

ARTICLE 17 (1)

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TEXT OF ARTICLE 17 (1)

The General Assembly shall consider and approve the budget of the Organization.

INTRODUCTORY NOTE

1. This study is an analysis of the practice of the General Assembly in regard to the budget of the Organization. It also deals with the various questions that have arisen in connexion with the exercise by the General Assembly of its budgetary functions under Article 17 (1).

2. The first section of the Summary of Practice examines the scope of the budget. The second section is concerned with the procedures developed by the General Assembly for considering and approving the budget, and the third deals with the steps taken by the Assembly to provide for the proper administration of the budget. The fourth section examines the scope and extent of the powers of the General Assembly to approve expenditures, while the fifth section is concerned with the extent of the control of the Assembly over budgetary expenditures. The sixth and last section deals with the steps taken by the General Assembly to regulate the financing of a number of United Nations assistance programmes which have been supported either wholly or partially out of extra-budgetary funds.

3. The Financial Regulations of the United Nations set out in broad terms what the budget consists of and the procedure to be followed for having the budget considered and approved by the General Assembly. The Financial Regulations also provide for the auditing of all budgetary expenditures, and indicate the procedures to be followed by the organs and by other competent bodies of the United Nations for taking decisions involving expenditures.

4. The General Assembly has entrusted the Secretary-General with the responsibility of preparing and of transmitting the budget to it for consideration and approval. The budget passes through three stages before it is finally approved by the General Assembly in plenary meeting. Firstly, it is reviewed by the Advisory Committee on Administrative and Budgetary Questions, an expert committee of the Assembly which has charged it with the responsibility of making an examination of the budget of the United Nations. Secondly, the budget is considered by the Fifth Committee of the Assembly, which deals with administrative and budgetary matters, and finally it is considered and approved by the Assembly in plenary meeting on the basis of the recommendations of the Fifth Committee.

SUMMARY OF PRACTICE

A. The scope of the budget

1. *What the budget comprises*

5. The budget estimates of the United Nations expenditures and of miscellaneous income received by the Organization are drawn up by the Secretary-General on an annual basis, 1/ the financial year for this purpose being the period from 1 January to 31 December. 2/ The United Nations budget consists of these budget estimates, as approved by the General Assembly. 3/ The budget is financed from the contributions of the Members, 4/ and from revenue derived from miscellaneous income.

6. The budget estimates of expenditures are divided into parts, sections, chapters, and articles and are accompanied by "such information annexes and explanatory statements as may be requested by, or on behalf of, the General Assembly, and such further annexes or statements as the Secretary-General may deem necessary and useful". 5/

7. The budget estimates of expenditures represent the estimated cost of implementing the decisions of the General Assembly, of the Councils and of all other competent bodies of the Organization during the course of the financial year to which the budget relates. 6/

8. The budget estimates of miscellaneous income cover all revenues which the Organization expects to receive other than the contributions of Member States. These estimates are listed in the annual budget estimates in the form of a simple schedule to which an explanatory note is attached, and cover such items as assessment on the salaries and allowances of staff, sales of United Nations postage stamps, interest on investments, et cetera. 7/

2. *Revised budget estimates*

9. Between the time of the preparation of the original budget estimates by the Secretary-General and the time of their consideration by the General Assembly, new decisions entailing either additional expenditure or additional miscellaneous income or both, are often taken by one or more of the organs of the United Nations. In each such case, revised estimates are prepared in the same way as the original estimates,

1/ G A resolution 456 (V), Annex, financial regulations 3.1, 3.2 and 3.4.

2/ Financial regulation 2.1.

3/ Financial regulation 3.7.

4/ For a discussion of how the General Assembly apportions the expenses of the United Nations amongst the Members, see in this Repertory under Article 17 (2).

5/ Financial regulation 3.3.

6/ For an example of how budget estimates are drawn up, see G A (IX), Suppl. No. 5 (A/2647), pp. 3-22.

7/ For an example of how the budget estimates of miscellaneous income are listed, see G A (IX), Suppl. No. 5 (A/2647), pp. 106 and 107.

and are submitted to the General Assembly, which eventually consolidates the amounts into a single appropriation resolution covering the ensuing year. 8/

3. *Supplementary estimates*

10. While the budget relates to a single financial year, action by the General Assembly regarding the estimates is normally spread over two sessions. Thus, the initial estimates for the financial year 1954 were approved in December 1953. 9/ The final budget appropriations for 1954 were approved in November 1954, after the review by the General Assembly of supplementary estimates for 1954 10/ submitted by the Secretary-General.

