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Chairman: Mr. Sharma (Nepal)
*Chairman of the Advisory Committee on Administrative
and Budgetary Questions:* Mr. Mselle

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The meeting was called to order at 10.15 a.m.

Agenda item 114: Improving the financial situation of the United Nations (*continued*)

Statement by the Under-Secretary-General for Management

1. **Ms. Bertini** (Under-Secretary-General for Management), presenting an end-of-year review of the financial situation of the United Nations and projections for 2003, said that adequate financing of the Organization remained one of the Secretary-General's most important concerns. For the United Nations, an adequate financial base was defined in terms of three indicators: cash on hand; levels of assessment and the amount paid; and debt owed to Member States.

2. Overall, 2002 had been a good year continuing the progress of the previous few years. Total combined cash at year-end had been the highest in seven years, \$1,397 million compared with \$1,326 million in 2001. Unpaid assessments, although still substantial, had been at their lowest level in seven years, \$1,684 million as against \$2,106 million in 2001. Debt owed to Member States had been reduced to \$701 million compared with \$748 million in 2001, again the lowest figure in seven years.

3. The higher available cash at year-end had been the result of a higher than projected level of payments. In 2002, receipts had totalled over \$4 billion or around 112 per cent of the amount assessed. Similar reductions of unpaid assessments had been recorded in each of the previous seven years, except in 2000. Regular budget cash, forecast to be at the zero level, had stood at \$35 million. The higher amount had been the result of lower net disbursements, payments from the United States, Brazil and Argentina having been smaller than anticipated and fewer States having paid their yearly assessments in full. Peacekeeping cash had totalled \$1,363 million, slightly higher than in 2001, despite larger disbursements and greater paydown of debt to Member States. As for the two tribunals, the year had ended in a negative \$1 million cash position. Moreover, the trends were worrisome: cash levels were slipping a little more each year, forcing the Administration to cross-borrow from closed peacekeeping missions, and unpaid assessments were not going down.

4. Aggregate assessments had totalled \$3.6 billion in 2002 compared with \$4.3 billion in 2001. The regular budget assessment had been \$1,149 million, a slight increase from previous years. Peacekeeping assessments issued in 2002 had amounted to \$2,284 million, significantly lower than the \$3,041 million assessed in 2001; that had been due in large part to uncertainty about the effective rates of assessment for peacekeeping in 2003, owing to the admission of two new Member States and to the review of the assessment rates of two other Members. As a result, assessments covering periods after 31 December 2002, which would otherwise have been issued in 2002, had been deferred until the beginning of 2003. Assessments for the tribunals had increased by \$20 million to a total of \$199 million.

5. Only 117 Member States had paid their regular budget contributions in full in 2002; that was a serious setback in the progress achieved between 1994, when a mere 75 Member States had paid in full, and 2000, when 141 had done so. Moreover, the amount unpaid was increasing, having remained stable from 1999 to 2001. Of the Member States not fully paid up at the end of 2002, the United States owed \$190 million or 62 per cent, Brazil \$37 million or 12 per cent, and Argentina \$30 million or 10 per cent; \$48 million or 16 per cent was owed by 69 other Member States for a total outstanding amount of \$305 million.

6. Peacekeeping arrears provided a more positive picture. The amount owed, \$1,335 million, was the lowest in many years. The breakdown of unpaid assessments showed that the United States owed \$536 million or 40 per cent, nine of the 14 other major contributors owed a total of \$494 million or 37 per cent, and 161 others owed a total of \$305 million or 23 per cent.

7. Arrears for the two tribunals had totalled \$43 million at the end of 2002, the same amount as in 2001. While 133 Member States had had unpaid assessments, five of them, namely, Argentina, Brazil, the Republic of Korea, the Russian Federation and the United States, had accounted for around 84 per cent of the total.

