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Chairman: Mr. Vahap AŞIROĞLU (Turkey).

AGENDA ITEM 74

Budget estimates for the financial year 1967 (continued)
(A/6305, A/6307, A/6385, A/6457 and Add.1 and
Add.1/Corr.1, A/6502, A/C.5/1054, A/C.5/1055 and
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1062, A/C.5/1065, A/C.5/1066, A/C.5/1074-1076,
A/C.5/1081, A/C.5/L.868, A/C.5/L.871, A/C.5/
L.875-877)

First reading (continued) (A/C.5/L.868, A/C.5/L.871)

SECTION 12. SPECIAL EXPENSES (continued) A/
6305, A/6307, A/C.5/L.876, A/C.5/L.877)

1. Mr. KRONMANN (Denmark) said that his country, which had been a sponsor of General Assembly resolution 1739 (XVI), felt morally and legally bound to keep the original terms on which the United Nations bonds had been issued. It was an internationally recognized principle of law that a borrower had no right to change the repayment terms unilaterally. The issue had to be viewed in a wider political context and neither the second report of the *Ad Hoc* Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies (A/6343) nor the current debate had indicated that a settlement of the political issue was within reach. His delegation therefore could not support either draft resolution A/C.5/L.876 or the amendments submitted by Cameroon (A/C.5/L.877). A debate in a study group would be fruitless and might even aggravate the discord in the Assembly and the disarray in the finances of the United Nations. He agreed with the many representatives who had spoken of the need for a consensus; he therefore suggested that the Fifth Committee should simply mention in its report to the General Assembly that the question had been debated and that divergent views had been expressed but that all had agreed that the question should be viewed in a wider political context and that the time did not yet seem ripe for a solution.

2. Mr. MAJOLI (Italy) stated that the Italian Government and financial authorities had the most serious reservations about any alteration in the conditions established by General Assembly resolution 1739 (XVI), under which Italy had purchased a sizable amount of bonds.

3. The sponsors of the draft resolution should ask themselves whether the measures they were proposing would be the best way of bolstering confidence in the United Nations. If recent decisions could be changed, they would carry little weight. The proposed measures would not even substantially lessen the financial burden on the less developed countries. General Assembly resolution 1874 (S-IV) had established the principle that the economically less developed countries had a relatively limited capacity to contribute towards future peace-keeping operations. The principle which the draft resolution seemed to embody was that the decisions of the General Assembly were not to be trusted and that the Member States which had purchased bonds should be made to regret it. The draft resolution would have the effect of altering two General Assembly resolutions: resolution 1739 (XVI), which had established that the servicing of the bonds was to be covered by appropriations in the regular budget, and resolution 1874 (S-IV), which provided that there should be a special scale of assessments for future peace-keeping operations only.

4. If the Organization was to be able to perform its tasks and help countries to progress towards the objectives set out in Article 55 of the United Nations Charter, it would need many voluntary contributions. Potential donor countries would find it much more difficult to obtain parliamentary approval for such contributions if a resolution were adopted which altered the conditions established in resolution 1739 (XVI) or cast doubts on the method by which the loan contracted by the United Nations would be repaid.

5. He appealed to the sponsors of the draft resolution and to the sponsor of the amendments not to insist on their proposals; their views could be recorded in the Fifth Committee's report to the General Assembly. As he had already stated at the 1142nd meeting, the draft resolution would alter the basis on which the bonds had been issued. Italy saw no connexion between the repayment of the bonds and the special scale of assessments for contributions relating to peace-keeping operations. Member States which had purchased bonds would be punished for having placed their confidence in the United Nations if a special scale of assessments was established which imposed a heavier burden on them. The savings accruing to some Member States would be unimportant compared with the loss in credit and prestige suffered by the Organization. Delegations should remember the view expressed by

some members of the Ad Hoc Committee of Experts that there should be no change in the method and source of collection of funds for the repayment of the bond issue (see A/6343, para. 118). If the change envisaged in the draft resolution were made, the Italian Government would take appropriate action to safeguard its rights, and its willingness to give financial support to United Nations programmes would not be increased.

