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FINANCING OF THE UNITED NATIONS PEACE-KEEPING FORCES IN THE MIDDLE EAST

FINANCING OF THE UNITED NATIONS IRAN-IRAQ MILITARY OBSERVER GROUP

ADMINISTRATIVE AND BUDGETARY ASPECTS OF THE FINANCING OF UNITED NATIONS PEACE-KEEPING OPERATIONS

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee *on* Administrative and Budgetary Questions has considered the reports of the Secretary-General on the administrative and budgetary aspects of the financing of the United Nations peace-keeping operations (A/44/605) and voluntary contributions of supplies and ~~services~~ (A/44/624). The Committee also ~~had~~ before it the reports of the Secretary-General on the review of the background and development of reimbursement to Member States contributing troops to peace-keeping operations (A/44/605/Add.1); the composition of the ~~existing~~ groups of Member States for the apportionment of the costs of peace-keeping operations financed through assessed contributions (A/44/605/Add.2) and the review of the rates of reimbursement to the Governments of troop-contributing States (A/44/500). During its consideration of these reports, the Advisory Committee met with representatives of the Secretary-General who provided additional information. In addition, the Committee took into account the statement submitted by the Secretary-General (A/C.5/44/23) on the programme budget implications of draft resolution A/SPC/44/L. 6 and Corr. 1, on the comprehensive review of the whole question of peace-keeping operations in all their aspects, which will be reported on separately by the Advisory Committee.

2. During its session in the spring of 1989, the Advisory Committee on Administrative and Budgetary Questions visited a number of peace-keeping operations, as follows : the United Nations Peace-keeping Force in Cyprus

(UNFICYP), the United Nations Truce Supervision Organisation in Palestine (UNTSO), the United Nations Disengagement Observer Force (UNDOF) and the United Nations Interim Force in Lebanon (UNIFIL). The visit afforded the Committee an opportunity to see first hand the functioning of the peace-keeping operations, as well as to observe actual conditions in the field. The Advisory Committee held discussions with the Force Commanders as well as with key administrative personnel. The information obtained during the visit was most helpful to the Committee in its consideration of the reports of the Secretary-General and will also be borne in mind during the Committee's consideration of future reports of the Secretary-General including those concerning UNIFIL, UNDOF, the United Nations Iran-Iraq Military Observer Group (UNIIMOG), the United Nations Angola Verification Mission (UNAVEM) and the United Nations Transition Assistance Group (UNTAG).

**A. ~~Administrative and budgetary aspects of the financing of~~
United Nations peace-keeping operations (A/44/605)**

3. As indicated in its first paragraph, the report of the Secretary-General was prepared in response to the requests of the General Assembly contained in resolution 42/230 of 21 December 1988. In the context of their relationship to peace-keeping operations, the report addresses the issues of economies of scale (paras. 8-27 of the report), civilian personnel provided by Governments (paras. 28-35), start-up problems (paras. 36-46) and the establishment of a reserve stock of equipment and supply items (paras. 47-53).

4. The Advisory Committee notes from paragraph 3 of the report that the General Assembly, in its resolution 43/59 A of 6 December 1988, urged the Special Committee on Peace-keeping Operations to "continue its efforts for a comprehensive review of the whole question of peace-keeping operations in all their aspects with a view to strengthening the role of the United Nations in this field". The Advisory Committee understands that the report of the Special Committee (A/44/301) is being considered by the Special Political Committee. The Advisory Committee also notes that the Secretary-General does not consider his report to constitute "a response to, or comment on the report of the Special Committee". In this connection, the Advisory Committee points out that the consideration of this matter by it and by the Fifth Committee does not constitute a duplication of effort but is instead mutually complementary (see paras. 9, 19 and 21 below),

5. Paragraphs 4 to 7 of the report of the Secretary-General provide background information on the United Nations operations. Although aware of the differing nature of these operations, the Advisory Committee will, for reasons of simplicity, refer to them collectively as peace-keeping operations, as has been done in the report of the Secretary-General.

