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Fifth Committee**Summary record of the 10th meeting**

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Chairman: Mr. MacKay (New Zealand)
*Chairman of the Advisory Committee on Administrative
and Budgetary Questions:* Mr. Kuznetsov

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Other matters

The meeting was called to order at 10.20 a.m.

Organization of work (A/C.5/59/L.1/Rev.1)

1. **Mr. Al-Ansari** (Qatar), speaking on behalf of the Group of 77 and China, proposed that the Committee should adopt the programme of work for the coming week and then reconsider the programme for the remainder of the session at a later date in the light of the status of preparedness of documentation.

2. **Mr. Dutton** (Australia) endorsed the proposal made by the representative of Qatar. However, he felt that the number of meetings on the scale of assessments and the pattern of conferences scheduled for the coming week could be reduced. Owing to the late issuance of relevant documentation, delegations were finding it difficult to prepare thoroughly for upcoming meetings. To facilitate their work, greater certainty was needed regarding the timing of discussions and, in future, efforts should be made to adopt a programme of work covering a longer period of time.

3. **The Chairman** said that he took it that the Committee wished to adopt the programme of work for the coming week, taking into account the concerns expressed by the representative of Australia and on the understanding that the Bureau would adjust it as necessary.

4. *It was so decided.*

Agenda item 106: Financial reports and audited financial statements, and reports of the Board of Auditors (A/59/162, A/59/318 and Add.1 and A/59/400)

- (a) **United Nations** (A/59/5 (Vols. I, III and IV))
- (b) **United Nations Development Programme** (A/59/5/Add.1)
- (c) **United Nations Children's Fund** (A/59/5/Add.2)
- (d) **United Nations Relief and Works Agency for Palestine Refugees in the Near East** (A/59/5/Add.3)
- (e) **United Nations Institute for Training and Research** (A/59/5/Add.4)

(f) **Voluntary funds administered by the United Nations High Commissioner for Refugees** (A/59/5/Add.5)

(g) **Fund of the United Nations Environment Programme** (A/59/5/Add.6)

(h) **United Nations Population Fund** (A/59/5/Add.7)

(i) **United Nations Human Settlements Programme** (A/59/5/Add.8)

(j) **Fund of the United Nations International Drug Control Programme** (A/59/5/Add.9)

(k) **United Nations Office for Project Services** (A/59/5/Add.10)

(l) **International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991** (A/59/5/Add.12)

(m) **International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994** (A/59/5/Add.11)

(n) **Capital master plan** (A/59/161)

5. **Mr. Fakie** (Chairman of the Board of Auditors), introducing 16 reports of the Board of Auditors (A/59/5 (Vols. I, III and IV) and Add.1-12 and A/59/161) and the concise summary of principal findings, conclusions and recommendations contained in the reports prepared by the Board of Auditors for the General Assembly at its fifty-ninth session (A/59/162), said that, given that all those reports had been submitted before their July slot deadlines and that a number of them had already been edited prior to their transmittal, he was concerned and disappointed that delegations had not received them in a timely manner.

6. Accountability and governance issues had gained prominence in recent years. A number of corporate

collapses had turned the spotlight on to the auditing profession and, as a result, many reforms had been implemented with a view to promoting auditor independence, preventing conflicts of interest, enhancing good governance and improving accountability. The Board of Auditors had been closely monitoring those developments and, where appropriate, participating in reform initiatives.

7. Interaction between the Board, the Fifth Committee and the Advisory Committee on Administrative and Budgetary Questions (ACABQ) was an important mechanism for the promotion of accountability and transparency. In addition, the Board had supported coordination with other oversight bodies and endeavoured to avoid duplication of efforts while respecting the mandates and responsibilities of those bodies. While it was important to preserve the independence of external auditors and to recognize their specific responsibilities and functions, the promotion of accountability was a collective responsibility.