11. These supplementary estimates are made necessary by the fact that, after the budget has been voted, and during the financial year to which it relates, unforeseen or extraordinary expenses usually arise for which no funds are available in the approved budget. 11/ The General Assembly, as a matter of practice, has defined unforeseen expenses as expenses incidental to the carrying out of a programme in accordance with policies approved by the General Assembly and which were not foreseen when the original estimates were made and approved. It has also defined extraordinary expenses as expenses outside the scope of the programmes on which the approved estimates were based under General Assembly resolution 68 C (I) relating to the Working Capital Fund.

12. At each session, the General Assembly has given the Secretary-General limited conditional authority to meet such unforeseen and extraordinary expenses from the United Nations Working Capital Fund. 12/ The Secretary-General has, however, been required to submit supplementary budget estimates at the subsequent session of the

8/ Two examples illustrate this action:

(a) Pursuant to General Assembly resolution 533 C (VI), the Secretary-General has issued, wherever necessary, revised estimates for activities stemming from decisions of the Economic and Social Council which have financial implications. Before the report of the Secretary-General is considered in the Fifth Committee, it is reported on by the Advisory Committee. For example, the relevant documents discussed at the ninth session of the General Assembly are A/C.5/582 and Corr.1, and A/2763.

(b) The original budget estimates for 1955 included a provision for holding the seventh session of the International Law Commission at Headquarters. At its sixth session, the Commission decided that its next session should be held in Geneva. The Fifth Committee, before taking action to recommend the necessary appropriation, considered the revised estimates submitted by the Secretary-General pursuant to the Commission's decision (A/C.5/587), and the observations of the Advisory Committee on these estimates (A/2766).

9/ G A resolution 786 (VIII).

10/ G A resolution 881 (IX).

11/ Thus, in 1954 a summary of such expenditures which occurred during 1954 was contained in table II on page 5 in the report of the Secretary-General entitled "Supplementary Estimates for the Financial Year 1954" (A/2792 and Corr.1).

12/ For an example of this type of resolution, see G A resolutions 787 (VIII) and 788 (VIII). For a brief account regarding the composition and functions of the Working Capital Fund, see in this Repertory under Article 17 (2).

General Assembly to cover the expenditures incurred. 13/ The supplementary estimates, if approved, have then been consolidated with the amounts approved at the previous session in the original estimates, resulting in new appropriation figures for particular sections of the budget. 14/

B. The process of considering and approving the budget

1. *The responsibility for the preparation and transmittal of the budget to the General Assembly*

13. Under the Financial Regulations, the Secretary-General has been made responsible for the preparation and transmittal of the annual budget to the General Assembly. 15/ He must submit to all Member States, at least five weeks prior to the opening of the regular session of the General Assembly, the budget estimates for the following financial year. 16/ These estimates must be submitted by the Secretary-General to the Advisory Committee on Administrative and Budgetary Questions at least twelve weeks prior to the opening of the regular session of the General Assembly. 17/

14. The Secretary-General has similar responsibilities with respect to the preparation and transmittal of supplementary budget estimates. 18/

2. *How the budget is considered and approved by the General Assembly*

15. The actual process of considering the budget by the General Assembly itself opens with the examination of the budget estimates by the Advisory Committee on Administrative and Budgetary Questions. 19/ The Advisory Committee in turn makes its report to the General Assembly. The next stage is the review of the budget estimates by the Fifth Committee, which always has before it as working documents the budget estimates and the

13/ The General Assembly, by its resolution 786 (VIII), approved a level of appropriations for the financial year 1954. Supplementary estimates, which took into account unforeseen and extraordinary expenses, governed by General Assembly resolution 787 (VIII), were submitted by the Secretary-General in his report, document A/2792 and Corr.1. The report of the Advisory Committee on these estimates is contained in document A/2813.

14/ G A resolution 881 (IX), approved on the recommendation of the Fifth Committee (document A/2839), increased the amount of the budget for 1954 as appropriated by G A resolution 786 (VIII).

15/ Financial regulation 3.1.

16/ Financial regulation 3.4.

17/ Financial regulation 3.5. The Advisory Committee is an expert committee of the Assembly, responsible for expert examination of the budget and required to assist the Fifth Committee. At the beginning of each regular session it submits to the General Assembly a detailed report on the budget for the next financial year and on the accounts of the last financial year. Its nine members are appointed by the General Assembly and include at least two financial experts of recognized standing. The members of the Committee, no two of whom can be nationals of the same State, are selected on the basis of broad geographical representation, personal qualifications and experience, and serve for three years corresponding to three financial years. The composition and functions of the Advisory Committee are set out in rules 156-158 of the rules of procedure of the General Assembly.