6. The Advisory Committee notes from paragraph 6 and the charts of figure 2 of the report; that the largest portion of expenditure for peace-keeping operations relates to military personnel and that this has not been addressed in the present report. Under the circumstances, the Advisory Committee is not now in a position to present an opinion on this aspect of peace-keeping operations. However, the Advisory Committee may, within its mandate and taking into account the experience

gained during its visit to the peace-keeping operations, examine this aspect in the context of its consideration of future requirements for individual peace-keeping operations. The Advisory Committee also notes a rapid increase in the share represented by civilian personnel. The related comments of the Advisory Committee are provided in paragraphs 14 and 15 below.

7. In paragraph 5 of the report, the Secretary-General outlines the division of responsibility within the Secretariat for the day-to-day direction and support of peace-keeping operations. The Advisory Committee notes that the Office for Special Political Affairs and the Department of Administration and Management, including the Office of Human Resources Management, the Office of General Services (Field Operations Division, Commercial, Purchase and Transportation Service, and Telecommunications Service) and the Office of Programme Planning, Budget and Finance (Unit for Peace-Keeping Matters and Special Assignments), exercise various responsibilities.

8. The Advisory Committee has observed the need for greater co-ordination among the various Secretariat units involved in preparing for and managing peace-keeping operations. The Advisory Committee understands that a review of arrangements in the Secretariat for dealing with peace-keeping operations is currently under way and that the Secretary-General intends to report on this matter to the General Assembly at its forty-fourth session. In addition to any organizational and staffing changes that the Secretary-General may propose to improve co-ordination, the Advisory Committee recommends that a study be made of the feasibility of establishing a Secretariat planning and monitoring group. The group would consist of staff drawn from each of the Secretariat units concerned with start-up and ongoing management of peace-keeping operations. A major responsibility of this planning and monitoring group would be to assist the Secretary-General in forward planning for peace-keeping. The planning would cover political, logistic, budgetary and financial issues, and would be without prejudice to such decisions as may be forthcoming from the appropriate legislative organ.

9. In addition to its other responsibilities, the group would also assist the Secretary-General to co-ordinate the carrying out of the work called for in the draft resolution adopted by the Special Political Committee in document A/SPC/44/L.6 and Corr.1 and referred to in paragraph 8 of the Secretary-General's related statement (A/C. 5/44/23).

10. The existence of forward plans together with the measures recommended by the Special Political Committee would greatly facilitate the start-up of peace-keeping operations once approved by the appropriate legislative organ. Moreover, the existence of such a Secretariat planning group should improve co-ordination in managing ongoing operations.

11. Paragraphs 8 to 27 of the report of the Secretary-General address the issue of whether economies of scale could be achieved if the procurement requirements of the different peace-keeping operations were consolidated. The Advisory Committee notes from paragraph 9 of the report that a certain number of items, such as contingent-owned equipment supplied by troop-contributing countries, rental of premises in the mission location, rental of aircraft and so on, do not lend themselves to considerations of economies of scale.

12. In subsequent paragraphs of the report, the Secretary-General discusses the purchase of those items which could lend themselves to considerations of economies of scale such as motor vehicles (paras. 11-14), communicationa equipment (paras. 15 and 16), other equipment items such as accommodation structures, observation equipment, workshop and maintenance equipment, office furniture and office equipment (paras. 17-22), and other supply items such as petrol, oil and lubricants, stationery and office supplies, miscellaneous supplies and uniforms (paras. 22-27).

13. The Advisory Committee takes note of and is in general agreement with the observations and considerations expressed by the Secretary-General in paragraph 10 of his report. The Advisory Committee also takes note of the statement in paragraph 8 that "although quantity discounting is not applicable to the majority of commodities procured for peace-keeping operations, the procedures currently used achieve similar cost benefits using different means". In addition, in the opinion of the Advisory Committee, the more time and flexibility the Secretary-General has to prepare for an operation, the greater the possibilities will be to obtain and utilise standard equipment and to achieve economies of scale. The question of economies of scale is thus closely linked with the problems of start-up costs discuaaed by the Secretary-General in paragrapha 36 to 45 of his report. The related comments of the Advisory Committee are contained in paragraphs 16 to 26 below. In addition, closer administrative co-ordination between existing peace-keeping operations should help to ensure that the greatest economies are achieved.

