

UNITED NATIONS
GENERAL
ASSEMBLY



Distr.
GENERAL

A/7336
18 November 1968

ORIGINAL: ENGLISH

Twenty-third session
Agenda item 74

BUDGET ESTIMATES FOR THE FINANCIAL YEAR 1969

Unforeseen and extraordinary expenses

Eleventh report of the Advisory Committee on Administrative
and Budgetary Questions to the General Assembly at its
twenty-third session

1. Operative paragraph 6 of resolution 2370 (XXII) of 19 December 1967 on the United Nations regular budget reads as follows:

"6. Further requests, bearing in mind the above intent with respect to the planning estimates, that the Advisory Committee on Administrative and Budgetary Questions, in consultation with the Secretary-General, recommend for consideration by the General Assembly at its twenty-third session an appropriate definition of 'unforeseen and extraordinary expenses', together with a resolution - and such other action as may be appropriate - to cope with the interrelated problems identified in paragraph 73 of its first report to the Assembly at its twenty-second session, 1/ and in chapter III of the second report of the Ad Hoc Committee, especially those recommendations relating to transfers and supplementary estimates found in paragraphs 35 to 46 thereof." 2/

2. In response to this directive, the Advisory Committee on Administrative and Budgetary Questions has reviewed the question in consultation with the Secretary-General and recommends the action on these matters set forth in paragraphs 24 to 31 below.

1/ Official Records of the General Assembly, Twenty-second Session, Supplement No. 7 (A/6707 and Corr.1-3).

2/ These paragraphs are reproduced in annex II to this report.

3. The wording of the annual General Assembly resolution on unforeseen and extraordinary expenses has remained unchanged in its essentials since the third session of the General Assembly, except that by resolution 1615 (XV) the General Assembly introduced an additional limitation on commitments relating to the maintenance of peace and security.
4. Except as may have been otherwise provided for in the relevant resolution on unforeseen and extraordinary expenses, the two factors which have had to be present to enable the Secretary-General to enter into commitments under that resolution have been:
- (a) The prior concurrence of the Advisory Committee;
 - (b) Conformity with the provisions of the Financial Regulations of the United Nations.
5. As regards the former, the Advisory Committee pointed out in its report on the 1965 budget estimates,^{3/} and again in its report on the budget estimates for 1968,^{4/} that it "is not a sort of court of appeal in which appropriations approved by the General Assembly can be reconsidered. Its sole authority for concurring in an addition to the approved appropriations resides in the annual resolution adopted by the General Assembly with respect to extraordinary expenditures which were unforeseen at the time when the General Assembly approved the budget for the financial year in question. Under the terms of this resolution the Advisory Committee can only entertain requests for additional expenditure submitted by the Secretary-General. It cannot entertain requests presented directly by individual bodies. Further, any such requests submitted by the Secretary-General must be considered by him to fall within the category of 'unforeseen and extraordinary expenditures'".
6. As regards the latter, Financial Regulation 13.2 reads as follows:

"Where, in the opinion of the Secretary-General, the proposed expenditure cannot be made from the existing appropriations, it shall not be incurred until the General Assembly has made the necessary appropriations, unless the Secretary-General certifies that provision can be made under the conditions of the resolution of the General Assembly relating to unforeseen and extraordinary expenses."

^{3/} Official Records of the General Assembly, Nineteenth Session, Supplement No. 7 (A/5807), para. 39.

^{4/} Ibid., Twenty-second Session, Supplement No. 7 (A/6707 and Corr.1-3), para. 68.

It might be noted that this wording has remained unchanged since the adoption of General Assembly resolution 456 (V) and differs only slightly from the second paragraph of regulation 38 of the provisional financial regulations annexed to General Assembly resolution 163 (II).

7. The general definitions of the terms "unforeseen expenses" and "extraordinary expenses" appear as follows in foot-notes to General Assembly resolution 68 C (I):

"1. The term 'Unforeseen Expenses' means expenses arising from, or incidental to, the carrying out of a programme in accord with General Assembly approved policies, which expenses were not foreseen when the estimates were made.

"2. The term 'Extraordinary Expenses' means expenses for items or objects outside the scope of the budget estimates, i.e., outside the programme on which the estimates were based."

8. Over the years the General Assembly incorporated in the annual resolution on unforeseen and extraordinary expenses a number of specific provisions. Broadly speaking, they have been as follows.