18/ Financial regulations 3.8 and 3.9.

19/ For description of the composition and functions of the Advisory Committee, see footnote 17/.

information annexes submitted by the Secretary-General, as well as all relevant reports from the Advisory Committee. 20/

16. The procedure followed by the Fifth Committee in considering the budget falls into three parts. First, after statements by the Secretary-General and by the Chairman of the Advisory Committee, there is a general discussion on the budget as a whole, including related administrative and financial issues. This general discussion is "not limited either in scope or time, it being left to delegations to decide at which stage of the Committee's meetings they wished to make comments of a general nature". 21/ Next, the Fifth Committee makes a detailed examination of the budget estimates in the light of the report of the Advisory Committee and of oral testimony by the Secretary-General and senior Secretariat officials. Specific proposals for reduction or for changes in details in the estimates are voted upon during this stage, which is known as a "first reading". Finally, there is a "second reading", at which the amounts for each section of the budget are reviewed by the Committee in the light of the sum total of its actions during the first reading. 22/

17. The recommendations and comments of the Fifth Committee are embodied in the Rapporteur's report which always concludes with a draft budget resolution for consideration by the General Assembly in plenary meeting. 23/

3. *Voting on the budget*

18. In the Fifth Committee, a simple majority of the members present and voting is sufficient for approval of the budget or of any of its details. 24/ In a plenary meeting of the General Assembly, a two-thirds majority vote of the members present and voting is required for approval. 25/ The Assembly, however, has followed the recommendations of the Fifth Committee on almost every occasion, though there has sometimes been discussion in the plenary meeting of a particular point in the budget. Occasionally, Member States have made formal objections to certain parts of the budget, and on these grounds have voted against those parts or against the budget as a whole. 26/ The formal approval of the budget by the General Assembly is given by its adoption of the budget resolution. 27/

C. Administration of the budget

1. *The nature of the powers vested in the Secretary-General*

19. Approval of the budget by the General Assembly vests in the Secretary-General the authority to incur obligations and make payments for the purposes for which the

20/ For example, see the Report of the Fifth Committee on the budget to the ninth session of the General Assembly as contained in A/2886.

21/ G A (VIII), Annexes, a.i. 39, p. 59, A/2622, para. 6. The quotation reflects the established procedures adopted by the Fifth Committee for considering the budget.

22/ For an outline of this, see G A (II), Plen., vol. II, p. 1499, annex 6 b (A/498).

23/ See footnote 20/.

24/ Rule 126 of the rules of procedure of the General Assembly (United Nations publication, Sales No.: 1954.1.17) provides as follows:

"Rule 126. Decisions in the committees of the General Assembly shall be made by a majority of members present and voting."

25/ Article 18 (2) of the Charter.

26/ See paragraphs 31, 37 and 38 below.

27/ The latest example is G A resolution 890 (IX).

appropriations contained in the budget were voted, and up to the amounts so voted. 28/ In the discussion of the agenda item relating to the Financial Regulations of the United Nations in the Fifth Committee of the General Assembly at its fifth session it was pointed out that this authorization did not, in any way, bind the Secretary-General to spend the full amounts so voted, but merely authorized expenditure of the amounts necessary for the proper working of the Organization. 29/

20. The budget resolution of the General Assembly always lists a number of separate appropriations for specified purposes. Thus, the budget resolution adopted at the ninth session listed thirty-four separate appropriations for specified purposes. 30/ For example, section 1 covered the General Assembly and its Committees and Commissions. The information annexes to the budget normally break down the estimates for a section into a number of detailed figures by chapter and article of the budget and provide justification for the expenditures proposed.

21. While the General Assembly has placed no limit on the powers of the Secretary-General to transfer credits between chapters and/or articles within a section of the budget, the Fifth Committee, at its 152nd and 153rd meetings at the third session of the General Assembly, gave particular attention to the powers and the discretion that could be exercised by the Secretary-General in giving effect to the budgetary decisions of the General Assembly. 31/

2. Purposes of transfers within and between sections of the budget

22. Though it has not been expressly stated in the Financial Regulations or elsewhere, the practice that has developed indicates that transfers of credits within a section must be for a purpose within the scope of the section and that transfers of credits from one section to another must be for the purpose of financing a programme which is within the scope of the section to which the transfer is made. 32/

23. Where the transfer is for the purpose of financing a project not previously submitted for the approval of the General Assembly, a special reporting procedure has been developed whereby the Assembly, as the organ ultimately responsible for programmes, is enabled to take cognizance of all cases in which funds have been utilized for projects which had not previously been submitted for its approval. 33/

28/ Financial regulation 4.1.

