introduced. Nevertheless, an elaboration of the ideas involved might have placed in clearer perspective the changes which the Ad Hoc Committee had proposed in current practices. Still, the report contained an outline of a financial structure which would allow the United Nations family to discharge more completely its responsibility to inform and render an account to Member States and would thus enable them better to judge what type of activity should be undertaken and at what budgetary level it should be supported. Member States would be more willing to contribute to programmes whose need had been clearly established and whose implementation had been well planned.

38. In the process of filling in the details of the system outlined by the Ad Hoc Committee, it would doubtless be necessary to modify some of the recommendations submitted. His delegation had therefore welcomed the prompt and general endorsement given to the Ad Hoc Committee's work and was happy to be one of the sponsors of draft resolution A/C.5/L.873 and Add.1. It would not be appropriate to go any further at the present stage. However, the executive authorities and the States members of the various international agencies should see that those proposals whose implementation presented no serious obstacle were speedily adopted. A progress report would be submitted to the twenty-second session of the General Assembly. However, his delegation agreed that, as a first step, an interim report should be submitted to the Economic and Social Council and to the Advisory Committee.

39. Mr. ANGUDI (Libya) was pleased that efforts were being made to resolve the financial difficulties which were still plaguing the United Nations. The Ad Hoc Committee had made an acute analysis of many problems and submitted valuable recommendations for their solution. Libya supported those recommendations in general and was one of the sponsors of the draft resolution before the Committee. The wide sponsorship of the draft reflected general agreement of Member States on the value of the experts' recommendations and their desire to improve the United Nations machinery. He hoped that the draft

resolution would be adopted unanimously. The Libyan delegation, which would support any measures to strengthen the United Nations, appealed to all Member States and especially the great Powers to contribute generously to the Organization. It had noted with

satisfaction the Secretary-General's expression of readiness to implement the recommendations of the experts.

The meeting rose at 12.50 p.m.