

BUDGETARY AND FINANCIAL ARRANGEMENTSREPORT OF THE FIFTH COMMITTEE
TO THE GENERAL ASSEMBLY

Rapporteur: Mr. Th. Aghnides (Greece)

1. In accordance with the instructions given by the General Assembly at its Sixteenth Plenary Meeting on 19 January 1946, the Fifth Committee has considered the recommendations and suggestions made by the Preparatory Commission, in Chapter IX of its Report on budgetary and financial arrangements. It has also considered the Provisional Budget of the United Nations for the period ending 31 December 1946, as prepared by the Executive Secretary with the assistance of the Advisory Group of Experts, and the accompanying proposal for the establishment of a Working Capital Fund.
2. The Committee adopted the recommendations on budgetary and financial arrangements contained in Chapter IX of the Report of the Preparatory Commission with few amendments. A proposal that the number of members of the Advisory Committee on Administrative and Budgetary Questions should be increased from seven to nine in order to allow for wider representation was generally approved, though a further proposal that the membership be enlarged to twelve was rejected.
3. In the case of the proposed Committee on Contributions also, an amendment was accepted recommending that the number of members be increased from seven to ten. The Delegate of Ecuador proposed an amendment introducing into the first sentence of paragraph 13, Section 2, of Chapter IX, of the Report of the Preparatory Commission, the phrase "due account being taken of the principle of progressive contributions". The proposal after full discussion was defeated by

twenty votes to nineteen. The discussion, however, clearly indicated that the great majority of Members of the Committee were in full sympathy with the purpose of the amendment although doubts were expressed by several delegations as to whether the "progressive" principle could in practice be fully applied to the contributions of Member states, while other delegations were of the opinion that it was clearly implied in the criteria for assessment of contributions laid down in the paragraph in question - namely that Members should be assessed broadly in accordance with their capacity to pay, subject to such basic considerations as comparative income per head of population and temporary dislocation of national economies arising out of the war, being fully taken into account. This question was re-opened at a subsequent meeting, the Mexican delegate proposing that in order to make its purpose clearer, the passage should read "The main factors which should be taken into account in order to prevent anomalous assessments resulting from the use of comparative estimates of national income include....." etcetera and further that the following words should be deleted from sub paragraph (a) of the paragraph in question "e.g. in the case of populous states with low average income per head".

This proposal was adopted unanimously.

The adoption of this amendment was felt by members of the Committee to fulfil the purpose of the earlier Ecuadorian proposal concerning the principle of progressive contributions.

4. The Draft Provisional Financial Regulations submitted by the Preparatory Commission were amended by the addition of two new regulations (Regulations 17 and 18) proposed by the Canadian Delegation. These do not raise any issues of principle and are designed simply to ensure centralized cash control from the start. The regulation permitting the Secretary General to make transfers within the budget during 1946 (Regulation 22) was debated at

considerable length. It was pointed out by the French Delegation that the permission granted to the Secretary-General to make such transfers could not be accepted in principle except as a strictly transitional arrangement during the first financial year of the Organization and there was general agreement that in the permanent regulations the power of the Secretary-General to transfer should be limited to transfers within each main chapter. The French Delegation also suggested that during the provisional period transfers between chapters should only be permitted after consultation with the Advisory Committee on Administrative and Budgetary Questions. The Committee, however, decided not to limit in any way the Secretary-General's discretion in this matter for the time being. The Draft Provisional Financial Regulations as amended and reproduced in an Annex to this Report, were adopted unanimously.

5. As regards the recommendation relating to travelling expenses of delegates, the Committee accepted its Rapporteur's interpretation that the United Nations would pay the actual travelling expenses of any five representatives of Members to and from meetings of the General Assembly no matter where such representatives might be stationed (whether in their home country or abroad) subject, however, to the maximum payment in each case not exceeding a sum equivalent to the cost of a journey to and from the capital of the delegate's home country to the seat of the United Nations. The Delegate of China dissented from this interpretation, however, as he considered that the purpose of the recommendation should be limited to allowing and encouraging members to send their representatives or alternates from their own countries, since every Member could easily take care of the travelling expenses of those delegates who came from places close to the seat of the United Nations.