9. Maintenance of peace and security: Since the adoption of General Assembly resolution 166 (III) the Secretary-General has been authorized to enter into commitments - without the need for the prior concurrence of the Advisory Committee - not exceeding a total of \$2 million, if they relate to the maintenance of peace and security. At its fifteenth session the General Assembly decided (resolution 1615 (XV)) that if, as a result of a decision of the Security Council, commitments relating to the maintenance of peace and security should arise in an estimated total exceeding \$10 million before the next regular session of the General Assembly, a special session of the Assembly would be convened by the Secretary-General to consider the matter. A provision embodying this decision has been incorporated in the annual resolutions on unforeseen and extraordinary expenses since the adoption of resolution 1735 (XVI). The Advisory Committee's comments on this provision, as stated in paragraph 95 of its seventh report to the General Assembly at its nineteenth session,^{3/} were repeated in paragraph 126 of the Committee's report on the budget estimates for 1968.^{5/}

10. Economic rehabilitation: General Assembly resolution 166 (III), and subsequent annual resolutions on unforeseen and extraordinary expenses until

^{5/} Ibid., para. 126.

resolution 1585 (XV), treated commitments relating to economic rehabilitation (later phrased as urgent economic rehabilitation) on the same footing as commitments relating to the maintenance of peace and security. Resolutions adopted since the sixteenth session of the Assembly have not contained this reference.

11. Expenses of the International Court of Justice: Provisions authorizing the Secretary-General to enter into commitments - without the need for the prior concurrence of the Advisory Committee - in respect of expenses certified by the President of the Court as relating to action taken under the Statute of the Court, have been included in the annual resolutions on unforeseen and extraordinary expenses since the first session of the General Assembly. The maximum amounts of such expenses have been specified in the resolution.

12. A number of resolutions on unforeseen and extraordinary expenses, especially in the early years of the Organization,^{6/} also contained provisions mostly with an indication of a maximum amount - relating to specific activities where a decision in principle had been taken or was expected, but where the detailed financial implications remained unknown.

13. Article 17, paragraph 1, of the Charter of the United Nations states that "The General Assembly shall consider and approve the budget of the Organization". By the time the Assembly adopts its annual budget appropriation resolution, the Organization's total foreseeable work programme and its related financial implications have been reviewed both by the appropriate principal organs and by the Main Committees of the General Assembly. The annual budget appropriation resolution which the General Assembly adopts each year indicates in detail the funds which are available to the Secretary-General for the following financial year to provide for the implementation of the many activities to be undertaken by the United Nations as authorized by its Member States. The decision of the General Assembly in this matter is binding on all principal and subsidiary organs. However, from the very inception of the Organization the General Assembly has recognized the need for arrangements to deal with situations which could not have been anticipated prior to the adoption of the appropriate resolution or, if anticipated, could not have been budgeted for with sufficient accuracy.

^{6/} General Assembly resolutions 252 C (III), 357 (IV), 472 (V), 584 (VI), 675 (VII), 787 (VIII), 891 (IX).

14. Under the terms of the annual resolution on unforeseen and extraordinary expenses, the General Assembly "authorizes the Secretary-General, with the prior concurrence of the Advisory Committee on Administrative and Budgetary Questions and subject to the Financial Regulations of the United Nations... to enter into commitments to meet unforeseen and extraordinary expenses in the financial year...".

15. This provisions of the annual resolution must be read in conjunction with Financial Regulations 4.1, 4.5 and 13.2. Regulation 4.1 stipulates:

"The appropriations voted by the General Assembly shall constitute an authorization to the Secretary-General to incur obligations and make payments for the purposes for which the appropriations were voted and up to the amounts so voted."

Regulation 4.5 states:

"No transfer between appropriation sections may be made without authorization by the General Assembly."

Regulation 13.2 provides:

"Where, in the opinion of the Secretary-General, the proposed expenditure cannot be made from the existing appropriations, it shall not be incurred until the General Assembly has made the necessary appropriations, unless the Secretary-General certifies that provision can be made under the conditions of the resolution of the General Assembly relating to unforeseen and extraordinary expenses."

16. As has been indicated in paragraph 7 above, the only definition given of "unforeseen and extraordinary expenses" is to be found in foot-notes to General Assembly resolution 68 C (I).

17. It should be noted in this connexion that the Advisory Committee, in a report to the General Assembly at its fifteenth session,^{7/} expressed the belief that "those definitions are broadly indicative of the type of expenditures in question rather than precise concepts which can be easily and decisively applied in practice in all cases of new expenditure. Possibly for this reason, the General Assembly itself has moved away, since 1948, from a separate treatment of the two types of expenditure".

^{7/} Official Records of the General Assembly, Fifteenth Session, Annexes, agenda item 50, document A/4715, foot-note to paragraph 7.

