

BUDGETARY AND FINANCIAL RELATIONS WITH  
SPECIALIZED AGENCIES

## REPORT OF THE FIFTH COMMITTEE

Rapporteur: Mr. R. Hichens BERGSTROM (Sweden)

1. In accordance with instructions given by the General Assembly at its ninety-first plenary meeting held on 23 September 1947, the Fifth Committee, at its ninety-second meeting held on 8 November 1947, considered certain aspects of the question of budgetary and financial relations of the United Nations and the specialized agencies. Proposals calling upon Member States, the Economic and Social Council, and the Secretary-General to accomplish certain objectives in future programme and financial co-ordination had already been considered, with the approval of the President of the General Assembly, at a joint meeting of the Fifth Committee with the Joint Second and Third Committee on 5 November. A separate report of that meeting, accompanied by the resolution agreed upon, is being transmitted to the General Assembly (document A/497).

2. The questions remaining for the consideration of the Fifth Committee included the examination of reports submitted by the Secretary-General under the terms of resolution 81 (I) adopted by the General Assembly at the second part of its first session (A/394/Rev.1 and A/404); examination of an informative annex to the United Nations budget estimates for 1948 showing proposed expenditures for the United Nations and the specialized agencies (A/318/Add.1); and consideration of the report of the Advisory Committee on Administrative and Budgetary Questions relating to the budgets of specialized agencies for 1948 (A/426) and certain amendments proposed thereto (A/C.5/196 and A/C.5/W.39).

3. After noting the reports of the Secretary-General relating to budgetary, financial and administrative co-ordination with specialized agencies in the year since the last regular session of the General Assembly (a resolution is not presented on this aspect in view of the resolution to be transmitted from the joint meeting), the Committee entered into a discussion concerning the interpretation of the provisions of Article 17, paragraph 3 of the Charter relating to the function of the General Assembly in examining and making recommendations on the administrative budgets of the specialized agencies.

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The Australian delegation commended the precedent the Advisory Committee had set in its report on the budget estimates of the United Nations (A/336) and suggested that it continue to report on budgetary, administrative and related questions without commenting on the expediency of proposed programmes, though, of course, the General Assembly itself might make programme recommendations to specialized agencies. The representative of Canada believed that the Advisory Committee should maintain a clear distinction between budgetary requirements and questions of policy. He believed that the provisions of the Charter limited the General Assembly's power to examining the administrative budgets of the specialized agencies and to co-ordinating their policies and activities. He did not feel that the General Assembly could broaden the interpretation of the Charter so as to make recommendations on the basic technical policy decisions of these agencies. The United Kingdom, Belgian, United States, Norwegian and South African delegations took a somewhat broader view of the relevant clauses of the Charter and the functions of the Advisory Committee in regard to its recommendations on specialized agency budgets. The Chairman of the Advisory Committee pointed out that the limits of competence of the Advisory Committee had not been at all clear on these points and that the Advisory Committee would appreciate the guidance of the Fifth Committee in this matter. In the absence of an earlier definition of functions, the Advisory Committee had attempted to build up a certain jurisprudence with which the Fifth Committee appeared to agree on the whole. He submitted to the consideration of the Committee whether the Advisory Committee should not be authorized to draw the attention of the Fifth Committee and of the General Assembly to matters of policy which, in the opinion of the Advisory Committee, had far-reaching budgetary implications.

4. The amendment presented by the representative of Australia to delete paragraph 23 (c)(i) of the Advisory Committee's report (A/426), relating to the programme and budget of UNESCO, was further amended by the United Kingdom and by the Chairman of the Advisory Committee who suggested a substitute paragraph reading as follows:

"The General Assembly draws the attention of UNESCO to the relatively large size of its budget, and recommends that every effort be made to secure a reduction in the budget."

This wording was accepted by the Committee by thirty-three votes to seven, with five abstentions, and the Secretariat was requested to redraft paragraph 23 in accordance with the decisions of the Committee.