14. The question of civilian personnel provided by Governments is discussed in paragraphs 28 to 35 of the report of the Secretary-General. As indicated in paragraph 29, a number of areas have been identified by the Secretary-General where it might be possible to utilize civilian personnel provided by Governments in peace-keeping operations. The Secretary-General cautions, however, that before such civilian personnel can be utilised, a number of administrative issues, such as those outlined in paragraph 34 of the report, would need to be resolved. In addition, as indicated in paragraph 33 of the report;

"A fundamental principle of peace-keeping is that the operations must not interfere in the internal affairs of the host country or countries and must be totally impartial ... Governments would thus be expected to accept that the civilian personnel that they offer would be under the operational command of the United Nations".

The Secretary-General's observations in paragraphs 7 and 39 (d) indicate the urgent need for Member States to provide civilian personnel in order to overcome the difficulty the Organization is facing in obtaining the services of technical personnel required for new missions.

15. The Advisory Committee believes that the use of civilian personnel would allow for a wider participation in peace-keeping operations by Member States who would not otherwise be in a position to provide military contingents to the United Nations. However, since this is a new area for the United Nations, a number of practical considerations would need to be addressed in addition to those pointed

out by the Secretary-General. These include, but are not limited to, the question of whether Governments that provide civilians should be reimbursed; the contractual status of such personnel; the integration of such staff in the framework of an operation; and the avoidance of duplication of functions with personnel connected with the military contingents. The Advisory Committee received information about instances of civilian participation in UNTAG. The Advisory Committee recommends that standard administrative procedures be established to govern the provision of civilian personnel in peace-keeping operations as proposed in paragraph 34 of the report of the Secretary-General. These procedures should be consistent with existing rules and practices. With regard to paragraph 32 of the report, the Advisory Committee notes that the Secretariat interprets use of the word "proficient" to mean "working knowledge"; as such, language requirements should be flexibly applied with a view to the exigencies of the situation, so as to enable the widest participation of Member States.

16. The start-up problems faced by the Secretary-General when establishing a new peace-keeping operation are discussed in paragraphs 36 to 40 of his report.

17. As indicated in paragraph 37 of the report:

"The United Nations Secretariat cannot enter into financial commitments regarding the start-up costs of a new peace-keeping operation until it receives the appropriate legislative authority and the resources to do so. This means that, in addition to receiving legislative authority from the Security Council and an appropriation or financial commitment authorization from the General Assembly, there must be an immediate availability of substantial funds through the payment of either assessed or voluntary contributions".

Additional constraints, as indicated in paragraph 39, include (a) a lack of alternative financial resources; (b) a lack of various equipment and store items to meet immediate operational requirements; (c) a lack of data regarding the number of troops and type of equipment that can be provided by Governments and the time required to mobilize such troops; and (d) a shortage of sufficiently trained and experienced United Nations staff with technical skills required in peace-keeping operations.

18. In paragraph 42 of his report, the Secretary-General outlines the general categories of start-up problems for a new peace-keeping mission and in paragraph 43 he suggests a number of modifications to current procedures that might resolve some of these start-up problems,

19. In paragraph 43(a), the Secretary-General proposes that expert assistance be obtained "for the development of techniques, systems and procedures that would enhance the ability of the Secretariat, to develop and modify logistics and administrative support plans for prospective new operations, including their translation into cost estimates and subsequent plans for execution or deployment". The Advisory Committee welcomes this proposal and believes that the lessons learned could be applied by the forward planning group, which is referred to in paragraph A above.

20. In paragraph 43 (b) the Secretary-General proposes the establishment of a **reserve** stock of United Nations-owned equipment and supply items. The comments of the Advisory Committee in this regard are contained in paragraphs 27 and 28 below.

