



**Investing in the United Nations: for a stronger Organization worldwide  
(A/60/846 and Add. 1-4)**

**Statement by Warren Sach, Assistant Secretary-General, Controller**

**Fifth Committee of the General Assembly at its second resumed 60<sup>th</sup> session  
16 June 2006**

Mr. Chairman,

The report before you (A/60/846 and Addenda 1-4) builds upon earlier reports, starting with the “In larger freedom” report (A/59/2005), by which proposals were set out to improve and strengthen the Organization, including its management systems.

The present report has been prepared pursuant to General Assembly resolution 60/260 and follows the earlier report presented at the first resumed session on Investing in the United Nations: for a stronger Organization worldwide (A/60/692). This present report focuses on and elaborates on proposals 8-10 and 16-19 of the Investing report. Thus, it addresses Information Technology, Budget and Finance and Information access issues.

The report does not deal with human resources management issues (proposals 1-4, 7, 22), the role of Deputy Secretary-General (proposal 5), regrouping of departments (proposal 6), alternative service delivery (proposals 11-12), procurement (proposals 13-15), interaction between Secretariat and budget committees (proposal 20), restructuring of intergovernmental bodies dealing with budget matters (proposal 21), change management office (proposals 22,23). Procurement will be dealt with later in this session and human resources will be addressed in the main part of the sixty-first session. It is anticipated that alternative service delivery will be further addressed in 2007.

Mr. Chairman,

The Organization has been struggling for a number of years now to meet the many challenges before it. The number of peacekeeping operations has increased dramatically and much is expected of the Organization in its efforts to promote the Millennium Development Goals. At the same time, the Organization's management system is inadequate, with limited capacity, controls, discretion, robustness or transparency to be able to handle multi-billion dollar global operations. Detailed proposals in the report are aimed at addressing these problems. There is no doubt that the Organization must become better equipped to meet the many complex challenges ahead.

Some of the proposals in the report have been presented to the General Assembly before, at times when the financial situation has been precarious. It should be noted that the current financial situation of the Organization is not better than it was 10 years ago. Some of the proposals, therefore, are aimed at ensuring a sound

financial base for the Organization to enable it to implement the mandated programmes and activities in a timely and effective manner.

The report is presented with a chapeau and four addenda.

- **Addendum 1: Investing in information and communication technology**

(a) The Secretary-General has proposed the establishment of a new ASG post for a Chief Information Technology Officer. This is essential and urgent for developing **the information and communication technology strategy**. I urge Member States to provide the necessary resources to facilitate the ICT leadership role which is currently under resourced. A new post is sought as we have no available post at the right level to deploy to this function.

(b) Doing things piecemeal is not cost-effective. For too long we have allowed fragmentation of ICT systems throughout the Organization. There is an urgent need for an upgrade and standardization of Secretariat-wide ICT systems. A modernization initiative to implement a fully integrated solution to store, search and retrieve transactional and substantive information is essential.

(c) Operating under current conditions is rapidly becoming more costly and carries with it the risk of serious consequences, including weak financial controls. The Organization conducts billions of transactions and without an effective ERP system, the risks are enormous.

(d) Resources are being sought for the Chief Information Technology Officer, general temporary assistance and consultancies during the current

biennium to enable the Organization to begin the process of establishing a new ERP system, in accordance with an implementation strategy that is also linked to the establishment of the International Public Sector Accounting Standards (IPSAS).

(e) We cannot afford to delay action since information and communication technology affects everything we do, in both substantive and management support areas. We cannot postpone decisions that will have an impact on the way the Organization is expected to perform. Basic tools must be available for us to function effectively. Your support is sought to address the chronic under-investment in information systems.

- **Addendum 2: Budget implementation**

The Secretary-General has, on a number of occasions, indicated the need for greater scope to exercise discretion in budget implementation.

The General Assembly, in Part VI of resolution 60/260, has called on the Secretary-General to submit proposals at this session in conformity with paragraph 11 of resolution 60/246, and it has also recognized that the initial proposals for limited discretion submitted at the first resumed session did not respond to the request in resolution 60/246. Accordingly, the five elements originally proposed under proposal 16 have been dropped and two new proposals for limited discretion have been made. These are presented together with their related accountability mechanisms and a statement of their defined parameters. The two proposals are for:

(a) **transfers between budget sections within Parts** of the budget, by up to 10% within a budget period. No transfer between Parts, however, may be made without authorization of the General Assembly.