6. Mr. RHODES (United Kingdom) said that his delegation had always recognized that, in dealing with its finances, the United Nations should take into account capacity to pay. The scale of assessments duly took that factor into account, because it was based on both the total and the per capita national income of Member States. It was only when exceptionally heavy expenditure occurred that additional emphasis had to be placed on that factor. Since the repayment of the bonds was to be spread over a period of twenty-five years, the annual cost of servicing the bond issue was reduced to some \$8 million. That was not a critical amount when compared with the total budget; it represented only one fifth of the increases in that budget since 1962. In addition, the financial burden had been substantially reduced—by about \$6 million a year—because of the agreement of the bond holders to accept an artificially low rate of interest of 2 per cent a year, whereas 6 per cent would have been a realistic rate. Thus, the terms of the bond issue were tolerable and should be tolerated in order to preserve the financial integrity of the Organization.

7. The contractual aspects of the question were of overriding importance. It was not true, as some delegations claimed, that General Assembly resolution 1854 B (XVII) superseded resolution 1739 (XVI), which had authorized the bond issue. Apparently the sponsors of the draft resolution made no such claim. Moreover, resolution 1854 B (XVII) referred specifically to future peace-keeping operations. The representative of Ceylon had suggested (1144th meeting) that the servicing of the bonds should be kept in the regular budget but be subject to a special scale of assessments. It had, however, been decided that the appropriation for the servicing of the bond issue would be financed in precisely the same way as any other appropriation in the regular budget. That had been the understanding of the Governments of the United Kingdom and the United States. Apparently it had also been the understanding of the Soviet Union. On 20 December 1961, at the sixteenth session, the USSR representative had stated in the General Assembly that, since the instalments of principal and the interest charges were to be met from the regular budget, it was intended that "all the expenses of United Nations operations or activities in the Congo, in the Near East and elsewhere shall be borne by all Members of the United Nations on the basis of the regular scale of assessments" (1086th plenary meeting, para. 241). The United Kingdom believed that it would be disastrous to do anything which would cast doubt on the ability or the intention of the United Nations to honour fully the commitments it had assumed at the time of the bond issue. The servicing of the bonds should not only remain in the regular budget but should continue to be subject to the normal scale of assessments.

8. If the draft resolution was put to the vote, the United Kingdom would vote against it, as it would vote against any draft resolution which implied that the terms of the bond issue were subject to reconsideration. If the United Nations was to retain its financial integrity, it should honour its commitments scrupulously and do nothing which might be construed as a breach of faith. That was the view which he had tried to convey at the 1142nd meeting, and he had in no way intended to accuse the sponsors of a breach of faith, as the representative of Nigeria had suggested at the 1143rd meeting. The sponsors had achieved their purpose of stimulating discussions: a mature and responsible debate had been held which had shed new light on the question and removed some of the developing countries' genuine doubts and difficulties. If therefore the sponsors were to withdraw the draft resolution, they need not feel that their efforts had been wasted or misplaced.

9. Mr. CHURCH (United States of America) said that the opposition expressed by his delegation at the 1142nd meeting to any change in the method of financing the repayment of the bonds had been echoed by a number of other delegations—not only those representing countries which had purchased bonds. Those delegations realized how serious it would be to tinker with the delicate mechanism of the bond issue, especially as General Assembly resolution 1739 (XVI) had taken into consideration the entire system, methods and amounts of contributions for the operations in the Congo and the Middle East and the growing crisis caused by the refusal of certain Members to pay their duly assessed contributions to peace-keeping operations.

10. His delegation realized that the aim of the amendments submitted by Cameroon (A/C.5/L.877) was to remove the controversial issue from the forum of the Fifth Committee before the membership became divided still further and the solution of the unresolved financial issues facing the United Nations became even more difficult. Unfortunately, the United States could not support those amendments, because they failed to take into account the fact that any change in the method of repayment established by resolution 1739 (XVI) affected a principle which was vital to the bond holders. Such a change could lead to a breach of the Organization's contractual obligation and set a precedent for the exclusion of other items from the regular budget. It could also further aggravate the entire financial problem of the United Nations.