8. The format of the individual reports was in line with previous practices but, in accordance with the suggestions made by ACABQ and where applicable, each report contained comments on the implementation status of previous recommendations. The concise summary report referred to the progress made by the United Nations and its funds and programmes in the implementation of previous recommendations of the Board. For the biennium 2000-2001, 46 per cent of those recommendations had been fully implemented and 47 per cent were in the process of implementation. The relatively low implementation rate was partly attributable to the significant increase in the number of recommendations, which was, in turn, partly due to the Board's increasing focus on management issues. In addition, the nature of some recommendations meant that more time was required for their implementation.

9. In general, the Administration had endeavoured to implement the Board's recommendations and significant progress had been made in several areas. The Board would continue to follow up on the implementation of its recommendations and would also continue to report separately to the Committee, in every odd year of a biennium, on the status of implementation of its recommendations relating to organizations that operated within a biennial financial period.

10. The Board had modified its audit report on the financial statements of four organizations, namely, the United Nations Office for Project Services (UNOPS), the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA) and the United Nations International Drug Control Programme (UNDCP) and had, in fact, been unable to express an opinion on the statements of UNOPS because it had been unable to obtain adequate assurances in respect of a number of issues. Furthermore, the Board was concerned that the possible failure of UNOPS to meet its 2004 targets could result in deficits that might not be absorbed by its operational reserve and that no proper system was in place to give reliable estimates of the cost of services provided.

11. While the modified report had not affected the Board's opinion on the financial statements of UNDP, UNFPA and UNDCP, several concerns still remained regarding, inter alia, the lack of adequate controls at UNDP and UNFPA following the implementation of the enterprise resource planning system and the lack of procedures at UNDCP to ensure completeness and timeliness in the recording of field obligations.

12. While organizations had generally complied with the United Nations system accounting standards, the Board had made various recommendations on possible improvements to the presentation and disclosure of the financial statements and reports. With regard to governance principles, the Board noted that none of the organizations had taken steps to address the request of the General Assembly contained in paragraph 6 of its resolution 57/278.

13. Unfunded end-of-service and post-retirement benefits remained a cause for concern. While some organizations, notably UNDP and the United Nations Children's Fund (UNICEF), had provided for funds to cover future liabilities, an aggregate amount exceeding \$3 billion remained unfunded as at 31 December 2003. As at the same date, non-expendable equipment amounted to approximately \$1.1 billion. While there had been obvious improvements in the areas of custody, control and valuation, the Board had again noted weaknesses at, inter alia, the United Nations, UNDP, UNFPA, the United Nations Human Settlements Programme (UN-Habitat) and UNOPS relating to inadequate physical inventory counts and inaccurate and unreliable inventory records.

14. The Board had been pleased to note that, in general, improvements had been made that had led to better monitoring and control of programme expenditure for several funds and programmes, including efforts to simplify and harmonize currently inconsistent resource transfer modalities. A number of matters of concern in respect of individual organizations had been highlighted in the relevant reports. Project management was an important component of programme expenditure. It had been difficult to compare financial versus technical implementation, since the respective performance indicators were generally not at the same level of detail, and there was a consequent risk that financial resources could be depleted before projects were completed or, on the other hand, that any excess resources might not be reprogrammed appropriately. The Board had also noted instances in which projects had been operationally closed but remained open in financial terms for long periods of time and, on a related topic, was concerned that 63 United Nations trust funds, with combined reserves and fund balances of \$54 million as at 31 December 2003, did not show any expenditures for the biennium 2002-2003 except for transactions pertaining to the investment and other related accounts.

15. The United Nations and several of its funds and programmes managed significant funds in short- or medium-term financial assets or investments, the return on which had been generally close to benchmarks. In the case of UNICEF, the Board had been pleased to note that the recommendations contained in its previous report had been implemented, but in other instances it had found a number of problems relating to guidelines and management.