18. For a better understanding of the question of unforeseen and extraordinary expenditure, a distinction must be drawn between present methods of authorizing such expenditure and providing the necessary funds.

19. As regards the authorization of unforeseen and extraordinary expenditure, the Secretary-General has interpreted Regulation 4.1 to mean that he has sufficient authority for incurring expenditure which, though unforeseen, arises from or is incidental to the carrying out of the programme approved by the General Assembly, if it can be met within the appropriations voted for such purposes by the General Assembly; and that if necessary he can, in so doing, transfer credits between items or chapters within a section of the budget. The greater part of unforeseen expenditure incurred in past years has been accommodated in this way - that is by savings and/or by transfer of credits between items and chapters within the various budget sections. Thus, without having recourse to the annual resolution on unforeseen and extraordinary expenses, the Secretary-General has at his disposal the possibility of accommodating to a large degree expenditure which was not foreseen when the initial appropriations were approved. His latitude in this regard, however, varies from year to year, depending upon the extent to which the work programme and other activities provided for in the initial appropriations can be fully implemented. Moreover, it is restricted by the terms of Regulation 4.1, which only confers authority upon the Secretary-General "to incur obligations and make payments for the purposes for which the appropriations were voted and up to the amounts so voted".

20. As regards the provision of the necessary funds, they have been provided:

(a) From savings within sections, with or without transfers between items and chapters which the Secretary-General is authorized to make;

(b) By transfers between sections. The Secretary-General has two main occasions during the year to propose transfers between budget sections: (i) during the regular session of the General Assembly held in the financial year to which the appropriations relate, and (ii) in connexion with the closing of the accounts at the end of the financial year. On the first occasion the necessary authorization is given by the General Assembly on the recommendation of the Advisory Committee. On the second occasion the Advisory Committee's concurrence in the transfers is requested to sanction and eliminate such deficits as have occurred under particular sections of the budget. The request for concurrence is, of course, made ex post facto;

(c) By the introduction of supplementary estimates during the regular session of the General Assembly.

21. The Advisory Committee would recall in this connexion that the Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies recommended in paragraph 40 of its second report to the General Assembly^{8/} that:

"Unavoidable increases in expenditure in certain sectors should, as far as possible, be financed in the first instance by savings in other sectors. This applies in particular to increases due to rises in prices (including in this term salaries and wages) which should so far as possible be absorbed by reassessment of priorities, redeployment of resources, and, where necessary, by adjustments within the budget."

22. As regards the purpose of an annual resolution on unforeseen and extraordinary expenses, the Committee is of the view that machinery must exist by which expenditure can be authorized and controlled where the proposed expenditure is in the nature of an emergency and therefore cannot be deferred without serious detriment to the United Nations until provision therefor can be made by the General Assembly in the normal manner for the next financial year. This machinery should not be resorted to because of lack of orderly programme planning.

23. Necessary budgetary provision should of course be made for expenses which are "foreseeable in general, but not in detail" at the time the initial appropriations are voted, unless the General Assembly itself decides that such expenses should be met under either the terms of the annual resolution relating to unforeseen and extraordinary expenses or under the special appropriation line for minor contingent expenses suggested in paragraph 27 below. For this reason the Advisory Committee agrees with the current practice that the necessary provision should be made in the budget for foreseeable upward movements in post adjustment for staff in the professional and higher categories or in the general service salary rates. Admittedly, price and wage movements cannot always be forecast at the time the initial estimates are drawn up by the Secretary-General; revised estimates to meet such anticipated increases can be submitted, however, as and when necessary before the adoption of the budget by the General Assembly. The

8/ Ibid., Twenty-first Session, Annexes, agenda item 80, document A/6343.

same approach might be adopted for expenditures relating to the activities of bodies whose programme of work had not been defined in good time. The Committee believes that since the budget for a given year is approved by the General Assembly only a few days before the beginning of that year, the work programmes of the Economic and Social Council, the Trusteeship Council, commissions and committees should, as a rule, be known in sufficient detail to enable the Assembly to make appropriate budgetary provision therefor. If, for a valid reason, the work programme of a given body in the appropriation year remains to be defined, the budget appropriation should include an appropriate ad hoc amount. The financial implications of the body's detailed work programme would, in due course, be submitted by the Secretary-General to the Advisory Committee for comment; as a general rule such implications should not exceed the ad hoc provision made in the budget. A subsidiary body whose work programme is too vague to enable the General Assembly to make even an ad hoc appropriation should not be entitled to seek funds under the terms of the resolution on unforeseen and extraordinary expenses. It is to be expected that the need for such ad hoc appropriations will virtually disappear with the implementation of the procedures laid down in General Assembly resolution 2370 (XXII).