29/ G A (V), Annexes, a.i. 41, p. 30, A/1496, para. 8.

30/ G A resolution 890 (IX).

31/ G A (III), Annexes, p. 564, A/798, para. 4. However, on the basis of a recommendation of the Advisory Committee (G A (III), Suppl. No. 7A (A/598), para. 158), the General Assembly decided that the Secretary-General should refrain, without the prior concurrence of the Advisory Committee, from making transfers of funds within the budget section relating to common staff costs. This condition remained in force for a period of two years until the expenditures for common staff costs had become reasonably stabilized.

32/ For the latest example, see table III in the Report of the Secretary-General entitled "Supplementary Estimates for the Financial Year 1954" (A/2792).

33/ G A (VI), Annexes, a.i. 40, p. 12, A/2018, para. 5, and G A (VII), Annexes, a.i. 41, p. 12, A/2256, para. 2.

3. *Limits placed on transfers between sections of the budget*

24. Financial regulation 4.5 provides that "No transfer between appropriation sections may be made without authorization by the General Assembly". Every year, the Secretary-General has been authorized in the budget resolution to transfer credits between sections of the budget, with the prior concurrence of the Advisory Committee on Administrative and Budgetary Questions. ^{34/} The budget resolution has also authorized the Secretary-General in certain cases to administer, as a single unit, credits under different sections of the budget. For example, since the adoption of the budget for 1949 under resolution 252 (III), the General Assembly has provided authority in the budget resolution for the Secretary-General to administer as a unit the appropriations included in different sections of the budget in regard to the meetings of the Permanent Central Opium Board and of the Drug Supervisory Body, and in regard to the joint secretariat of those organs. Similarly, the 1955 credits for the printing of Official Records (section 24), and the printing of other publications (section 25), authorized by General Assembly resolution 890 (IX), were, under the terms of that resolution, made transferable from one section to the other by the Secretary-General on his own authority. ^{35/}

D. Scope and extent of the powers of the General Assembly to approve expenditures

1. *Provisions of the Financial Regulations and of the rules of procedure of the General Assembly and of the Economic and Social Council*

25. The Financial Regulations of the United Nations provide that no council, commission or other competent body "shall take a decision involving expenditure unless it has before it a report from the Secretary-General on the administrative and financial implications of the proposal". ^{36/}

26. The Financial Regulations also provide that "Where, in the opinion of the Secretary-General, the proposed expenditure cannot be made from the existing appropriations, it shall not be incurred until the General Assembly has made the necessary appropriations, unless the Secretary-General certifies that provision can be made under the conditions of the resolution of the General Assembly relating to unforeseen and extraordinary expenses." ^{37/}

^{34/} See, for example, G A resolution 890 (IX), para. 3 (c). Similar provisions were included by the General Assembly in its resolutions relating to budget appropriations for previous years.

^{35/} G A resolution 890 (IX), para. 3 (a) (iii).

^{36/} Financial regulation 13.1.

^{37/} Financial regulation 13.2.

27. As regards the committees of the General Assembly and the Economic and Social Council and its committees, similar provisions are contained in the rules of procedure of the General Assembly 38/ and of the Economic and Social Council respectively. 39/

28. Although the provisional rules of procedure of the Security Council and the rules of procedure of the Trusteeship Council do not contain similar provisions, any resolution involving expenditures which is considered by these organs is subject to the budgetary control set out in the Financial Regulations. 40/

2. Factors considered by the General Assembly in reviewing proposed expenditures

29. In reviewing the annual budget, the General Assembly has considered the administrative as well as the substantive and organizational aspects of the programmes and activities of the Organization.

38/ Rules 154 and 155 of the rules of procedure of the General Assembly provide as follows:

"Rule 154. No resolution involving expenditure shall be recommended by a committee for approval by the General Assembly unless it is accompanied by an estimate of expenditures prepared by the Secretary-General. No resolution in respect of which expenditures are anticipated by the Secretary-General shall be voted by the General Assembly until the Administrative and Budgetary Committee has had an opportunity of stating the effect of the proposal upon the budget estimates of the United Nations.

"Rule 155. The Secretary-General shall keep all committees informed of the detailed estimated cost of all resolutions which have been recommended by the committees for approval by the General Assembly."

39/ Rule 34 of the rules of procedure of the Economic and Social Council (United Nations publication, Sales No.: 1953.I.21), provides as follows:

"Rule 34

"1. ...