16. For example, the United Nations Office at Geneva managed an investment portfolio amounting to \$375 million (as at 31 December 2003) without an investment policy or committee and, while over 75 per cent of that portfolio came from Geneva-based funds and programmes, there were no formal guidelines or reporting procedures for their respective shares. The former Director of the Investment Management Service of the United Nations Joint Staff Pension Fund (UNJSPF) had not provided a proper audit trail for real estate investments, which he had personally managed, and the purchase of an office building in New York had not been conducted in a consistent manner. Moreover, the United Nations system maintained a very large

number of bank accounts and had encountered some problems in the areas of disclosure and reconciliation. Further steps must also be taken to improve the efficiency of inter-agency transactions, since the Board had found a difference of approximately \$22 million between Headquarters' accounting records and those of UNDP.

17. While recognizing the recent initiatives to improve coordination in the area of information and communications technology (ICT), the Board took the view that a comprehensive, system-wide initiative should be implemented. In January 2004, UNDP, in partnership with UNFPA and UNOPS, had migrated its data processing to a new enterprise resource planning system known as Atlas, but, by May 2004, there was still no independently validated comprehensive control framework for that system that would adequately mitigate its control risk. That weakness was compounded by other related deficiencies which, if left unattended, could pose a risk to the operations of other organizations serviced by UNDP.

18. Although external auditors were not directly responsible for preventing or detecting fraud, the Board recognized the need for the United Nations and its funds and programmes to establish a comprehensive fraud prevention policy. A number of organizations had instituted measures in that regard, but they seldom included formal corruption and fraud risk assessment mechanisms or the creation of a fraud prevention committee. In addition, resolution mechanisms for incidents and allegations of corruption and fraud were not always designed or implemented efficiently.

19. The level of unpaid contributions to the International Criminal Tribunal for Rwanda (ICTR) and the Former Yugoslavia (ICTY), amounting to \$34.8 million and \$53 million, respectively, had significantly worsened their financial position and led to cross-borrowing from peacekeeping operations. The Board remained concerned that the Tribunals might not be able to complete their work by the 2010 deadline.

20. In a departure from previous practice, the Board had issued a report to the Security Council on the United Nations Compensation Commission covering the biennium 2002-2003. In the past, reports on the Compensation Commission had always been submitted to the General Assembly.

21. **Ms. Mabutas** (Director of the Office of the Under-Secretary-General for Management) said that

the Secretariat was making every effort, in cooperation with the Board of Auditors, to improve its reporting on the implementation of audit recommendations. Under the present procedure, the Secretariat submitted an implementation report to coincide with the Board's biennial audit report. The Secretariat and the Board each submitted a follow-up report in the off years. In accordance with General Assembly resolution 58/249, beginning in 2005, the two follow-up reports would be consolidated into one report, to be provided by the Board.

22. The Secretariat had taken note of the recommendation contained in the Advisory Committee's report (57/439) that the reports of the Secretary-General on the item should exclude any matters previously communicated to the Board and already reflected in reports to the General Assembly. The Secretariat would also ensure that information on such matters would not be reiterated in other documents. The resulting streamlining would reduce the length of the Secretary-General's reports, result in significant savings, and improve the timeliness of their issuance. A broader review of the reporting process would also take place in the context of resolution 57/278 A. The Secretariat had initiated discussions with the Board's Audit Operations Committee and would consult with the funds and programmes with a view to preparing proposals for submission to the General Assembly.

23. The Secretary-General and the executive heads of funds and programmes were grateful to the Board for the spirit of constructive cooperation in which it discharged its oversight function. The Secretariat's own commitment to the implementation of the Board's recommendations would help to improve the management of resources and efficiency in the United Nations.

24. **Mr. Saha** (Vice-Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the Advisory Committee's report on the item (A/59/400), noted that concern had been expressed about the timing of the report's distribution. The Advisory Committee had submitted its report for processing on 1 October with a requested publication date of 8 October. The report had in fact appeared on 15 October.

25. In paragraph 5 of the report, the Advisory Committee acknowledged the continued improvement

in the structural presentation of the Board's reports as well as the greater clarity and transparency of its observations and recommendations on highly technical issues. It continued to encourage the approach of addressing common themes as a means of facilitating analysis by the General Assembly of the Board's recommendations and further streamlining its reports. The Advisory Committee had also encouraged the Board to streamline its reports by expanding the practice of dealing with certain technical issues through management letters.