11. The United States again appealed to the sponsors of the resolution and the amendments to withdraw them. They had stressed the need for a broad consensus; no such consensus existed on their proposals and there was little point in pursuing the matter further. If either text was adopted, the United States would be unable for reasons of principle to serve on any committee dealing with the subject. He hoped that delegations would heed that appeal from a country which had consistently supported all United Nations activities, paid fully its assessed share of the peace-keeping costs, provided additional amounts for reserves and made generous voluntary contributions.

12. Mr. MEYER PICON (Mexico) remarked that it could not be denied that the bond proceeds had been

used exclusively to finance peace-keeping operations in the Middle East and the Congo or that various General Assembly resolutions, particularly 1583 (XV), 1854 B (XVII) and 1874 (S-IV), stated that expenditures for those operations should be met according to a procedure different from that applied to the regular budget of the United Nations. The logical conclusion was that the servicing of the bonds should be financed through procedures different from those of the regular budget. Unfortunately that had not been made clear when the bond issue had been authorized, because it had not then been stated explicitly that the bond proceeds would be used solely to finance peace-keeping operations.

13. The basic argument against excluding the servicing of the bonds from the regular budget was that that would alter the terms and conditions established in the annex to General Assembly resolution 1739 (XVI). A distinction should, however, be drawn between altering the essence of a contract and altering the means by which it was fulfilled. In the present case the essential thing was that bond holders should be paid annually in accordance with the provisions of resolution 1739 (XVI); the payments would not be modified, because they were excluded from the regular budget and paid from a special account. Such a change would, on the contrary, protect the bond holders' interests, for the calculations of the *Ad Hoc* Committee of Experts showed that the deficit resulting from non-payment of contributions by countries which objected in principle to including bond payments in the regular budget totalled \$2.4 million annually; if that situation continued and the bond payments continued to be carried on the regular budget, the bond holders would have lost approximately \$65.7 million by 1990. If, on the other hand, the bond payments were covered by a special account it would be easier for those countries to pay their share, even if they did so with reservations. The inclusion of controversial items in the regular budget simply increased tension and made it more difficult to solve the financing problem.

14. He supported the Cameroonian proposal to establish a working group and reserved the position of his delegation on the complex problem of revising the scale of assessments until the group had submitted its conclusions.

15. Mr. KATAMBWE (Democratic Republic of the Congo) said that it should be possible to find a compromise solution which would guarantee that the servicing of the bonds would continue to be included in the regular budget, and also make it possible to reduce the annual contributions of Member States. He therefore proposed that the Secretary-General should be requested to undertake consultations with the groups concerned and submit to the General Assembly at a subsequent session proposals which would reconcile the interests of all parties, namely, Member States, bond holders and the United Nations.

16. His delegation supported the proposal of the delegation of Pakistan, that the views of the Committee's members should be included in the report, but it could not support the Cameroonian proposal for the establishment of a working group.

17. Mr. DOUNTAS (Greece) stated that, although the motives of the representatives of Cameroon were praiseworthy, his amendments did not alter the substance of draft resolution A/C.5/L.876. Furthermore, it would be unrealistic to imagine that a working group of the type proposed by Cameroon could produce acceptable results in view of the United States refusal to participate. Being anxious to avoid any risk of a new financial crisis, he would support neither of the texts before the Committee and he appealed to the sponsors to withdraw their draft resolution.

18. Mr. SANU (Nigeria), speaking on behalf of the sponsor of draft resolution A/C.5/L.876, accepted the amendments submitted by Cameroon (A/C.5/L.877). The sponsors did not want to prevent the United Nations from fulfilling its obligations to bond holders or to force a decision on the servicing of the bonds at the current session; they had merely wished to initiate a dialogue on what they considered a vital subject. The matter was admittedly controversial, but it was the duty of the United Nations to seek solutions to such problems through negotiations and compromise; consequently, the sponsors felt that if they withdrew the draft resolution they would not be serving the best interests of the United Nations.