8. In summary, although the aggregate level of unpaid contributions had decreased dramatically, the remaining arrearage was concentrated in a few Member States. She was pleased to note, however, that 23 Member States — Angola, Australia, Botswana, Cameroon, Canada, the Czech Republic, Denmark,

Finland, France, Ireland, Kuwait, Latvia, Lithuania, Madagascar, Monaco, Norway, the Seychelles, Sierra Leone, Singapore, South Africa, Sweden, Tuvalu and the United Kingdom — had paid their assessments in full as at 31 December 2002.

9. Determining the amount of debt owed to Member States was not a simple exercise, since the status of the certification claims submitted by troop-contributing countries must be taken into account. As at 1 January 2002, the Organization had owed \$748 million, most of which had related to contingent-owned equipment. By year-end, debt to Member States had stood at \$703 million. During 2002, there had been substantial progress in paying down troop debt and, to a lesser extent, amounts owed for contingent-owned equipment. Overall, the Organization had paid down \$745 million, roughly equivalent to the debt level at the beginning of 2002.

10. With regard to the financial situation in 2003, cash collections for the regular budget were somewhat better than in 2002. As at 30 April 2003, 76 Member States had paid in full compared with only 70 in 2002. The amount of payments received in the first four months of the year had also increased, from \$417 million in 2002 to \$635 million in 2003. In 1997, 1998 and 2000, the Organization had experienced deep regular budget cash deficits from mid-year to year-end. The figures for 1999, 2001 and 2002 showed steady progress in that area, with earlier payments from a number of Member States and fewer Members holding back assessed contributions. The projections for 2003 maintained that positive trend, with only the month of November currently forecast to be in deficit; that was due to uncertainties about the timing of some major contributions expected during the last quarter of the year, including that of the United States. Nevertheless, the Organization was expected to end the year with a positive regular budget cash balance currently estimated at \$44 million.

11. Peacekeeping assessments for 2003 were projected to total \$2.1 billion, \$100 million less than 2002. A corresponding reduction in receipts, along with the Organization's continuing commitment to paying down debt to Member States, was forecast to reduce available peacekeeping cash to \$929 million, comprising \$427 million in active missions, \$339 million in inactive missions and \$163 million in the peacekeeping reserve fund. There were significant restrictions on the use of those funds. The General

Assembly had decided that there should be no borrowing from active missions, while resolution 47/217 provided that the peacekeeping reserve fund might be used only for the requirements of new or expanded peacekeeping operations pending the collection of assessed contributions. Thus, only the \$339 million in inactive missions could be drawn on to meet temporary cash shortfalls in other accounts. Of that amount, \$169 million was included in performance reports under consideration at the current part of the resumed session. If that sum were returned to Member States, only \$170 million would be available for cross-borrowing. The Secretary-General was therefore proposing that the application of the relevant financial regulations and rules should be suspended and that the \$169 million should be retained so that the Organization could retain a degree of flexibility until the financial situation improved.

12. Tribunal cash availability was based on an assessment level of \$217 million for 2003. Since the tribunals had begun the year with a negative cash balance, it had been necessary to borrow from closed peacekeeping missions in January. However, cash availability in 2003 was forecast to even out, with a positive balance of \$3 million at year-end.

13. Combined cash at year-end, including the regular budget, peacekeeping, the two tribunals and, for the first time, the capital master plan, was expected to total \$990 million, a significant reduction from the high of \$1,397 million recorded at the end of 2002. Further information on capital master plan cash would be provided in the next update on the financial situation towards the end of the year.

14. Continued progress was anticipated in 2003 in the payment of debt owed to Member States. The Organization expected to be able to pay some \$939 million in certified troop and contingent-owned equipment claims. Thus, with additional claims projected to amount to \$731 million, there should be a significant lowering of debt by year-end, with the amount owed expected to be \$495 million — \$129 million for troops and only \$366 million for contingent-owned equipment.

15. She hoped that all 191 Member States would pay their assessed contributions on time in 2003. If States did pay late in the year, she trusted that they would expedite their payments and that, in all cases, full payment would be made by year-end. It was up to

Member States to maintain the progress that had been made in recent years.