26. The Advisory Committee's continuing concern about implementation of the Board's recommendations was addressed in paragraphs 9 to 12, where it stated that a statistical approach might not be sufficient for monitoring the implementation of the recommendations of oversight bodies. Further efforts were needed to develop a strong culture of accountability. The efficient management of the United Nations and its funds and programmes required that the implementation of the Board's recommendations should become an integral part of work plans, activities and processes, while tools to measure the impact of the Board's recommendations must also be developed.

27. Audit of the United Nations was discussed in paragraphs 13 to 28, where the Advisory Committee took up such matters as the need for better monitoring of trust funds and for the consolidation and/or closure of inactive trust funds, the serious problem of end-of-service liabilities, and the need for a uniformed methodology for determining the total cost of ICT. In paragraph 19, it indicated its intention to revert to the issue of the establishment of an operational reserve in the context of its consideration of the proposed programme budget for 2006-2007. Paragraph 20 dealt with the need to refine the results-based budgeting methodology to go beyond "raw" comparisons of percentages. The Advisory Committee endorsed the Board's recommendations on procurement planning (para. 21) and addressed the harmonization of procurement practices in paragraph 23. It commented on training and consultants in paragraphs 24 to 28.

28. The audit of funds and programmes was taken up in paragraphs 29 to 51 of the report. A number of the issues addressed were the same as or similar to those dealt with for the United Nations itself, including end-of-service liabilities, ICT, consultants, and travel. In paragraph 30, the Advisory Committee pointed to the general need for funds and programmes to pay strict

attention to the full application of existing regulations and rules, especially with regard to the treatment of non-expendable equipment (paras. 31 and 32), outstanding advances (paras. 33 to 35), unliquidated obligations (para. 39), staff regulations and rules (paras. 44 and 45), and consultants (para. 46). The Advisory Committee shared the Board's concern about outstanding issues relating to inter-agency fund balances and expressed the hope that the matter would be resolved through consultations (paras. 36 and 37). It also commented on the United Nations house programme (para. 48), the situation of UNOPS (para. 49), and the UNRWA Provident Fund (para. 51).

29. **Mr. Zellenrath** (Netherlands), speaking on behalf of the European Union, the candidate countries (Bulgaria, Croatia, Romania and Turkey), the stabilization and association process countries (Albania, Bosnia and Herzegovina, Serbia and Montenegro and the former Yugoslav Republic of Macedonia), and, in addition, Iceland and Norway, said that the reports under the agenda item totalled over 2,000 pages and many of them had been issued too late to receive the attention which they deserved. The Secretariat should take greater account of the need of Member States to study the reports carefully.

30. The concise summary (A/59/162), an essential tool for identifying common issues and deficiencies, gave a clear overview of the Board's most important recommendations and the European Union welcomed the progress made in the implementation of those recommendations. However, action must be taken on the recommendations that had not yet been implemented, especially those dating back to the biennium 1998-1999. It would be interesting to know how much money could have been saved if the recommendations had been implemented on time and why it had taken some programme managers five years or more to act on recommendations. A mandatory time frame for implementation, with clear accountability for managers, might be the way forward.

31. The European Union would welcome action on the recommendations concerning governance principles and best practices. The fact that none of the 16 financial reports mentioned performance in terms of organizational objectives, mandates or system-wide targets was an indication of the need for improvement. It was regrettable that the Secretary-General and the executive heads of the funds and programmes had not acted on the request contained in paragraph 6 of

resolution 57/278. A report on the matter must be issued in the near future.

32. The effectiveness of governance was closely linked to effective internal oversight, both at the system-wide level and within organizations, designed to create a culture of accountability. Unfortunately, the efforts of organizations to resort to Enterprise Resource Planning (ERP) systems were marred by serious implementation problems and ERP systems had not resolved the issues connected with inter-agency balances. There seemed, moreover, to be no system-wide coherence in the adaptation of ICT strategies. The Board was right to stress the need for increased inter-agency cooperation on ICT and to call for a system-wide review of the coordination of ICT efforts. The European Union would like to know what savings could already have been achieved on the direct expenditure of \$700 million on ICT in the previous biennium alone and how much frustration could have been prevented for the personnel having to deal with the various information technology systems. The Board was also right to stress that more resources needed to be allocated to information technology audits.