21. Paragraph 43 (c) proposes that **Member** States develop and maintain an inventory of resources, including personnel, matériel, equipment, transport and other supplies and services, that would be available to the United Nations for peace-keeping operations. Paragraph 43 (d) proposes the development, introduction and maintenance of in-house audio-visual staff training programmes for all categories of United Nations staff members. Paragraph 43 (e) proposes a similar programme for military staff officers at the headquarters of a peace-keeping operation and paragraph 43 (f) recommends execution of status-of-forces agreements. These proposals are closely related to the requests contained in operative paragraphs 3, 6, 10 and 11 of the draft resolution contained in document **A/SPC/44/L.6**. (The report of the Special Committee is contained in document A/44/301.)

22. In addition to the measures recommended in paragraph 43 of the report of the Secretary-General, the Advisory Committee agrees with the observations of the Secretary-General concerning the procurement process in times of urgent need (**para. 42 (c)** of the report of the Secretary-General), **on** the understanding that exceptions to calling for bids or proposals in the award of contracts be made within the discretionary power of the Secretary-General defined in financial regulation 10.5 and rule 110.19. Greater flexibility in procurement procedures should also alleviate some of the difficulties in physically moving personnel, equipment and stores into a new mission area (**para. 42 (e)**). Timely response by the United Nations to urgent requirements **could** be facilitated by proper planning. Development of plans could also lead to arrangements or understandings with manufacturers and suppliers to shorten lead times for the delivery of equipment and stores (**para. 42 (d)**). These plans may also cover the possible contribution of staff from other United Nations agencies and organisations, including specialists, in order to supplement the skills available in the United Nations and to alleviate the shortages of staff available for peace-keeping operations.

23. In paragraph 45 of his report, the Secretary-General outlines the factors that will have an effect on the amount of funds required to deploy a new peace-keeping operation. In order to have funds on hand to meet pre-implementation and other immediate costs, the Secretary-General makes two proposals:

(a) The expansion of the Working Capital Fund by an amount of \$100 million (see **paras. 46 and 55 (a) (i)** of his report):

(b) In respect of unforeseen and extraordinary expenses, an increase in the levels of commitment authority provided to the Secretary-General from \$2 million to \$5 million and to the Advisory Committee on Administrative and Budgetary Questions from \$10 million to \$20 million (see **paras. 46 and 55 (a) (ii)**).

24. With respect to the Working Capital Fund, the Advisory Committee, in its report on the financial situation of the United Nations to the fortieth session of the General Assembly (A/40/831, **para. 9**), had **recalled**:

"that the Fund was last raised in 1982 from \$41 million to \$100 million (General Assembly resolution 36/116 B). The Committee notes from paragraph 11 of the Secretary-General's report that just prior to that increase the level of the Fund represented 6 per cent of appropriations. It is indicated in paragraph 12 of the report that 'when the Working Capital Fund was increased to \$100 million in 1982, it then represented 13.2 per cent of the appropriations for that year. At present, the Working Capital Fund, still at a level of \$100 million, equals 12.2 per cent of the appropriation for 1985'".

25. A similar analysis for 1989 indicates a percentage of 11.1 per cent of the appropriations for the regular budget. However, the Advisory Committee points out that appropriations for peace-keeping, which were at a level of \$114,091,000 for 1985, are projected at \$765,052,000 for 1989. Taken together, the existing level of the Working Capital Fund as a percentage of the combined regular budget and peace-keeping appropriations for 1985 amounts to 10.7 per cent, the comparable figure for 1989 is 6.0 per cent. Under the circumstances, the Advisory Committee believes that the time has come to consider an increase of the Working Capital Fund. The Advisory Committee understands that the Secretary-General will reiterate and substantiate his proposal to increase the level of the Working Capital Fund in the context of his forthcoming report on the financial emergency. The Advisory Committee is of the opinion that the report should also contain an indication of options for financing this increase. The Advisory Committee, after receiving the report of the Secretary-General, will submit definitive recommendations on an increase in the Working Capital Fund, the actual level of such an increase and the means of financing.