Agenda item 126: Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations (*continued*) (A/57/723, A/57/746 and A/57/772)

16. **Ms. Afifi** (Morocco), speaking on behalf of the Group of 77 and China, said that peacekeeping was an important function of the United Nations and all peacekeeping activities should therefore be provided with adequate resources.

17. The report of the Secretary-General on the feasibility of consolidating the accounts of the various peacekeeping operations (A/57/746) had not provided Member States with a clear analysis of the issue. The Secretariat and the Advisory Committee on Administrative and Budgetary Questions (ACABQ) should clarify the implications of consolidating the peacekeeping accounts so that Member States could engage in a focused and constructive discussion of the issue, and thus make well-informed decisions.

18. The Group of 77 and China had a number of questions to pose to the Secretariat and to the Advisory Committee. It wished to know how the voluntary contributions of individual Member States would be dealt with in the event of consolidation and what the implications of the options proposed in the Secretary-General's report would be for the application of Article 19 of the Charter of the United Nations and for the role of the Committee on Contributions. It also requested further information on the impact of the three options proposed by the Secretary-General for further enhancing the efficiency of peacekeeping operations and on the status of reimbursements to troop-contributing countries. The Secretariat should provide clarification of paragraph 24 (a) and (b) of the report of ACABQ on the administrative and budgetary aspects of the financing of the United Nations peacekeeping operations (A/57/772).

19. In order to overcome the legislative and procedural problems associated with national financial regulations and to de-link assessments from the continuation of Security Council mandates, contributions to the peacekeeping budget could be assessed two or more times each year. It would also be useful to know how the timely funding of the

operational activities of peacekeeping missions would be affected by each of the three proposed options.

20. She wondered whether there would be any additional benefits from consolidating the peacekeeping accounts and whether the Secretariat could provide a mock demonstration of consolidated accounts using each one of the three options that had been identified in paragraph 3 of the Advisory Committee's report (A/57/772). Since consolidation was not compatible with current financial practices, she wished to know what amendments the General Assembly would have to make to the Financial Regulations and Rules of the United Nations if it accepted any of the three options proposed.

21. **Ms. Núñez Mordoché** (Cuba) said that she wished to associate herself with the statement made by the representative of Morocco on behalf of the Group of 77 and China. The issue of consolidation was extremely complicated, since it involved, inter alia, the respective prerogatives of Member States and the Secretariat. Such an important subject deserved more substantive treatment than it had received in the report of the Secretary-General (A/57/746). Indeed, the General Assembly should not be expected to take a decision on whether or not to pursue the option of consolidation on the basis of a report containing fewer than 20 substantive paragraphs.

22. The financing of peacekeeping operations was based on the political will of the States members of the Security Council, in particular the five permanent members, which were responsible for determining the mandates, structure and composition of operations. The influence of other Member States in that process was non-existent, with their role being limited to the consideration of the level of resources requested for each specific operation. According to the report, one of the potential benefits of consolidation was greater flexibility in utilizing peacekeeping resources. However, that flexibility should be accompanied by increased and more meaningful participation by the General Assembly in the determination of the nature and composition of peacekeeping operations. In practice, greater flexibility in utilizing resources would mean that the Secretary-General would be authorized to transfer resources to and from sections of the peacekeeping budget without the need for the prior approval of the General Assembly. Her delegation was not in favour of such a transfer of responsibilities from the Assembly to the Secretariat.

23. Arguably the greatest benefit of consolidation, particularly for troop-contributing countries, would be the prompt repayment of debts, although that would still depend on payment of assessed contributions by Member States. In addition, the transparency of the legislative process and the monitoring capacity of the General Assembly would be undermined by the consolidation process, which would also necessitate substantial amendments to the existing Financial Regulations and Rules.