"2. Before a proposal which involves expenditure from United Nations funds is approved by the Council or by any of its committees, the Secretary-General shall prepare and circulate to members, as early as possible, a separate estimate of the cost involved in each such proposal. In the case of a proposal involving a new project he shall also circulate to the members an estimate of the time required to complete it. The President of the Council and the chairmen of committees shall draw the attention of members to these estimates and invite discussions on them when the proposal is considered by the Council or by a committee.

"3. The Council shall take into account the estimates referred to in paragraph 2 before adopting any proposal involving expenditure from United Nations funds. If the proposal is adopted, the Council shall indicate, whenever appropriate, the priority or degree of urgency which it attaches to the projects and, as the case may be, which current projects may be deferred, modified or eliminated to ensure that the economic and social work of the United Nations and the specialized agencies will be carried on most effectively.

"4. Whenever the Council wishes to recommend, in cases of exceptional urgency, that work for which no financial provision exists be started before the next regular session of the General Assembly, it shall include a specific indication to that effect to the Secretary-General in the resolution approving the proposal."

40/ See paras. 25 and 26 above.

30. With respect to the administrative review, the Assembly has every year paid particular attention to the number of staff required in each department and to other administrative costs involved in implementing the work programmes. For example, the report of the Fifth Committee on the budget estimates of the financial year 1954 ^{41/} stated: "It was generally considered that, while the Committee should recommend no action which might jeopardize the successful execution of projects, it should on the other hand examine scrupulously all means whereby expenditures for administrative costs might be legitimately reduced and funds freed to the fullest extent possible for the actual operation of programmes." This concern about the level of administrative expenditure has been expressed from time to time in the plenary meetings of the General Assembly. In some instances, representatives of Member States, objecting to certain allocations as being unnecessary or too high, have voted against the budget proposals or have abstained. ^{42/}

31. A few examples will serve to illustrate the considerations of a substantive and organizational character which have been taken into account by the General Assembly in reviewing the budget. For example, the Assembly has been concerned with the question of assessing the relative importance of programmes with a view to giving priority to the more urgent ones. The report of the Fifth Committee on the budget estimates for the financial year 1953 ^{43/} stated: "The keynote of the general discussion... was an emphasis by most of these participating on the continuing upward trend of expenditures and the need for seeking a still greater measure of budgetary stabilization... This objective, it was suggested, could best be accomplished by putting first things first... Many Members... felt that a sounder way of effecting economy and achieving an adequate degree of stability might be to examine proposed activities, one by one, with a view to the restriction of those which lend themselves to curtailment or postponement without harmful consequences."

32. In 1952, the General Assembly resolved that a fixed pattern of conferences should be established for a period of four years in order to allow "for the rational and economic distribution of meetings between Headquarters and Geneva", and recommended to all organs that they adhere to this pattern. ^{44/}

33. In 1947, the General Assembly decided to ask the Secretary-General to approach the Economic and Social Council to see if it could dispense with verbatim recording. ^{45/} In 1948, the Council agreed to do so, the agreement being noted by the General Assembly. ^{46/} In subsequent years, the General Assembly has expressed increasing concern with the cost of producing the official documentation and other publications of the Organization and in this connexion has paid special attention to control and limitation of such documentation. ^{47/}

34. In some cases, in the course of the Fifth Committee's normal administrative review of the estimates for certain activities, representatives of Member States have proposed to delete from the budget certain appropriations requested, on the ground that they opposed that particular activity or programme for substantive reasons. ^{48/}

^{41/} G A (VIII), Annexes, a.i. 39, p. 59, A/2622, para. 92.

^{42/} See, for example, G A (II), Plen., vol. 11, 121st mtg., pp. 1194-1215.

^{43/} G A (VII), Annexes, a.i. 42, p. 73, A/2352, para. 8.

^{44/} G A resolution 694 (VII).

^{45/} G A (II), Plen., vol. II, p. 1499, annex 6 b (A/498), para. 4.

^{46/} G A resolution 243 (III).

^{47/} See G A resolutions 593 (VI) and 789 (VIII).

^{48/} For some recent examples, see G A (IX), 5th Com., 467th mtg., para. 42, 477th mtg., paras. 66, 70.