(b) **redeployment, reclassification and conversion of posts to be authorized by up to 10% of posts** within and between three broad categories of staff, namely Category I (D-1/D-2); Category II (P-1 to P-5, inclusive of National Officer and Field Service posts); and Category III (General Service levels, local levels and trades and crafts).

I wish to emphasize that the Secretary-General is **NOT** seeking any discretion authority for the **creation or suppression** of posts.

- **Addendum 3: Financial management practices**

This addendum addresses concerns that have been expressed over a number of years by the General Assembly, the Advisory Committee, the Board of Auditors and the Panel of External Auditors with respect to the need for efficient and effective management of the resources of the Organization. General Assembly approval is being requested for the following:

(a) **Adoption of the International Public Sector Accounting Standards (IPSAS)**: this would improve the quality, consistency and comparability of the United Nations' financial reporting, particularly with the use of accruals, resulting in improvements in transparency, accountability, governance and financial management. This is an important innovation which all entities of the United Nations system have agreed, at the Executive Head level, to move to

adopt. Approval for IPSAS adoption will be the first step for us to move forward to have it in place by 2010, the deadline agreed upon by all UN entities. Resources are being sought for the commencement of the project during 2006-2007. **We cannot afford to delay action on this proposal if the target of 2010 is to be met and transparency is to be enhanced.**

(b) **Consolidation of peacekeeping budgets.** This is aimed at permitting more consistent and timely reimbursement to troop- and formed police-contributing countries through improving cash management. It would also simplify legislative and administrative processes for the financing of peacekeeping operations. By providing consolidated information, Member States will be assisted in better fulfilling their financial management functions. Consolidation would mean that there would be a single- rather than 17 separate resolutions on the financing of peacekeeping operations; two rather than 40 assessments per year on Member States; 17 performance reports would be consolidated into one; and a single consolidated expenditure statement. An overall consolidation of peacekeeping cash resources will strengthen the liquidity position of all missions and better enable the Organization to fulfill its obligations to those who make peacekeeping possible – the troop contributing countries.

Mr. Chairman,

I should like to dispel a misunderstanding which seems to exist in the minds of some that the consolidation of peacekeeping accounts into a single account would in some way lead to prompt payers subsidizing those who delay payment. Delayed payment of peacekeeping assessments damages

peacekeeping operations - but not through any subsidy of bad payers by good payers. The impact of late payment patterns is, however, an egregious, unfair and underserved transfer of burden to troop contributors. It is the troop contributors who suffer when peacekeeping assessments are paid late.

The proposal before you would substantially solve this longstanding problem and improve the overall financial health of United Nations peacekeeping. Maintenance of the status quo would continue to subject troop contributing countries to delayed reimbursements.

**(c) increase in the peacekeeping commitment authority from \$50 million to \$150 million.** This is being proposed because \$50 million is now inadequate to cover mission planning and start-up as well as the replenishment of strategic deployment stocks. New and expanding peacekeeping operations are now much bigger, with complex structures and large military components. Replacement of strategic deployment stocks is now a necessity to enable rapid deployment. The proposed increase would not change the current governance and oversight arrangements of the pre-mandate commitment authority. The proposal would not require additional funding from Member States. Prior concurrence of the Advisory Committee would continue to be required for entering into commitments for the start-up of peacekeeping operations.

**(d) increase in the Working Capital Fund from \$100 million to \$250 million.** The level has not changed since 1981. The current \$100 million covers only about 2-3 weeks of regular budget expenditures while \$250 million would cover about 4-6 weeks of expenditure. **This is clearly long overdue.**

(e) **retention of budgetary surpluses.** Pending an improvement in the Organization's financial situation, the General Assembly is being requested to suspend temporarily Financial Regulations 5.3 and 5.4. During past financial crises, these regulations have been suspended to bolster the Organization's cash position. **The financial problems facing the United Nations are far from over.** At the end of 2005, assessed contributions outstanding from Member States totaled over \$3.2 billion. Transparency in the management of retained budget surpluses will be maintained through reporting on such surpluses in the context of closed accounts for the relevant financial periods concerned. If such retention is approved, the General Assembly is also being requested to decide on the distribution of surpluses to help solve problems such as the inadequate level of the Working Capital Fund.