Recommendations

24. In the light of the considerations set forth above, the Advisory Committee recommends the following approach to the interrelated problems (a) of providing the Secretary-General with a reasonable degree of flexibility within the approved budget (in some cases after concurrence by the Advisory Committee); (b) of ensuring financial discipline with respect to budget execution and supplementary estimates; and (c) of governing access to the authority provided in an annual resolution on "unforeseen emergency expenses". The basic premise is that additional funds should not be requested unless the proposed expenditure was unforeseeable, cannot be financed from within existing budgetary appropriations, and cannot be deferred until provision therefor can be made by the General Assembly in the normal manner for a subsequent financial year.

25. Definitions: The General Assembly should modify the definitions given in foot-notes 1 and 2 of its resolution 68 C (I) concerning "unforeseen expenses" and "extraordinary expenses" to read as follows:

(a) The term "unforeseen related expenses" means additional expenses which are directly related to the purposes for which the initial appropriations were voted, but which could not have been foreseen, and which therefore were not provided for in the original appropriations as approved by the General Assembly;

(b) The term "unforeseen new expenses" means additional expenses for completely new activities or purposes requested and approved by the competent organs, which could not have been foreseen and which therefore were not provided for in the original appropriations as approved by the General Assembly.

26. Financing within existing appropriations: If a proposed expenditure falls within either of the above definitions, and cannot be deferred, the Secretary-General shall be authorized to incur the expenditure:

(a) In the case of unforeseen related expenses:

(i) if the expenditure can be financed from funds available within sections, in which case such action may be reported subsequently to the Advisory Committee;

(ii) if the expenditure can be financed by transfers between sections, with the prior approval of the Advisory Committee.

(b) In the case of unforeseen new expenses, if the expenditure can be financed either from funds available within sections or by transfers between sections, with the prior approval of the Advisory Committee.

27. As a means of providing further flexibility to the Secretary-General with a view to reducing requests for additions to the budget to the minimum under the procedures described above, it is recommended that future budgets include a special appropriation line for minor contingency expenses as proposed in paragraph 41 of the second report of the Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies.^{9/} This report was unanimously approved by the General Assembly in resolution 2150 (XXI). The

^{9/} Ibid.

programme formulating bodies will need to exercise maximum restraint as to the timing of new programmes to ensure that additions to the approved budget are kept to a minimum. The expenses of bodies whose programme of work cannot, for valid reasons, be defined in good time would be treated under the ad hoc procedure recommended in paragraph 23 above, and would not be financed from the contingency line.

28. Financing requiring additional appropriations: If a proposed expenditure falls within the above definitions for "unforeseen related expenses" or "unforeseen new expenses", and therefore was unforeseeable, and if it cannot be financed from within existing appropriations, there shall be a presumption that it shall be deferred until provision therefor can be made by the General Assembly in the normal manner for the next financial year.

29. Resort may, however, be had to the annual resolution on unforeseen emergency expenses under the following conditions:

(a) If the Secretary-General certifies that the funds required cannot be financed by transfers from within existing appropriations; and

(b) If the above presumption concerning deferral is specifically rebutted by a certification by the Secretary-General that the proposed expenditure is in the nature of an emergency and therefore cannot be deferred without serious detriment to the United Nations until provision therefor can be made by the General Assembly in the normal manner for the next financial year; or

(c) If proposed expenditures are for increases which are specifically provided for under General Assembly resolutions, such as adjustments in wages, general service (and comparable) salary rates, or post adjustments in the professional and higher categories, and cannot be absorbed within approved appropriations, they may be included, subject to appropriate justification and certification by the Secretary-General and review and approval by the Advisory Committee.

30. Supplementary appropriations: Only those proposed additional expenses of the United Nations which meet the above prescribed tests for access to the authority contained in future annual resolutions on unforeseen emergency expenses may be submitted to the General Assembly for the appropriation of funds as supplementary appropriations. This will ensure that proposed additional appropriation requests

/...

for general administrative expenses, including price increases, will be subjected to the same scrutiny, certification, and review procedures as will those items which have traditionally been considered to require authorization under the annual resolution on unforeseen and extraordinary expenses.