6. A sub-committee, under the chairmanship of Mr. Wilgross (Canada) and consisting of the delegates of Belgium, China,

Ecuador, France, India, Lebanon, Mexico, Norway, Union of Soviet Socialist Republics, United Kingdom and the United States, was appointed to consider whether the first or second year scale of the Food and Agriculture Organization should be adopted in determining the advances to the Working Capital Fund and what assessments should be made for advances by Member countries not Members of the Food and Agriculture Organization. The Committee accepted the sub-committee's proposal to adopt the average between the first and second year scales, and also the percentages suggested by it for the countries not included in the scale. The Committee points out that the first year's Food and Agriculture Organization scale was determined in mid-1944 when a great number of the Members were suffering under enemy occupation; that the second year's scale, as agreed to in October last, was recognized to be a transitional scale - a half-way-house towards a normal scale; and that in recommending the average between these scales the Committee is not basing its proposal on any study of the capacity to pay or the capacity to lend of one country as against another. The suggested provisional scale of advances to the Working Capital Fund is, therefore, in no sense a precedent for the assessment of contributions and the Committee on Contributions which is to be appointed by the General Assembly at this session will accordingly be required to make a completely new approach towards this whole problem.

7. The provisional Budget of the United Nations to cover expenditure up to 31 December 1946, including the expenses of the Preparatory Commission incurred prior to 31 December 1945 and the expenses of convoking the First Part of the First Session of the General Assembly, was originally submitted by the Advisory Group of Experts, provided for a total expenditure of \$24,978,000. Subsequently, when it became known that the proposed meeting of the Second Part of the First Session of the General Assembly

was not likely to be held in April or May as originally anticipated, the Advisory Group presented revised estimates totalling only \$22,582,750. An estimate of the number of persons who would be employed by the Organization by the end of 1946 which was made in the original document was omitted from the Advisory Group's revised estimates on the ground that it was likely to be misleading.

8. An item of \$ 200,000 included in the original estimates to cover the cost of refunds to officials for taxes paid by them to their national governments, was omitted on the ground that no actual expenditure would be required under this item during 1946. A note, however, was included in the paragraph dealing with "Unforeseen Expenses" in the explanatory memorandum accompanying the budget for the purpose of authorizing the Secretary-General to make such refunds in accordance with the Committee's recommendations on the subject. Thus, while no funds are specifically appropriated in the Provisional Budget for this item, provision can be made in the First Annual Budget by which time it is expected there will be a more reliable basis for estimating requirements. In the course of the general discussion of the Provisional Budget the New Zealand Delegate emphasized that this reimbursement item is of a strictly temporary character and that the Organization was not committing itself in any way beyond the present year. He urged that except in cases covered by decisions already taken, the Secretary-General should not, in the engagement of staff, make or imply any promise that refunds of tax payments will necessarily continue to be voted by the General Assembly.

9. The Committee devoted three meetings to an exhaustive consideration of the principles and details of the Provisional Budget. Many delegates expressed willingness to approve the Provisional Budget as presented by the Advisory Group of Experts on the ground that the estimates when approved would constitute the

upper limit of the authority of the Secretary-General to expend money up to the end of 1946 and that in the final event the actual expenditure might well be lower. The Delegate of the Union of Soviet Socialist Republics considered, however, that the estimates were too high, and in order to provide a basis for a reduction asked the Advisory Group to supply estimates of the numbers of persons to be employed in each Department of the Secretariat. The Chairman of the Advisory Group explained that the Group, in making the estimates, purposely avoided any action that might tend to limit the Secretary-General's freedom of action. In order that there should be widespread understanding of the estimates and the basis on which they had been proposed, experienced members of some seventeen national delegations has been associated with this phase of the Advisory Group's work either as members of the Group, or of its Panel of Consultants or Planning Staff, and care had been taken to see that these persons were made familiar with all relevant details. The Chairman of the Group pointed out that despite the care with which the estimates had been prepared they were obviously tentative and could hardly be discussed in detail in full committee at this stage, without unduly limiting the Secretary-General's freedom of action. The Delegate for the Union of Soviet Socialist Republics then proposed a reduction of fifty per cent. in the estimates for travel expenses of the Secretariat and of twenty per cent in the other items of expenditure for the Secretariat. These amendments were rejected. The Delegation of the Union of Soviet Socialist Republics proposed that the item for Unforeseen Expenses be reduced by \$1,500,000. The Delegate for the United States thereupon offered a compromise proposal that the item for Unforeseen Expenses be reduced by \$1,000,000. This latter proposal was accepted by the Delegate for the Union of Soviet Socialist Republics and the Committee accepted this amendment. All other items were approved but at a subsequent