Whenever a proposal of this type has been made, it has been the practice of the Fifth Committee to proceed to vote as to whether or not that activity should be included in the budget. ^{49/} In a number of instances, representatives of Member States have, in plenary meeting of the General Assembly, voted against the budget estimates as a whole or have abstained, because they opposed the inclusion of appropriations for the financing of activities on substantive grounds. ^{50/}

3. *Power of the General Assembly to approve or disapprove obligations incurred by the Organization*

35. The question of whether the General Assembly, in exercising its budgetary powers, has the right to reject appropriations for obligations incurred by the Organization was raised in connexion with the awards of compensation made by the United Nations Administrative Tribunal in the case of eleven staff members whose appointments had been terminated during 1953. ^{51/}

36. The General Assembly, at its eighth session, considered the inclusion in the supplementary estimates of proposed appropriations for the payment of the awards of compensation made by the Administrative Tribunal. During the discussion of this item in the Fifth Committee, ^{52/} it was stated by representatives opposing payment that the funds for the awards had to be appropriated by the General Assembly as part of the United Nations budget, which had to be considered and approved by the Assembly. In considering the appropriation, the Assembly was bound to review the decisions of the Tribunal and was not entitled to relinquish to any subsidiary organ its power to make appropriations. On the other hand, representatives favouring payment of the awards stated that, while the power of the General Assembly to approve appropriations was not contested, that could hardly serve as a ground for refusing to meet contractual obligations. One representative, ^{53/} who voted for the draft resolution proposing that the International Court of Justice be asked for an advisory opinion, stated that he had done so on the understanding that the Court should also take into consideration whether the Assembly was empowered to deal with the form and substance of any appropriation to be included in the United Nations budget.

37. In its advisory opinion, ^{54/} the Court considered the contention put forward by some Governments that an implied power to impose legal limitations upon the express Charter power of the General Assembly was not legally admissible, and that the establishment of a tribunal competent to make an award of compensation to which the General Assembly was bound to give effect would contravene Article 17 (1) conferring upon the Assembly the power to consider and approve the budget of the Organization.

38. The Court rejected this contention, and stated that the function of approving the budget did not mean that the General Assembly had an absolute power to approve or disapprove the expenditures proposed to it; the General Assembly had no alternative but to honour obligations already incurred by the Organization, and these obligations comprised the awards of compensation made by the Administrative Tribunal in favour of staff members.

^{49/} For some recent examples, see G A (IX), 5th Com., 477th mtg., paras. 68, 71.

^{50/} For the latest example, see G A (IX), Plen., 515th mtg., paras. 111-122.

^{51/} See also in this Repertory under Article 22.

^{52/} For texts of relevant statements, see G A (VIII), 5th Com., 420th-423rd mtgs. and 425th-427th mtgs.; *ibid.*, Plen., 471st mtg.

^{53/} G A (VIII), 5th Com., 426th mtg., para. 91.

^{54/} Effect of awards of compensation made by the United Nations Administrative Tribunal, I C J, Reports 1954, p. 47.

4. Budget ceiling

39. Article 17 (1) of the Charter places no limit upon the amount of the budget. However, the question of a budget ceiling has been raised in the Fifth Committee from time to time by Member States in the course of discussions on the budget estimates.

40. At the fifth session of the General Assembly, a representative submitted a draft resolution which aimed at stabilizing the estimates of expenditures of the programme activities of the Economic and Social Council. The effect of the draft resolution was to request "the Economic and Social Council, in considering the programme of activities for each of the years 1952 and 1953, to take the appropriations approved in the regular budget of the United Nations for 1951 as indicating the level of expenditure to be incurred upon the regular programme of the United Nations in economic and social fields;" 55/

41. The basis for submitting the draft resolution was that "firstly...it would be very good if Governments were to know for some years in advance what their commitments in relation to the regular activities of the United Nations were likely to be. Secondly... worthwhile programmes of the United Nations were likely to be jeopardized if too much was attempted." 56/

42. Several delegations supported the principle which underlay the draft resolution, but the majority of those taking part in the debate expressed inability to support it for practical and procedural reasons. Finally, the sponsor of the draft resolution agreed to withdraw it, but reserved his delegation's right to reintroduce it at the appropriate place and time. 57/

43. The draft in question had been submitted following the discussion of the idea, urged by a number of delegations, that the regular budget of the Organization should be established in the future at a figure not exceeding thirty-five million dollars net. The draft resolution was expressive of the concern with which the majority of the Member States participating in the discussion viewed the increasing cost of international administration, as reflected in the budgets of the United Nations and of its affiliated agencies over recent years. As stated in the report of the Fifth Committee,

"This concern ... could best be allayed and excessive inflation of costs arrested, by the establishment of standards of administrative efficiency and economy comparable to those enforced in the most highly developed national administrations. If costs continued to increase, there would be a grave danger that essential activities might be severely limited by lagging contributions. Throughout the discussions, therefore, the need was constantly emphasized for ensuring that available resources are used to the best possible advantage and not dissipated among activities of limited importance and remote value...