19. Mr. SILVEIRA DA MOTA (Brazil) added that the sponsors had proved their desire to compromise by accepting the Cameroonian amendments, which sought to accommodate those delegations which were opposed to the Committee's discussing the question of the bonds at the current session. Many members of the Committee felt that the matter deserved further study and should not be ignored merely because it was controversial. He therefore appealed to those delegations which had asked the sponsors to withdraw the draft resolution to modify their position and accept that text, which now embodied the Cameroonian amendments.

20. Mr. BAKOTO (Cameroon) thanked the sponsors for having accepted his amendments. The sponsors' views were shared by many delegations and deserved further consideration, although there was, of course, no guarantee that the proposed working group's conclusions would coincide with those of the sponsors.

21. Mr. KULEBIAKIN (Union of Soviet Socialist Republics) recalled that his delegation had voted against General Assembly resolution 1739 (XVI) authorizing the United Nations bond issue, because it had clearly foreseen the difficulties in which such a violation of the Charter must necessarily involve the Organization. The Charter did indeed stipulate, in Article 17, that the regular expenses of the Organization were to be borne by the Members as apportioned by the General Assembly. In the case of extraordinary expenses connected with the maintenance of international peace and security, on the other hand, the Charter provided that the Security Council had exclusive jurisdiction. The General Assembly resolutions on the financing of ONUC and UNEF, adopted in circumvention of the Security Council, were thus a violation of the Charter and could impose no obligation on Member States. It followed that the inclusion of appropriations relating to the bond issue in the regular budget likewise constituted a violation of the Charter,

and his delegation had consistently opposed that practice.

22. His delegation's statement at the 1086th plenary meeting of the General Assembly during the sixteenth session, had been quoted out of context by the United Kingdom representative: the USSR representative, having referred to the provision of the draft resolution according to which the financing of the bond issue would be charged to the regular budget and on the basis of the regular scale of assessments, had immediately gone on to say that the draft resolution was directly contrary to the Charter and also contrary to the Assembly's own resolution recognizing that the expenses for the Congo operation were essentially different in nature from the expenses of the Organization under the regular budget.

23. Mr. RHODES (United Kingdom), speaking in exercise of the right of reply, said that he had quoted the USSR delegation's statement only with reference to the suggestion that payments relating to the bond issue could in some way be retained in the regular budget without being subject to the normal scale of assessments. He had referred to the understanding of his own and the United States Governments at that time and what had seemed to be the USSR Government's understanding, on that very narrow issue. He had not meant to suggest that the views of the United Kingdom and USSR Governments had coincided in any other respect.

24. Mr. SANU (Nigeria) suggested that, to enable the sponsors of draft resolution A/C.5/L.876, as amended, to hold informal consultations with a view to achieving a consensus, the discussion should be adjourned.

It was so decided.

SECTION 1. TRAVEL AND OTHER EXPENSES OF REPRESENTATIVES AND MEMBERS OF COMMISSIONS, COMMITTEES AND OTHER SUBSIDIARY BODIES (continued) (A/6305, A/6307, A/6457 AND ADD.1 AND ADD.1/CORR.1, A/6502, A/C.5/1056 AND CORR.1, A/C.5/1074)

SECTION 5. TRAVEL OF STAFF (continued) (A/6305, A/6307, A/6457 AND ADD.1 AND ADD.1/CORR.1, A/6502, A/C.5/1056 AND CORR.1, A/C.5/1074)

25. Mr. SOLTYSIAK (Poland), reviewing the history of the question, pointed out that it had taken the Fifth Committee over two years to secure the adoption of General Assembly resolution 2128 (XX) limiting the reimbursement of travel expenses, in all cases, to the cost of economy-class accommodation by air. Now, less than a year later, the Committee was being asked to revise its own decision.

26. In support of such a revision it had been argued that in the case of members of committees and commissions serving in an individual and expert capacity exceptions should be authorized on the grounds of age or health. There was merit in that argument. Another argument pointed to the prestige of members of subsidiary bodies; but it was an honour to serve the United Nations and his delegation did not believe that anyone's prestige would suffer if everyone travelled economy class. A further argument was that the new standards had posed a problem for some Governments, especially those with limited means, to meet the cost

of adequate attendance at the growing number of meetings and conferences. As a country with limited means, Poland planned the size and composition of its delegations very carefully; it did not, therefore, see any hardship in the fact that the United Nations reimbursed the travel expenses at the level of economy-class accommodation, since that reimbursement concerned five representatives attending regular sessions of the General Assembly and one representative attending special or special emergency sessions.