26. With regard to the Secretary-General's second proposal, the Advisory Committee agrees in principle that in respect of unforeseen and extraordinary expenses the levels of commitment authority provided to it should be increased. In paragraph 79 of its first report on the proposed programme budget for 1990-1991, 1/ the Advisory Committee stated its belief that the time had come for a re-examination of the General Assembly resolution on unforeseen and extraordinary expenses. The Committee requested that it be provided with an analysis of the resolution to facilitate such recommendations as it might make regarding the resolution on unforeseen and extraordinary expenses for 1990-1991 to be considered by the General Assembly at its forty-fourth session. The Committee intends to revert to the matter upon receipt of this analysis and to report to the General Assembly thereon.

27. In paragraphs 47 to 53 of his report, the Secretary-General discusses the feasibility and cost effectiveness of a reserve stock of equipment and supply items for United Nations peace-keeping activities. The Secretary-General proposes that a reserve stock should be maintained sufficient to "equip two peace-keeping infantry battalions and their supporting logistic elements, including provision for the administrative component and a global-link communications capability" (para. 47). To this end, the Secretary-General indicates in paragraph 53 that an amount of \$15 million would be required.

28. The Advisory Committee does not believe that the Secretary-General has adequately addressed the question of the costs involved in the establishment of this reserve stock, including the locations for such stock, the physical facilities

of storing such stock, and its maintenance and management, In view of the foregoing, and of what is discussed in paragraph 43 (c) of the report of the Secretary-General (see para. 21 above), the Advisory Committee requests the Secretary-General to develop the idea further for future consideration,

B. Review of the rates of reimbursement to the Governments of troop-contributing States (A/44/500)

29. In paragraph 1 of his report on this subject, the Secretary-General indicated that the report was submitted in accordance with the request of the General Assembly in its resolution 42/224 of 21 December 1987. In that resolution, the General Assembly requested the Secretary-General to carry out a review of the rates of reimbursement, in consultation with the troop-contributing States, if in his view inflation and currency-exchange fluctuations or other factors had appreciably affected the absorption factor of two or more of the troop-contributing States. According to paragraph 8 of the report of the Secretary-General, cost data relative to the rates of reimbursement was requested from 13 troop-contributing States. Replies were received from nine States only, one of which submitted data that could not be included in the review,

30. The Secretary-General indicates in paragraph 11 that "owing to the incompleteness of the data received and utilized for the present review and the consequent inability to reflect the cost experience of all 13 troop-contributors, a realistic basis does not exist for recommending a revision in the current rates",

31. The Advisory Committee believes that the lack of information available to the Secretary-General is a matter for concern and trusts that in the future ways and means will be found to remedy this deficiency,

C. Voluntary contributions of supplies and services (A/44/624)

32. As indicated by the Secretary-General (A/44/624, para. 1), his report on this subject was prepared in response to General Assembly resolution 43/230 of 21 December 1988 and presents technical guidelines relating to the treatment and valuation of voluntary contributions in the form of supplies and services as either (a) outright grants (A/44/624, annex I, paras. 1-18) or (b) in the form of advances (ibid., paras. 19-33).

33. With respect to voluntary contributions as outright grants, according to paragraph 4 of annex I, the Secretary-General indicates that these may be defined as contributions of goods and services of forced to and accepted by the Secretary-General in respect of which no compensation or reimbursement is required to be made by the United Nations. The Secretary-General has excluded from this category the costs of facilities that Member States in whose countries United Nations peace-keeping operations are located have agreed to provide. The Secretary-General categorizes these as "counterpart contributions". The Advisory Committee agrees that facilities provided by such Member States, such as office and residential accommodation, office furniture, vehicles or air transportation, are

not voluntary contribution *per se*, since there is *an* implicit obligation on the part of the State where the operation takes place to *facilitate* its functioning. That being *said*, such contributions, however, are not "counterpart" contributions, which is a term *used* in connection with technical co-operation activities.