33. Serious attention should be given to the matter of unfunded end-of-service liabilities, the prevention of internal corruption and fraud, the management of non-expendable equipment, and procurement.

34. Turning to the individual reports, he said that UNDP, UNFPA and UNDCP seemed to have taken little heed of the Board's earlier recommendations and still did not have their accounts in order, even though they had been the subject of qualified audit opinions only four years previously and had received negative mentions two years previously. The issues highlighted in the concise summary were especially applicable to the three organizations.

35. The European Union was very concerned that the Board had been unable to express an opinion on the UNOPS financial statements. It would welcome comments from the Board, the Controller, the Advisory Committee and the Executive Director of UNOPS on whether the steps taken to correct the situation were sufficient. It would also welcome clarification of whether endorsement by the General Assembly of the Board's recommendations would constitute a sufficient basis for a renewed audit at the Assembly's current session so that the Board could form an opinion of the

financial statements of UNOPS for the biennium ended 31 December 2003.

36. **Mr. Repasch** (United States of America) said that the Board's lengthy and informative reports had not been issued in sufficient time for his delegation to analyse the findings and consult with Washington on them. What was now a chronic problem called for innovative thinking by the Committee, and suggestions from the Board would also be welcome. On the basis of an initial reading, the United States generally supported the conclusions of the Board and of the Advisory Committee and believed that the Committee should approve the reports.

37. His delegation noted with satisfaction that a number of bodies had made improvements since the previous biennium and had immediately accepted some of the Board's new recommendations. However, only 46 per cent of the recommendations made in the previous biennium had been fully implemented. Expeditious implementation of audit recommendations would help to ensure that management irregularities were both corrected and prevented from recurring.

38. Despite the Board's previous recommendation that the Office of Programme Planning, Budget and Accounts should close trust funds which were no longer required, 63 trust funds remained open with no expenditures in the current biennium, even though their combined reserves and fund balances had totalled \$54.1 million at the end of 2003. Comments from the Secretariat about its plans to address the issue would be welcome.

39. There was also a chronic problem in the presentation and disclosure of financial statements by United Nations organizations, owing partly to inconsistencies in accounting policies and financial reporting. His delegation would like to know what steps were being taken to rectify inappropriate practices and harmonize presentations. One area of particular concern was accounting for non-expendable equipment. The auditors had been unable to verify the values disclosed for UNDP, UNFPA, UN-Habitat and UNOPS owing to the breakdown in controls and unavailability of supporting evidence. It had issued "unqualified opinions with emphasis of matter paragraphs" for UNDP and UNFPA. His delegation agreed with the Advisory Committee that the lack of an amortization policy in most organizations might have contributed to the long-standing problem.

40. Because effective oversight was so critical for United Nations activities, the United States was concerned about the problems which the Board had identified in the Office of Internal Oversight Services (OIOS) and insisted that the Office should address them expeditiously. It would like to know whether the Board had examined other aspects of the OIOS mandate, including the question of whether its reports were submitted to the General Assembly unaltered by the Secretary-General. Poor financial management practices had exposed the organizations to unnecessary risks. Examples included the lack of cash flow forecasting by the United Nations Treasury and the lack of an investment policy for the sum of over \$375 million managed by the United Nations Office at Geneva. The Organization should promptly implement the necessary guidelines and procedures, as recommended by the Board. It would be interesting to know who had been held accountable for the serious management breach in Geneva.

41. The auditors had also been unable to give an opinion on the financial statements of UNOPS, whose severe financial problems were exacerbated by its inability to verify its financial position. In paragraph 47 of its report on UNOPS (A/59/5/Add.10), the Board noted that without a proper system to estimate the cost of the services being provided, UNOPS was exposed to the risk of accepting projects from which the resulting income might not contribute to the payment of the organization's fixed costs. His delegation noted the Advisory Committee's intention to look more closely at those issues early in 2005 but would like to know now what steps UNOPS was taking to ensure sound financial control.