5. In this connection, before the vote was taken, the representative of UNESCO pointed out that comparison with the budgets of other specialized agencies was not entirely legitimate in view of the wide range of

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responsibilities laid down in the Constitution of UNESCO. He emphasized the increase in responsibilities in 1948 over 1947 and the increase in membership.

A second main point of discussion revolved around the Advisory Committee's recommendation that specialized agencies should ensure that their estimates are subjected before submission to plenary bodies to a detailed examination by a committee including persons specially qualified in the fields of administration and finance, who had not themselves been connected with the initiation of the work programme to which the estimates related. The Australian delegation believed this recommendation to be too general and not applicable to smaller agencies. The Committee accepted an amendment proposed by the United Kingdom to add the words "where this is not already the case" to the first line of paragraph 23 (b); and the proposal of the Chairman of the Advisory Committee to delete the phrase "who have not themselves been connected with the initiation of the work programme to which the estimates relate".

The Committee further agreed to certain clarifying amendments proposed by Australia to indicate that paragraph 23 (a) was not intended to require changes in the constitutions of specialized agencies; and that the comparative study of the various administrative and financial systems referred to in paragraph 14 should be a joint undertaking of the secretariats of the United Nations and the specialized agencies.

The Committee then approved the entire report of the Advisory Committee (A/426) as amended.

The Committee recommends, therefore, that the General Assembly adopt the following resolution:

**BUDGETARY AND FINANCIAL RELATIONS WITH SPECIALIZED AGENCIES**

**THE GENERAL ASSEMBLY**

COMMENDS to the attention of the International Labour Organization, the Food and Agriculture Organization, the United Nations Educational, Scientific and Cultural Organization and the International Civil Aviation Organization the recommendations of the Advisory Committee on Administrative and Budgetary Questions on the budgets of specialized agencies for 1948 attached hereto as Annex A.

ANNEX A

BUDGETS OF SPECIALIZED AGENCIES FOR 1948

REPORT OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE  
AND BUDGETARY QUESTIONS

AS ADOPTED AFTER AMENDMENT BY THE FIFTH COMMITTEE

1. The Charter of the United Nations provides in Article 17, paragraph 3 that "the General Assembly shall consider and approve any financial and budgetary arrangements with specialized agencies referred to in Article 57 and shall examine the administrative budgets of such specialized agencies with a view to making recommendations to the agencies concerned".
2. At the first part of its first session, the General Assembly resolved that the Advisory Committee on Administrative and Budgetary Questions should as one of its functions, "examine on behalf of the General Assembly the administrative budgets of specialized agencies" (Resolution 14 (I) of 13 February 1946).
3. At the second part of its first session, the General Assembly approved agreements with the International Labour Organization, the United Nations Educational, Scientific and Cultural Organization, the Food and Agriculture Organization and the International Civil Aviation Organization, by which the organizations each undertook, inter alia,
  - (i) To consult with the United Nations in the preparation of their budgets;
  - (ii) To transmit their budgets to the United Nations for examination by the General Assembly, which might make recommendations "concerning any item or items contained therein";
  - (iii) To conform as far as might be practicable to standard practices and forms recommended by the United Nations.

The agreements provided further that representatives of these organizations should be entitled to participate, without vote, in the deliberations of the General Assembly or any committee thereof at all times when their budgets or general administrative or financial questions affecting the organizations were under consideration.

4. The Advisory Committee has now examined in broad outline the budgets of these four specialized agencies for 1948\*. Representation of the agencies during the Committee's discussions greatly facilitated the Committee's work.

\* The financial year of the International Civil Aviation Organization covers the period 1 July to 30 June. In the other cases, as in the case of the United Nations, the financial year is the calendar year.