27. His delegation agreed with the Secretary-General that once exceptions were made to any rule the element of personal judgement came into play and it became increasingly difficult to ensure equitable application. If an exception was made for a member of a particular subsidiary body, for example, the other members would have the right to claim similar treatment; and there were 179 members serving on the bodies listed in annex I to the Secretary-General's report (A/C.5/1074). In paragraph 21 of that document, the Secretary-General agreed with ACC that the suggested exceptions should be extended to United Nations staff members at the level of D-2 and above: there were 61 such persons. Some representatives had suggested that such staff should be considered of ambassadorial rank; but all representatives attending the General Assembly were of ambassadorial rank or above, and could surely expect the same treatment as the other two groups. If the exceptions were to be applied consistently, therefore, a total of over 1,000 persons would have to be authorized to travel first class, and that would cost the United Nations hundreds of thousands of dollars. For those reasons his delegation would prefer to maintain the present travel standards.

28. Both ICSAB and ACC had found that many of the specialized agencies had been applying the economy standard of travel for years, and the Advisory Committee had rightly suggested that United Nations travel standards should be similarly reduced. His delegation shared the view expressed by the delegations of Israel and Kenya that the United Nations should lead rather than follow the agencies in that respect.

29. Mr. KATAMBWE (Democratic Republic of the Congo) said that, in view of the Organization's financial situation, resolution 2128 (XX) should be applied as rigorously as possible. His delegation took note of the exception it was proposed to make in the case of representatives of Member States attending sessions of the General Assembly. However, Members might be recommended to send the Secretary-General lists of representatives indicating the class of travel in each case; the Secretariat could then check them with the airlines. The fears of dishonesty expressed by certain delegations could thus be dispelled.

30. Where the travel of members of subsidiary bodies was concerned, considerations of age or health were the only grounds on which an exception should be made. In future the Secretariat should refrain from recruiting persons of infirm health or advanced years. With regard to staff travel, it was logical that the Secretary-General and the Under-Secretaries and the executive heads of the specialized agencies should travel first class. No such exceptions should be made

for the rest of the staff, who could not expect to enjoy the advantages which normally accrued only to representatives of Member States. After all, Secretariat staff received far higher salaries than officials in the public services of their own countries. His delegation would not vote in favour of the appropriation requested for the relevant part of section 5.

31. Mr. S. K. SINGH (India) supported the recommendations of the Advisory Committee and the Secretary-General in regard to travel standards. There could be no question of economy-class travel being an affront to one's dignity. First-class travel should not be regarded as a form of remuneration. At the same time, his delegation believed that the new travel standards adopted at the twentieth session should be applied flexibly; there were cases in which first-class travel could appropriately be authorized. His delegation had in fact suggested at the time that provision should be made for the reimbursement of first-class travel in the case of at least one member of every delegation; he was gratified to see that the Secretary-General had now come forward with the same proposal.

32. At the same time it should be remembered that most of the developing countries contributed only 0.04 per cent of the regular budget, the floor rate in scale of assessments; that meant that they received a correspondingly small share of any economies effected in the Organization's expenses. In the case of travel standards, rigid application of the rule adopted at the twentieth session would save the developing countries no more than a few hundred dollars a year, while the bulk of the savings would go to major contributors, such as the United States and the Soviet Union, which had least need of it.

33. Where staff travel was concerned, his delegation considered it most important that the United Nations should comply with the recommendations of ICSAB and ACC, for failure to do so would jeopardize the common system. His delegation would therefore support the ACC recommendation. Resolution 2128 (XX) of the General Assembly had been tried and found wanting; the Advisory Committee had accepted the Secretary-General's reasoning and the Fifth Committee should do likewise.

The meeting rose at 1.5 p.m.