(f) **fund to accommodate unanticipated expenditures arising from the exchange rate fluctuations and inflation.** This is a longstanding issue since the adoption of resolution 41/213 in 1986. Proposals have been presented to the Advisory Committee and the General Assembly over many years. It is recalled that the Board of Auditors had recommended the establishment of a reserve fund to cover these expenditures. The latest proposal appears in the proposed programme budget for 2006-2007. Accountability for such a fund would be achieved through the established reporting requirements for funds in the context of the statement of accounts of the Organization and it would be subject to audit by the Board of Auditors. Any transfers to or from the fund would be reported to the General Assembly through the Advisory Committee in the context of the first and second performance reports on the programme budget.



(g) **Charging of interest on arrears in a Member State's assessed contributions.** The United Nations must be assured of the timely availability of funds to meet the obligations placed by Member states. The current financial situation is no better than it was in 1993 when the proposal for charging interest was made. The interest would be used to increase the Organization's reserves. The General Assembly is being requested to revisit this issue. The proposal is made directly to the Assembly and is thus not subject to the provisions of General Assembly resolution 60/237 in para.1, part IV.

- **Addendum 4: Improving reporting mechanisms including public access to UN documentation**

(a) As requested by the General Assembly, efforts are being made to consolidate reports dealing with related subjects. The reports proposed for consolidation appear in Table I of Addendum 4.

(b) The United Nations is encouraging the public to take an active interest in its work. Therefore, by establishing capability and capacity for the Secretariat to implement information disclosure, the Organization will demonstrate good governance through enhanced transparency. The policy is articulated in the addendum, defining documentation and the conditions under which access will be denied. Resource requirements are proposed for improving the management of the Organization's records, which will not only inform Member States and the public, but will facilitate the conduct of the work of the Organization.

(c) In the context of reporting, the Secretary-General had indicated in the Investing report that he intends to provide an annual report, for information,

reflecting the full scope of both resources deployed and programmes undertaken by the Organization. This would not replace the annual report of the Secretary-General on the Work of the Organization required under the Charter. Resolution 60/260 was silent on the annual report proposal and in the light of this, and the benefits to accrue from such a report, the proposal has been elaborated in addendum 4.

Mr. Chairman,

### **Accountability**

I would like to turn quickly to the subject of accountability. This has been addressed in paragraphs 5 to 8 of A/60/846 as well as in Addendum 2. I understand that a number of Member States would have liked to see more on this topic at this time.

Accountability to Member States is addressed in Addendum 1 - strengthening ICT capacity; Addendum 2 - exercise of limited discretion in budget implementation; Addendum 3 - enhancement of financial management arrangements; and Addendum 4 - improvements in reporting mechanisms; all aimed at contributing to greater accountability through improved transparency in management systems.

Nevertheless, as several concerns have been expressed on the question of accountability and the need for a common understanding, particularly to facilitate deliberations on the reform proposals, a separate addendum (Addendum 6) will be issued to articulate a definition of accountability. Accountability arrangements will

also be further addressed in future reports on human resources management and the administration of justice.

### **Resource requirements**

The overall impact of the proposals contained in addenda 1 through 4, as reflected in changes to the programme budget for the biennium 2006-2007 would amount to \$6,381,300 including an increase of 8 posts. This total comprises \$2,550,700 for ICT improvements; \$2,009,700 for IPSAS; and \$1,820,900 for public access to United Nations documentation.

These requirements would enable the Organization to start the process of updating, standardizing, and improving our management systems in order to meet the heavy demands on the Organization and to ensure full accountability for the management of programmes, financial and human resources.

In the long run there would be substantial additional costs as progress is made on a new ERP and IPSAS in the next biennium, 2008-2009. \$23 million for IPSAS; \$120 million for ERP.

Mr. Chairman,

The Organization has been criticized for its weak financial controls, for poor management of its resources, for not keeping up to date with best practices in accounting standards and IT management, for generally not meeting the expectations of Member States.

The proposals before this Committee are aimed at addressing these weak points. Some proposals require immediate action if we are to start moving forward with multi-year projects. All proposals are necessary if we are to deal with the current financial situation and if we are expected to meet the challenges ahead.

While the Organization has been managing extraordinarily well under outdated systems, we cannot delay in making sure that those systems do not fail us. There are too many risks involved. We must upgrade, globalize, standardize and modernize our management systems.

Approval by the General Assembly of the Secretary-General's proposals would help the Organization move forward in an efficient and effective manner to serve Member States better.

The Secretariat is ready to assist the Committee in its deliberations.

Thank you, Mr. Chairman.

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