34. In paragraph 5 to 10 of his report, the Secretary-General describes the factors involved in assessing the acceptability of a voluntary contribution. The Advisory Committee *notes* from paragraph 6 that the determination of acceptability of a voluntary contribution rests with the Secretary-General. As indicated in paragraph 8, however, in accordance with financial regulation 107.7 any voluntary contribution that directly or indirectly involves financial liability for the Organization *may* be accepted only with the approval of the General Assembly.

35. The relationship to the budget of voluntary contributions *in kind* is discussed in paragraphs 11 and 12 of the report. The Advisory Committee inquired further as to how such contributions would impact on budget *performance* and under what circumstances such calculations might eventually reduce the total amount *assessed* on Member States. The Advisory Committee was informed that, in the view of the Secretary-General, voluntary contributions provided to the United Nations for a peace-keeping operation *as* outright *grants*, in the context of General Assembly resolution 43/230, should be considered income to be credited to the special account *established* for the operation and should be taken into account in calculating the total amount to be *assessed* on Member States. The Advisory Committee was further informed that the application of such credit would be *considered* only in terms of future mandate periods of the operation. Contributions would be reported by the Secretary-General to the General Assembly in his report on the *financing* of the operation and would include a proposal, through the Advisory Committee, *as* to when and to what extent such voluntary contributions could be deducted from the total amount to be assessed on Member States. According to the Secretary-General, such a proposal would take into account the *status* of collection of assessed contributions and the legal obligations of the peace-keeping operation.

36. The Advisory Committee was further informed that, in the view of the Secretary-General, reduction of overall *assessments* *as* a result of voluntary contributions could only be applied when income from the voluntary contributions exceeded the unpaid *assessed* contributions for the operation.

37. Moreover, according to the Secretary-General, the extent to which reduction of assessment could be applied *against* future mandate periods must take into consideration the pattern of payment by Member States of the assessed contributions for the operation, particularly during the first 30 to 60 days after the renewal of the mandate of the operation, *as* it would be necessary to have a certain level of reserve to meet the day-to-day operating cost pending receipt of the early amounts of assessed contributions from Governments.

38. In paragraphs 14 to 18, the Secretary-General discusses the accounting that will be used for these voluntary contributions. The Secretary-General indicates, *inter alia*, that (a) where a voluntary contribution *in kind* is made *as* a grant, in respect of supplies and services and for which there is no budgetary provision, no accounting entry will be made, but the amount of the contribution will be reflected

in a footnote to the *financial statements*; (b) for those items included in the budget, they will be recorded as income under the heading of "voluntary contributions" at the level at which the supplies *and* services have been budgeted; they will be recorded in the accounts only at the time of delivery of supplies or commencement of services. The Advisory Committee concurs in this proposal.

39. With regard to the question of voluntary contributions in the form of advances (paras. 19-33), the Secretary-General states in paragraph 20 that there are two categories; (a) when supplies and services are provided to the United Nations on the understanding that the Organization will in due course reimburse the donor in the form of a cash payment; and (b) when equipment and supplies are loaned to the United Nations that are to be returned to the donor in due course,

40. In relation to the former case, while such contributions are of great assistance to peace-keeping operations, the Advisory Committee is of the view that the term "voluntary contribution" is a misnomer, since this is an advance pure and simple. As indicated in paragraph 31:

"Contributions in kind intended as advances *against* eventual reimbursement in cash shall be recorded in the accounts at the time that delivery of the supplies and services is begun. At that time, the value of the contribution shall be shown as an expenditure against the appropriate budgetary account. It will also be shown in the balance sheet as a liability reflecting the amount that shall, in due course, be refunded to the donor".

41. With regard to the second case, the Advisory Committee understands that this is a loan of equipment or services that will be returned when the mission is over. The Advisory Committee takes note of the Secretary-general's statement in paragraph 33 of the report that:

"For accounting purposes, it is intended that only the expected net economic value of the loan to the United Nations should be reflected in the accounts ... A short-term loan should be recorded as income and expenditure only to the extent of the difference between the budgeted valuation at the time of the loan and the expected valuation at the time it is to be returned".

Notes

1/ Official Records of the General Assembly, Forty-fourth Session, Supplement No. 7 (A/44/7).