24. Her delegation would be the first to request the amendment of established practices and principles that affected the functioning of the Organization. However, changing the current practice, transferring the prerogatives of Member States to the Secretariat and initiating far-reaching reforms of the Financial Regulations and Rules in pursuit of an exercise that would not necessarily benefit Member States seemed ill-advised. The Secretariat should provide further information about the advantages and drawbacks of consolidation, with particular reference to the issues raised in sections A and B of the Secretary-General's report.

25. **Mr. Iossifov** (Russian Federation) said that, while the simplification of internal accounting procedures as a result of consolidation would lead to a considerable reduction in the staffing levels of the departments concerned, it would not offer any real advantages for Member States.

26. First, the de-linking of assessments from Security Council decisions relating to the continuation of the mandates of particular missions would be problematic for many Member States in terms of their domestic financial legislation and could have a negative effect on the payment of assessed contributions.

27. Secondly, consolidation would impede the ability to track the expenditure of individual missions and result in a loss of control by Member States over resource allocation. Furthermore, if the practice of refunding the unencumbered balances of closed missions to Member States was discontinued in favour of the retention of those balances, there would be a loss of transparency in the Organization's accounting procedures.

28. Lastly, the argument that consolidation would facilitate Member States' financial planning had lost significance in light of the fact that the overview of the financing of the United Nations peacekeeping

operations, which the Secretary-General had submitted at the beginning of 2003, contained a detailed breakdown of the financial situation of peacekeeping operations and provided Member States with all the information they needed to plan their financial contributions.

29. **Mr. Halbwachs** (Controller) said that if the delegations concerned provided him with a written list of questions, he would be happy to answer them. The Secretariat was not pushing for the consolidation of the accounts of the peacekeeping operations. Indeed, the Secretary-General's report on the feasibility of consolidation had concluded that it was not compatible with current financial practices. In the interest of providing comprehensive coverage of the question, however, it had gone on to explore issues that needed to be addressed prior to the adoption of any decision to consolidate the peacekeeping accounts. In hindsight, that additional information might have been superfluous.

Organization of work

30. **Mr. Pulido León** (Venezuela) recalled that, at an earlier meeting, a proposal had been made to introduce a chapeau for the financing of all active peacekeeping operations. He wished to know whether that proposal would be discussed in more detail in informal consultations.

31. **The Chairman** said that the Bureau wished to take up the proposal at the beginning of informal consultations in order to ascertain whether the Committee considered it appropriate to pursue it further.

32. **Ms. Afifi** (Morocco), speaking on behalf of the Group of 77 and China, said that it would be a waste of time to embark on a discussion of the proposed chapeau because it was too early for the Committee to make an informed decision. While she was prepared to consider the issue at a later date, based on the technical details provided by the Secretariat, it would be extremely difficult to implement the proposal.

33. **Mr. Zevelakis** (Greece), speaking on behalf of the European Union, said that he supported the remarks made by the representative of Morocco on behalf of the Group of 77 and China. If other delegations felt that they were not in a position to take a decision on the proposed chapeau, in the interest of saving time, he

would be perfectly willing to postpone discussion of the issue.

34. **Mr. Tilemans** (Belgium), speaking as coordinator of the item, said that the question of the chapeau had been included in the agenda of the informal consultations because, among other reasons, the Group of 77 and China had requested that it should be taken up before individual peacekeeping operations were discussed in detail. In light of the views expressed by the representatives of Morocco and Greece, however, it did not seem worth pursuing the issue during informal consultations.

35. **Ms. Afifi** (Morocco), speaking on behalf of the Group of 77 and China, thanked the representative of Belgium for taking the Group's views into consideration. The question of the chapeau had not been dealt with in a clear and transparent manner and, as a general rule, it was better to hold informal consultations before making official proposals.

36. **The Chairman** said he took it that the Committee wished to defer consideration of the proposed chapeau for peacekeeping operations and to remove the item from its programme of work.

37. *It was so decided.*

The meeting rose at 11.20 a.m.