42. The issue of the use of consultants, experts and temporary assistance defied correction year after year. The Department of Political Affairs and the United Nations Interregional Crime and Justice Research Institute had no selection criteria for consultants. At the Port-of-Spain Office of the Economic Commission for Latin America and the Caribbean (ECLAC) and the United Nations Conference on Trade and Development (UNCTAD), contracts for services were extended without formal evaluation of the work performed. At the Economic Commission for Europe (ECE) and the International Civil Service Commission (ICSC) meanwhile, terms of reference for consultants did not specify the outputs expected. Organizations must comply fully in that regard with the applicable rules

and the Board's recommendations. The United States would revert to the issue when the organizations concerned presented their budgets to the Committee in 2005.

43. Turning to specific issues, he noted that UNDP had had to charge UNDCP \$2.2 million for services rendered during previous reporting periods, and that UNDCP had recorded part of the overdue amount as extraordinary charges. His delegation was concerned that such an improper reporting system had been allowed to continue for so long and wondered what was being done to rectify it. In the United Nations Joint Staff Pension Fund, the key post of Director of the Investment Management Service had remained vacant from October 2003 to April 2004. Since OIOS had previously found serious management irregularities in the Service, the vacancy was inexcusable and his delegation would like to know who had been held accountable for the serious management lapses in the Service over many years. His delegation would take up under the appropriate agenda items the question of whether the war crimes tribunals would be able to complete their work by 2010. Some senior staff members of UNFPA had racked up travel costs of \$225,000 and he wondered what steps UNFPA had taken to curb such high expenditures. In UNEP, travel advances to "other persons" in the amount of \$82,208 had been outstanding for more than 20 months and he wondered what was being done to recover those receivables and to prevent a recurrence of the situation. For its part, UNHCR had not begun to address the General Assembly's request to examine its governance structures, principles and accountability.

44. Effective oversight as conducted by the Board could only make United Nations activities stronger and the Fifth Committee must do whatever was necessary to ensure that managers implemented the Board's recommendations expeditiously.

Agenda item 113: Scale of assessments for the apportionment of the expenses of the United Nations
(*continued*) (A/59/11 and A/59/67)

45. **Mr. Sessi** (Chairman of the Committee on Contributions), introducing the report of the Committee on Contributions (A/59/11), said that, at its sixty-fourth session, the Committee had considered 10 requests for exemption under Article 19 of the Charter of the United Nations. Its conclusions and recommendations thereon were contained in

chapter VII of its report. The text of that chapter had been transmitted to the General Assembly in June 2004, and the Fifth Committee had taken action on the matter at its 2nd meeting. A number of comments had been made concerning the observations of the Committee on Contributions on multi-year payment plans. In that connection, he recalled that the General Assembly, in its resolutions 57/4 B and 58/1 B, had endorsed the conclusions and recommendations of the Committee on Contributions concerning multi-year payment plans, as contained in its report on its activities at its sixty-second session (A/57/11, paras. 17 to 23). In considering requests for exemption under Article 19, the Committee on Contributions had been guided by its earlier conclusions and recommendations. For example, it had encouraged all Member States requesting exemption under Article 19 to consider submitting a multi-year payment plan, when possible (A/59/11, para. 38). In a number of specific cases, it had either noted the intention of Member States to submit a payment plan or encouraged them to consider doing so. In no case, however, had it linked submission of a payment plan to exemption under Article 19.