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The following table shows the gross totals of the expenditure proposed in the budgets, together with the corresponding totals of the estimates for the preceding financial year:

	<u>1948</u>	<u>1947</u>
International Labour Organization (period 1 January - 31 December 1948)	\$4,449,295*	\$3,756,362
Food and Agriculture Organization (period 1 January - 31 December 1948)	5,000,000**	5,048,000
International Civil Aviation Organization (period 1 July 1947 - 30 June 1948)	2,625,000***	1,960,000
United Nations Educational, Scientific and Cultural Organization (period 1 January - 31 December 1948)	8,507,821****	5,875,359
Gross Total	<u>\$20,582,116</u>	<u>\$16,639,721</u>

The Committee was not in a position to examine the budgets of the International Bank for Reconstruction and Development, the International Monetary Fund, the Universal Postal Union, the International Telecommunications Union, the Interim Commission of the World Health Organization, or the International Refugee Organization, since no agreements had been concluded\*\*\*\*\* between them and the United Nations under Article 57 of the Charter.

\* This total includes \$175,234 provision for Reserve Fund. Miscellaneous receipts are estimated at \$23,365.

\*\* This total includes \$624,709 provision for contingencies and unforeseen expenses. Miscellaneous receipts are estimated at \$4,000.

\*\*\* This total includes \$125,000 for "reserve for new projects and unforeseen expenses and \$94,000 provision for working capital fund and Joint Support Emergency Fund. Miscellaneous receipts are estimated at \$25,000.

\* This total includes \$764,644 provision for contingencies and unforeseen expenses. Miscellaneous receipts are estimated at \$20,000.

\* Agreements with the first five of these agencies have since been approved by the General Assembly at its hundred and fifteenth plenary meeting.

6. Nature of the examination made

In making its examination, the Committee took account of the fact that the budgets had already been subject to scrutiny by the appropriate finance or other committees of the agencies concerned, and had in two cases been approved by the annual conferences of the agencies. The Advisory Committee noted that:

(a) The budget of the International Labour Organization had been adopted by the International Labour Conference in June 1947 at the amount proposed by the Governing Body, which had reduced the estimates of the Director-General by approximately \$380,000.

(b) The budget of the United Nations Educational, Scientific and Cultural Organization had been reviewed by the Finance Committee of the Executive Board, which had drawn the attention of the General Conference (to be held in Mexico City in November 1947) to certain points but had made no specific recommendations to amend the figures.

(c) The budget of the Food and Agriculture Organization had been reduced by the Committee on Financial Control from a total of \$5,317,920 proposed by the Director-General to a total of \$5,000,000. This total was later approved by the Conference of the organization in August 1947.

(d) The budget of the International Civil Aviation Organization had been approved by the Assembly of that organization in May 1947, at a total which was approximately \$590,000 lower than that proposed by the Interim Council.

7. In view of the above considerations, the Advisory Committee devoted its examination on this occasion mainly to questions of general principle and importance.

GENERAL RECOMMENDATIONS

8. The Committee feels that it is desirable that two general recommendations should be made by the General Assembly.

(a) Implementation of recommendations which the General Assembly may make

First, since it may often be the case that the plenary bodies of specialized agencies will have approved their budgets before the General Assembly is in a position to make recommendations upon them, the Advisory Committee suggests that the General Assembly should recommend that the plenary bodies concerned should at their next session authorize their standing executive bodies to take such interim action, within the limits of their present constitutional powers, as they deem necessary on any recommendations which the General Assembly may make.

(b) Examination

(b) Examination of the budgets within the specialized agencies

Second, the Committee believes it to be essential that any substantial administrative and financial proposals should receive critical and detailed examination from a small committee of specially qualified persons. The Committee would therefore suggest that the specialized agencies be invited to review their machinery for examination of the budget proposals to see whether it meets this requirement.

Certain other general points seemed to the Committee to be worthy of mention, while not, in the opinion of the Committee, calling for formal commendations by the General Assembly.