"Other delegations, however, while equally desirous of ensuring a maximum degree of administrative economy, believed that this should be consistent with the provision of means adequate at all times for the efficient discharge of the Organization's essential functions. Stabilization of the budget within an arbitrarily determined ceiling was not, therefore, considered to be a practicable or necessarily desirable objective." 58/

55/ G A (V), Annexes, a.i. 39, p. 55, A/C.5/L.96.

56/ Ibid., p. 61, A/1734 and Add.1, para. 11.

57/ Ibid., paras. 13 and 15.

58/ G A (V), Annexes, a.i. 39, p. 61, A/1734 and Add.1, paras. 7 and 9.

44. No specific proposal to place a ceiling on the budget as a whole was put forward at the fifth session of the General Assembly, nor was such a proposal subsequently placed before the Assembly. The question was referred to again at some length during the discussions of the budget estimates by the Assembly at its eighth session, when similar reasons were advanced for and against a budget ceiling. 59/

E. Extent of control by the General Assembly over budgetary expenditure

1. *The Board of Auditors*

45. The General Assembly, in addition to approving the budget, has established an audit system to ensure that the funds voted by the budget are spent in accordance with the provisions of the budget and of the Financial Regulations. The General Assembly has delegated to the Board of Auditors, established at its first session, 60/ the primary responsibility for carrying out this function.

46. The Board of Auditors is composed of the Auditors-General (or corresponding officers) of three Member States. Each member is appointed by the General Assembly for a three-year term. 61/ By resolution 347 (IV), the Assembly resolved that there should be a joint panel of auditors from which the United Nations and its specialized agencies should select their external auditors.

2. *Functions of the Board of Auditors and principles governing the audit procedure of the United Nations*

47. The functions of the Board of Auditors and the principles governing the audit procedures of the United Nations as finally established have been set out in an appendix to the Financial Regulations. 62/

48. The Board of Auditors performs such audit of the accounts of the United Nations, including all trust and special accounts, as it deems necessary in order to certify that the financial statements are in accord with the books and records of the Organization, that the financial transactions reflected in the statements are in accordance with the rules and regulations, the budgetary provisions and other applicable directives, and that the securities on deposit and on hand are verified by certificate received directly from the Organization's depositaries or by actual count.

49. The Board is also required to make a report to the General Assembly on the accounts which it certifies and is directed to mention in the report the specific points listed in paragraph 7 of the appendix to the Financial Regulations. These points include matters affecting the completeness or accuracy of the accounts, wasteful or improper expenditure of United Nations money, expenditure likely to commit the United Nations to further outlay on a large scale and expenditure not in accordance with the intention of the Assembly, after making allowances for duly authorized transfers within the budget.

59/ G A (VIII), Annexes, a.i. 39, p. 59, A/2622, paras. 13 and 14.

60/ G A resolution 74 (I), para. (h).

61/ G A resolution 74 (I), paras. (a) and (c).

62/ G A resolution 456 (V), Annex.

*3. Procedure for review of accounts and audit reports
by the General Assembly*

50. The certified annual accounts of the United Nations are normally accompanied by a financial report of the Secretary-General. The accounts and report of the Secretary-General together with the report of the Board of Auditors, are transmitted by the Board to the General Assembly, which refers them to the Advisory Committee on Administrative and Budgetary Questions. The comments of the Advisory Committee, and the accounts and the reports referred to above are considered by the Fifth Committee, and then by the General Assembly in plenary meeting. Normally, the Assembly adopts a resolution by which it accepts the financial report and accounts of the United Nations and the certificate of the Board, and takes note of the observations of the Advisory Committee. 63/

F. Extra-budgetary funds

1. General statement

51. As indicated in section A of this Summary, the normal continuing programmes of the United Nations are financed from the United Nations budget. There are, however, a number of programmes approved by the General Assembly which have been financed in whole or in part by voluntary contributions from Member States or from other sources. These voluntary contributions are not included in the budget of the United Nations, and have been designated as extra-budgetary funds. In some cases these voluntary contributions have been used to extend programmes initiated under the regular United Nations budget.