46. Pursuant to General Assembly resolution 58/1 B, the Committee on Contributions had undertaken an initial review of the methodology for the preparation of the scale of assessments drawing on past experience. It had concluded that, in many cases, changes in scale methodology had been a significant factor in scale-to-scale changes in Member States' rates of assessment in recent scales. In that context, it had agreed that, while the scale methodology should not be too rigid, any proposals for change should be seen in the light of its earlier conclusion that part of its mandate was to promote stability in the scale methodology. Concerning possible systematic criteria for deciding when market exchange rates (MERs) should be replaced with price-adjusted rates of exchange (PAREs) or other appropriate conversion rates for the preparation of the scale of assessments, it had decided to pursue its consideration of the matter at its sixty-fifth session on the basis of additional data from the Statistics Division. It had concluded that the revised method of calculating PAREs posed serious conceptual and practical problems and should not be considered further. It would review other elements of the scale methodology at its sixty-fifth session with a view to reaching preliminary conclusions concerning the methodology to be used for the preparation of the scale of assessments for the period 2007-2009 in order to assist

the General Assembly in considering that question at its sixtieth session. It would, of course, draw on any guidance provided by the Fifth Committee in the course of the debate.

47. The Committee on Contributions had continued its consideration of the criteria for ad hoc adjustments of the rates of assessment. It had noted that, over almost 60 years, there had been only a relatively limited number of appeals for a change of assessments and that changes in response to such appeals had been very rare. In that connection, it had recalled and reaffirmed its earlier conclusion that the circumstances surrounding requests for a change of assessments should be truly exceptional and extraordinary to warrant such a change. It had agreed that it would not therefore be feasible to elaborate standard criteria for considering future requests, which would have to be considered on a case-by-case basis.

48. In considering the status of multi-year payment plans, the Committee on Contributions had had before it the report of the Secretary-General on multi-year payment plans (A/59/67) and information on the status of implementation of payment plans as at 25 June 2004, which was reproduced in the table in chapter V of its report (A/59/11). The payment plans of Georgia and the Niger had not included provision for payments in 2003. The Republic of Moldova and Tajikistan were current with planned payments, while São Tome and Príncipe was not. By 25 June 2004, the Niger and Tajikistan had exceeded their scheduled payments for 2004, and Georgia had paid the full amount. The Government of the Central African Republic had indicated its intention to submit a payment plan. The Government of Guinea-Bissau was keeping the matter under consideration and would establish a payment plan as a matter of priority, once the situation in the country stabilized. While relatively few payment plans had been submitted and implementation had been uneven, the Committee on Contributions had reaffirmed its earlier conclusion that they were a useful tool for reducing Member States' unpaid assessments and a way for them to demonstrate their commitment to meeting their financial obligations to the United Nations.

49. With regard to measures to encourage the payment of arrears, the Committee on Contributions had been provided with information on measures used by other organizations of the United Nations system, which was summarized in annex I to its report

(A/59/11). A number of the measures it had previously contemplated would be tied to timely payment of assessed contributions. It had therefore concluded that it might be prudent to fix the deadline for timely payment from the date of issuance of the assessments, rather than from the date of their receipt, as was currently provided for, and to extend the deadline from 30 to 35 days. It had reaffirmed that conclusion and a draft amendment to the relevant financial regulation had been included in annex II to its report for consideration by the General Assembly.

50. The Committee on Contributions had noted that, since separate accounts were maintained for the regular budget, the two international tribunals and each of the peacekeeping operations, Member States might have outstanding assessments in some accounts and credit balances in others. It had therefore recommended that the General Assembly should encourage Member States in that position to authorize the Secretariat to apply the credits to the amounts outstanding so as to reduce the overall level of outstanding assessed contributions. In addition, it had decided to continue its consideration of the proposal that only Member States current with their financial obligations to the United Nations should receive a credit in respect of budgetary surpluses. It would also consider further the idea of a composite approach, whereby penalties or incentives would be applied depending on the date of receipt of assessed contributions. It had agreed that its conclusion that interest on arrears should only be applied to arrears arising after the adoption of the related decision should also apply to any other similar measures that the Assembly might adopt. It had considered a wide variety of other measures to encourage payment of arrears (A/59/11, para. 28). However, it had decided not to consider those proposals further without more specific guidance from the Assembly.