. Consultation in preparation of budgets after approval of programmes

The Committee noted that, despite the terms of the agreements approved, a desirable degree of consultation between the United Nations and the specialized agencies in the preparation of their budgets had not in some cases yet been achieved. The Committee believes that full consultation at all stages of budget preparation is important, not merely on technical grounds but also because close working relationships in this field would necessarily disclose areas where work programmes may overlap or where co-operative action may be required. It might indicate also where joint economies could be made, and would enable one organization to benefit by the experience of others, by showing comparative standards of efficiency in many common fields such as conference services, translating, printing, etc. The Committee therefore hopes that active consultation will be made a reality in all cases.

. Form of the Budget

Consultation should also lead to closer approximation in the form of various budgets. The Committee noted that whereas the forms of the present budgets showed superficial similarity, there were basic differences in details. The Committee saw no insuperable reason why many of these differences could not be eliminated. It would suggest that the trend, particularly in the administrative field, should be to enable cost comparisons to be instituted between common types of services. It understands that good progress in this direction has been made in inter-secretariat discussion. The Committee does not of course consider that the desirability of similarity in budget form should be pressed to an unreasonable extent.

. Co-ordination and presentation of work programmes

In connection with the question of constructing a budget to show the

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cost of activities, the Committee would stress also the need for adequate budget justification. Estimates cannot properly be appraised unless a statement of work to be done in the financial year under consideration is provided for each section or division of the budget. Presentation of work projects in the budget is also of importance in connection with the question of co-ordination of the work programmes of the United Nations and the specialized agencies.

13. There have been widespread apprehensions regarding overlapping and duplication between the specialized agencies and the United Nations, and the Advisory Committee recently held a joint meeting with the Co-ordination Committee. At that meeting the specialized agencies expressed a clear realization and acceptance of the role which the Economic and Social Council should play in the development of an overall work programme. Arrangements have been made by which the Council will receive reports, not only upon the past activities of the specialized agencies, but reports on future programmes so far as these can be foreseen with reasonable accuracy. The Advisory Committee believes that these reports will be of fundamental importance in integrating the work of the international organizations. It felt that a willing spirit of co-operation was developing among the United Nations and the specialized agencies, and that close relationships were being formed.

14. Internal financial controls

In the course of its examination, the Committee noted that the systems of financial control differ in the organizations. The FAO is in a unique position in that its budget is for practical reasons virtually limited to a total of about \$5,000,000. It is therefore under the strongest pressure to exercise stringent control in order to fit its programme into pre-determined financial limits. Its internal control includes a strong internal audit, which is placed under the Chief of the Financial Services, but which can if necessary report directly to the Committee on Financial Control. The financial controls in the ILO and ICAO to some extent resemble each other. In both organizations, no expenditure can be incurred without the prior agreement of the Finance Service, the head of which has direct access to the Director-General or Secretary-General. The internal audit in ICAO reports direct to the Secretary-General. The administrative and budgetary organization in UNESCO is similar to that in the United Nations. As will be seen from paragraph 16 below, the relative costs and staff requirements of the various systems differ widely and the Committee would suggest that during 1948 the United Nations Secretariat, in consultation  
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with the secretariats of the specialized agencies should make a comparative study of the various administrative and financial systems with a view to determining the most effective and economical system, having regard to all factors. It suggests further that an examination be made to see to what extent the external audit of the accounts of the specialized agencies differs in nature as between the organizations. The Committee believes that common precepts of audit would assist the evolution of sound common financial practices.

#### OBSERVATIONS ARISING FROM THE ESTIMATES

15. As stated in the preceding paragraphs, the budget of the Food and Agriculture Organization is virtually limited to a total of about \$5,000,000. It will however be noted from paragraph 4 above that the overall total of the budgets of the other three specialized agencies has increased from \$11.6 millions to \$15.5 millions approximately. The Committee recognizes that some increase is to be expected when an embryonic organization undertakes full scale activities for a full year. Nevertheless, it would urge that in view of the economic situation in many Member States, all specialized agencies should make every effort to avoid undue increases in their requirements. In the particular case of the United Nations Educational, Scientific and Cultural Organization, where the increase over 1947 is greatest, the Committee noted that the work programme proposed was extremely wide, and the Committee would suggest that the General Assembly should draw the attention of that organization to the relatively large size of its budget, and urge it to make every effort to achieve a reduction therein.