31. A draft resolution giving effect to the above recommendations is submitted in annex I.

Annex I

Draft resolution

United Nations regular budget: Revisions in certain
rules and procedures with respect to unforeseen
expenses and their financing

The General Assembly,

Recalling its resolution 2370 (XXII) of 19 December 1967, with particular reference to paragraph 6 thereof,

Having considered the report by the Advisory Committee on Administrative and Budgetary Questions (A/7336) submitted in response thereto,

1. Decides that the procedures and other provisions with respect to unforeseen expenses and their financing which have been extracted from the report of the Advisory Committee on Administrative and Budgetary Questions (A/7336, paragraphs 24 to 30 inclusive) and which are annexed to this resolution, shall govern the matters dealt with therein;

2. Decides further that a resolution on unforeseen emergency expenses shall constitute authority for the Secretary-General to enter into commitments for "unforeseen related expenses" and "unforeseen new expenses" duly certified by the Secretary-General, and also for such expenses as may be specifically enumerated in the said resolution;

3. Amends Financial Regulations 3.8 and 13.2 as follows:

"Regulation 3.8: Supplementary estimates may be submitted by the Secretary-General, if required for additional expenses authorized under the terms of the resolution of the General Assembly relating to unforeseen emergency expenses."

"Regulation 13.2: Where, in the opinion of the Secretary-General, the proposed expenditure cannot be made from the existing appropriations, commitments shall not be entered into until the General Assembly has made the necessary appropriations, unless the Secretary-General certifies and, as necessary, the Advisory Committee on Administrative and Budgetary

Questions concurs, that provision can be made under the terms of resolution ____ (XXIII) of the General Assembly and the annual resolution of the General Assembly on unforeseen emergency expenses."

ANNEX

Procedures and other provisions with respect to unforeseen
expenses and their financing

/For the text, see paragraphs 24 to 30 of the present report./

Annex II

Extract from the Second Report of the Ad Hoc Committee
of Experts to Examine the Finances of the United
Nations and the Specialized Agencies a/

"Transfers

"35. The head of each organization should retain full discretion to make transfers within each 'appropriation line', provided, however, that he reports such transfers at the earliest opportunity to the competent organs vested with financial responsibility. The term 'appropriation line' means the basic heading for the appropriation, whatever the name used by the organization in question.

"36. The provisions set forth in the preceding paragraph might leave undue latitude where a particular appropriation line represents a disproportionately large percentage of the total budget. Accordingly, for the purpose of applying that paragraph, such appropriation lines should be subdivided into sub-headings of a reasonable size, each of which would be considered as an individual appropriation line. It should be left to the competent organs vested with financial responsibility to decide which appropriation lines represent a disproportionately large percentage of the total budget, and what ought to be the size of the sub-headings.

"37. As far as transfers between appropriation lines are concerned, the head of the organization should request prior authorization from the competent organs vested with financial responsibility, resorting, if necessary, to a postal approval procedure, which would have the advantage of enabling him to poll the members between sessions.

"38. In his financial report on budget performance, the head of the organization should describe any transfers effected, and explain why they were made.

a/ For the complete text of the report, see Official Records of the General Assembly, Twenty-first Session, Annexes, agenda item 80, document A/6343.

"Supplementary estimates

"39. The heads of the organizations should calculate the budget estimates and control obligations in such a way as to ensure that appropriations are not exceeded.

"40. Unavoidable increases in expenditure in certain sectors should, as far as possible, be financed in the first instance by savings in other sectors. This applies in particular to increases due to rises in prices (including in this term salaries and wages) which should so far as possible be absorbed by reassessment of priorities, redeployment of resources and, where necessary, by adjustments within the budget.

"41. In order to provide the heads of the organizations with a small amount of funds to meet contingencies which may arise and which cannot be met by savings or postponed until the adoption of the next budget, a special appropriation line might, where necessary, be included in the budget for these minor contingent expenses.

"42. Drawings on the working capital fund to finance additional expenses without prior appropriation should, as a general rule, be discontinued as from the time when the organizations adopt the procedures suggested above.

"43. Drawings on the working capital fund without prior appropriation should be made only in clearly exceptional cases involving emergencies within the limits laid down by legislative bodies, and to the extent that they cannot be financed out of the measures mentioned in paragraphs 40 and 41 above.

"44. When drawings on the working capital fund without appropriation have been made, the heads of the organizations should report at the first opportunity to the competent organs vested with financial responsibility and submit the appropriate requests for supplementary appropriations to their organization's legislative body.

"45. Adherence to the above procedure should ensure that recourse to supplementary appropriations would be kept to a minimum.

"46. In every case the heads of the organizations should include as part of their annual financial reports the requisite explanation of the additional expenses incurred and the financing procedure used to meet them."