2. The principal extra-budgetary programmes

52. The principal extra-budgetary programmes financed wholly from voluntary funds are the following:

- (a) United Nations Children's Fund; 64/
- (b) United Nations Relief and Works Agency for Palestine Refugees in the Near East, 65/ and its predecessor, the United Nations Relief for Palestine Refugees; 66/
- (c) United Nations Korean Reconstruction Agency. 67/

53. The principal extra-budgetary programmes financed mainly, but not wholly, from voluntary funds are:

- (a) Expanded Programme of Technical Assistance for under-developed countries; 68/
- (b) Office of the United Nations High Commissioner for Refugees. 69/

63/ For example, see G A resolution 862 (IX).

64/ Originally established by G A resolution 57 (I) as "[United Nations] International Children's Emergency Fund". The name was changed to "United Nations Children's Fund" by G A resolution 802 (VIII).

65/ G A resolution 302 (IV).

66/ G A resolution 212 (III).

67/ G A resolution 410 (V).

68/ E S C resolution 222 (IX) and G A resolution 304 (IV).

69/ G A resolutions 428 (V) and 832 (IX).

3. Raising funds for extra-budgetary purposes

54. At its fifth session, the General Assembly, by resolution 410 B (V), requested its President to appoint a negotiating committee of Member States to consult with Member and non-member States regarding voluntary contributions to the programme for the rehabilitation and reconstruction of Korea. At its sixth session, the Assembly, recognizing the necessity of establishing and maintaining procedures for obtaining funds to finance extra-budgetary programmes, requested its President to appoint a Negotiating Committee for Extra-Budgetary Funds of not more than ten members for the purposes of consulting with Member and non-member States as to the amounts which Governments might be willing to contribute on a voluntary basis towards each of the programmes referred to the negotiating committee by the General Assembly. 70/ The General Assembly also laid down certain principles for the Negotiating Committee to follow in carrying out its task. 71/ Since the sixth session, the General Assembly has annually appointed a Negotiating Committee. 72/

4. Control of extra-budgetary funds

55. Apart from administrative expenditures of the United Nations technical assistance programme 73/ and the Office of the High Commissioner for Refugees, 74/ the annual budgets for programmes financed from extra-budgetary funds are not submitted to the General Assembly for approval. However, financial arrangements have been made for each programme, providing for an audit of the accounts of expenditure by the Board of Auditors, which reports thereon to the General Assembly. The audit reports are referred by the General Assembly to the Advisory Committee on Administrative and Budgetary Questions. Furthermore, with respect to the operational programmes, the Assembly has provided for the creation of governmental committees having the duty of supervising to a greater or lesser degree the allocation of available funds. Thus, in the case of the United Nations Children's Fund, there is an Executive Board which lays down for the Executive Director of the Fund "policies, including the determination of programmes and allocation of funds, ... in accordance with such principles as may be laid down by the Economic and Social Council and its Social Commission;". 75/

56. At its sixth session, the General Assembly, by resolution 594 (VI), resolved that the administrative part of the technical assistance programme executed by the United Nations should be subject to the same scrutiny by the Advisory Committee as that applied to other expenses proposed under the regular United Nations budget. The Assembly also requested the Advisory Committee, in reviewing the accounts of all the special operational programmes authorized by the General Assembly and financed from extra-budgetary funds, to pay special attention to the administrative practices and expenses of their programmes, and to submit comments thereon as part of its reports to the Assembly. 76/ Since the adoption of General Assembly resolution 594 (VI), the

70/ G A resolution 571 B (VI).

71/ G A resolution 693 (VII).

72/ G A resolutions 693 (VII), 759 (VIII) and 861 (IX).

73/ See para. 56 below.

74/ Para. 21 of the Statute of the Office of the High Commissioner for Refugees, adopted by G A resolution 428 (V), provides: "The administration of the Office of the High Commissioner shall be subject to the Financial Regulations of the United Nations and to the financial rules promulgated thereunder by the Secretary-General."

75/ G A resolution 57 (I).

76/ G A resolution 594 (VI).

United Nations budget estimates have set forth full details of the administrative part of the technical assistance budget, even though the costs concerned fall mainly on extra-budgetary funds. 77/

57. At its ninth session, the General Assembly, 78/ having noted the concern expressed by the Negotiating Committee for Extra-Budgetary Funds regarding the effect of the establishment, for activities and programmes supported by voluntary contributions, of financial targets unlikely to be realized in terms of actual receipts of contributions, requested the organs of the United Nations concerned with the approval of activities and programmes to be financed by voluntary contributions, to satisfy themselves that the budgetary levels of those programmes are established at amounts consistent with the probabilities of collection of contributions for such activities and programmes.

77/ For the latest example, see G A (IX), Suppl. No. 5 (A/2647).
78/ G A resolution 861 (IX).