51. As at 25 June 2004, 16 Member States had been in arrears in the payment of their assessed contributions under the terms of Article 19 of the Charter. He was pleased to note that three Member States, Benin, Cape Verde and Mauritania, had subsequently paid the amount necessary for the restoration of their vote in the General Assembly. In its resolution 59/1, the Assembly had decided that 11 Member States would be permitted to vote until 30 June 2005. Accordingly, two Member States, Chad and Malawi, currently had no vote in the Assembly. Lastly, he noted that, in 2003, the Secretary-General

had accepted the equivalent of \$2 million from four Member States in non-United States dollar currencies acceptable to the Organization.

52. **Mr. Halbwachs** (Controller) introduced the report of the Secretary-General on multi-year payment plans (A/59/67), which was submitted pursuant to General Assembly resolutions 57/4 B and 58/1 B and contained information on the status of implementation of the payment plans of Georgia, the Niger, the Republic of Moldova, São Tome and Príncipe and Tajikistan as at 31 December 2003. Updated data was provided in the report of the Committee on Contributions (A/59/11).

53. **Mr. Zellenrath** (Netherlands), speaking on behalf of the European Union, the candidate countries (Bulgaria, Croatia, Romania and Turkey), the stabilization and association process countries (Albania, Bosnia and Herzegovina, Serbia and Montenegro and the former Yugoslav Republic of Macedonia) and, in addition, Iceland and Norway, endorsed the observations and recommendations contained in the two reports just introduced. Two major factors determined the financial health of the United Nations system, namely, proper management of resources by the organizations and provision of predictable financial contributions by Member States. Member States should therefore adhere to the rules they set for themselves and pay their assessed contributions in full, on time and without conditions. While the European Union recognized that circumstances might prevent that, it nevertheless expected Member States to demonstrate their commitment to honour their obligations and reduce their arrears over time by submitting multi-year payment plans and striving to implement them. It believed that submission of such plans should be a precondition for the granting of exemptions under Article 19 of the Charter.

54. **Mr. Renault** (Brazil), speaking on behalf of the Rio Group, said that the Group acknowledged the work of the Committee on Contributions in its capacity as an independent technical organ of the General Assembly. He trusted that, in considering the methodology for the preparation of the scale of assessments for the period 2007-2009, it would take account of the adverse effects of the current methodology on developing countries. It should carefully review the situation of countries that had experienced substantial increases in their assessed contributions and make proposals for correcting those

distortions. He noted that the States members of the Rio Group had experienced the largest increase in assessments since 2000. The new methodology should also take account of the external debt burden of States. Multi-year payment plans were and should remain voluntary and should not be linked to the granting of exemptions under Article 19 of the Charter. Measures to encourage the payment of arrears should be positive, rather than punitive, in nature. In that context, the Group welcomed the recommendation contained in paragraph 32 of the report of the Committee on Contributions (A/59/11).

55. **Mr. Terzi** (Turkey) said that, if the United Nations was to achieve its important and urgent goals, Member States must provide it with a stable and predictable cash flow. The creation and maintenance of a dynamic database, in close cooperation with Member States, would enable ad hoc adjustments to the rates of assessment to be made consistently and in conformity with the principles of transparency and objectivity. Efforts to establish clear-cut criteria for such adjustments should continue. Concerning the methodology for future scales of assessments, the time lag between the base period and the scale period should be reduced so that the most up-to-date data was used and the scale better reflected Member States' capacity to pay. Economic data should be collected on a continuous basis in order to facilitate ad hoc adjustments. Lastly, his delegation agreed that multi-year payment plans were a useful tool for reducing Member States' unpaid assessments and a way for them to demonstrate their commitment to meeting their financial obligations to the United Nations.

Other matters

56. **Mr. Elnaggar** (Egypt) said that delegates wishing to gain access to the Headquarters building by motor vehicle had experienced long delays because of bottlenecks at the garage entrance. He asked whether the Administration was contemplating measures to reduce the delays, including the deployment of additional security officers to perform vehicle security checks.

57. **The Chairman** said that the Secretariat officials responsible would reply to those questions at the Committee's next formal meeting.

The meeting rose at 12.15 p.m.