16. Detailed comparison between 1948 and 1947 estimates was not in all cases possible, but comparison between the 1948 estimates of the United Nations and of the four specialized agencies for certain major common items, as indicated in the table below, is of interest. It is of course difficult to draw firm conclusions from the table in view of the varying circumstances of the organizations, but the figures emphasize the points made in paragraphs 10, 11 and 14.

	United Nations*	ILO	FAO	ICAO	UN
<u>Salaries (including overtime and salaries of temporary staff)</u>					
Administrative and Financial Services**	\$1,433,199	\$ 60,000	\$ 100,000	\$ 70,000	\$ 290,000
Conference and General Services**	7,974,077	500,000	430,000	525,000	790,000
Other Departments or Services	6,527,559	1,430,000	1,865,000	750,000	1,874,000
Allowances	2,065,000	23,000	175,000	115,000	1,160,000
Provident Fund, etc.	1,852,652	312,000	330,000	115,000	160,000
Reimbursement of Income Tax	450,000	-	100,000	-	40,000
Contingencies, Reserves, etc., and Unforeseen Expenses	-	175,000	625,000	125,000	760,000
Other Expenditure	14,197,515	1,926,000	1,375,000	856,000	3,420,000
	<u>34,500,000</u>	<u>4,426,000</u>	<u>5,000,000</u>	<u>2,556,000</u>	<u>8,500,000</u>
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No. of staff proposed for:

Administrative and Financial Services	20	27	25	8
Conference and General Services	180	160	230	30
Other Departments or Services	<u>280</u>	<u>354</u>	<u>145</u>	<u>30</u>
Total Staff	480	541	400****	75

\* Revised estimates submitted by the Secretary-General before action by Fifth Committee.

\*\* The terms "Administrative and Financial Services" and "Conference and General Services" are used in the sense in which they are used in the United Nations budget, but owing to differences in organization, some adjustments in appropriations have been made.

\*\*\* Excluding provision for Working Capital Fund.

\*\*\*\* The total number of staff proposed by the Secretary-General was 442, but the Conference made a reduction of about 10% in the budget provision for salaries.

7. Salaries, Allowances and Provident Fund

The Committee understands that a joint consultative committee of the United Nations and the specialized agencies has done considerable exploratory work towards the development of a scheme of common standards of work and remuneration. The Advisory Committee believes that this work is of the utmost importance, and that the aim should be to develop a common system which will facilitate the building up of an international civil service. It is not necessary that the specialized agencies accept the United Nations practices or vice versa; the essential need is to make common use of the best practices wherever they may be found. It will necessarily take a period of years to build up a good international service: the groundwork should however be laid now.

8. The Committee was informed that the salary scales and classification structure of the FAO were on the whole similar to those of the United Nations. The ILO has taken certain steps to bring its salary scales into close approximation with those of the United Nations, but it will retain its old established classification structure of broad categories of staff. The ICAO has its own salary and classification scheme. The UNESCO has adopted United Nations salary scales (as in force before 16 June 1947) and children's allowances, but does not pay certain other allowances which are now in force in the United Nations, such as rental subsidies or expatriation allowances. The Committee was informed, however, that a provision of \$1,070,178 by that organization for "residence allowances" resulted from the payment, on a continuing basis, of per diem allowances at the rate of \$5 a day for single staff members and \$7 a day for those with dependents. This allowance thus corresponds to the old per diem allowance which the United Nations paid until March 1947 but then reduced and finally abolished in June 1947. While the Advisory Committee does not have full information regarding the difficulties of the staff in Paris, it doubts the necessity for these allowances and recommends that UNESCO should examine the question closely.

19. As regards provision for Provident Fund contributions, the Committee was informed that the ILO had decided to approach the United Nations with a view to joining the United Nations Staff Retirement Scheme. The FAO was considering a similar step, and had made budgetary provision for the purpose. The Committee believes that a common Pension Scheme would facilitate interchange of staff and promote the creation of a versatile International Civil Service.

20. Reimbursement of National Income Tax

The Committee understands that the Food and Agriculture Organization  
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and the United Nations Educational, Scientific and Cultural Organization are in a position similar to that of the United Nations with regard to national taxation on the salaries of staff members. In the case of the International Labour Organization and the International Civil Aviation Organization, the junior staff are mostly locally recruited and receive gross salaries which are subject to Canadian income taxation. The "international" staff of the ILO have been exempted from Canadian income taxation and receive net salaries. The "international" staff of ICAO are similarly exempt only if they are not Canadian nationals; the organization has however introduced an internal taxation (that is, a staff contributions) plan, so that all its staff are liable to taxation of salary in some form. The disposal of the revenue from the internal taxation has not been finally decided.

21. Any recommendations to the specialized agencies should, in the Committee's view, await the action to be taken on its report on tax equalization in the United Nations (A/396); should that report be adopted in principle, a recommendation should be made to specialized agencies which do not have an internal taxation scheme that they should adopt one.

22. Cost of documents and records

In relation to the total expenditure, the cost of documentation and records appeared to be a less heavy burden upon the specialized agencies than is the case in the United Nations. In the case of the International Labour Organization, for example, the Committee was informed that verbatim records of the General Conference were printed in the three official languages of the organization, but that only summary records were made for Committees of the Conference, these records not being printed at all. The Food and Agriculture Organization, which has four official languages, was said not to print documents in any particular language unless the demand justified printing: this organization has however in the past made verbatim records of all meetings, but the Committee was informed that in future such records might be made only for plenary meetings of the Conference and the Council. The Committee believes that specialized agencies should avoid placing undue interpretations on their rules of procedure concerning languages, and was glad to note that in general this seemed to have been the case.

SUMMARY OF RECOMMENDATIONS

23. Since working relationships between the United Nations and the specialized agencies are still in the process of development and are the subject of various proposals before the present session of the General Assembly, the Advisory Committee has drawn up this report on broad lines. Until there has been time to bring the form of the various budgets into closer agreement, and to develop budget justification in terms of work

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programme, comparison of the budgets with each other and with the budget of the United Nations is apt to be a comparison of disparates. As practical results begin to be achieved under the various agreements, and as relations between the United Nations and the specialized agencies become increasingly close, the Committee would hope to be able to make a more detailed examination of the budgets. For the present year, the Committee believes it to be sufficient to emphasize the over-riding need for economy and to suggest that the General Assembly should recommend that:

(a) The plenary bodies of the specialized agencies should authorize their executive authorities to take such interim action within the limits of their present constitutional powers, as seems appropriate with regard to any recommendations which the General Assembly may make to them, if such recommendations cannot be dealt with by the plenary body itself without considerable delay;

(b) Specialized agencies should ensure, where this is not already the case, that their estimates are subjected, before submission to the plenary body for consideration, to a detailed examination by a committee which includes persons specially qualified in the fields of administration or finance.

(c) The attention of the United Nations Educational, Scientific and Cultural Organization should be drawn to the relatively large size of its estimates. The organization should be urged to make every effort to secure a reduction in its budget. It should examine closely the necessity for payment of residence allowances on a continuing basis.

(d) The specialized agencies which have not already done so should take steps to become members of the United Nations Retirement Scheme, and that every effort should be made by this and other means to develop the common conditions of service necessary for the creation of an international civil service.

4. The Advisory Committee would again emphasize that the achievement of the necessary degree of co-ordination between the United Nations and the specialized agencies is in the last analysis the responsibility of Members themselves. By acting consistently, and in conformity with any recommendations which the General Assembly may make, at the conferences of the various organizations, Members can do much to ensure that the international services as a whole operate with efficiency and economy.