meeting, the Committee accepted a suggestion that the item relating to the International Court of Justice be reduced by \$82,750, thus giving a rounded total for the Provisional Budget of \$21,500,000. The Budget, together with an explanatory memorandum, as approved by the Fifth Committee and submitted to the General Assembly for adoption, is attached in Annex II. Subsequently the Committee adopted the recommendation of the Advisory Group that a Working Capital Fund of \$25,000,000 be created to be comprised initially by the advances of Members according to the scale previously adopted by the Committee for this purpose.

10. The Working Capital Fund is being established:

(a) initially in order to meet the expenditures of the Provisional Budget, and

(b) after the permanent amount of the Fund has been established by the General Assembly at its September 1946 session, to provide monies to meet expenditures voted by the General Assembly, and to provide adequate cash reserves against the receipt of the contributions of Members who may be unable to remit their contribution when requested, due to legislative delays or other financial problems.

11. The Working Capital Fund will be administered by the Secretary-General as a separate fund. The advance which each Member makes will be carried as a credit to the Members. Any amounts offset against Members' annual contributions or Members' contributions to the capital budget for the permanent headquarters site and buildings would be in proportion to each Member's advance.

12. The \$25,000,000 of advances to be called for from members at the First Part of the First Session would be placed in the Working Capital Fund. Amounts not exceeding in total the Provisional Budget voted by the General Assembly would be transferred as

required from the Working Capital Fund to a General Fund from which expenditure would be made for the purposes of the Provisional Budget.

13. Later in 1946, after a scale of contributions has been adopted, and the Provisional Budget has been superseded by the First Annual Budget (for the financial year ending 31 December 1946), when the latter is adopted at the Second Part of the First Session, it is anticipated that the General Assembly will call for the first annual contributions from Members. Members will be called upon to make contributions to the First Annual Budget equal to the full amount of that budget.

14. At its September 1946 session, the General Assembly will also authorize the Second Annual Budget (for the financial year ending 31 December 1947) and Members' contributions to this budget will be payable after 1 January 1947.

15. Due to the likelihood of the General Assembly voting supplementary programmes entailing additional expenditure not included in regular budgets, and to the possibility of delays in the receipt of contributions from Members, it is considered important that an adequate Working Capital Fund be maintained in those early years. Without this arrangement the programmes of the General Assembly might be delayed until Members' contributions for the succeeding financial year had been received. The contributions, when subsequently received, would replenish the Working Capital Fund.

16. The necessity of adequate working capital to meet financial emergencies should be most evident when delegates realize that the United Nations has no authority to borrow money, nor other means of quickly obtaining needed cash.

17. Before sitting down I wish to take this opportunity to pay tribute to all those who made it possible for our Committee to respond in a manner which I may be permitted to qualify as satisfactory to the call of the General Assembly. I will begin with our

Chairman, whose contributions have already been so justly assessed by this Committee at the conclusion of our meeting on 7 February. I would then mention the two sub-committees of ten and twelve and the Advisory Group of Experts and their respective presidents, Senator Vandenberg, Mr. Wilgress and Mr. Biddle, to whom this Committee is so deeply indebted. Last, but not least, I would mention the Secretary of our Committee, Mr. Bruce Turner and his devoted staff without whose constant and vigilant endeavours we should not have been able to achieve so much in so little time. As to our interpreters, they certainly deserve the highest praise. They not only interpreted our speeches, but they often improved them.

18. I cannot do better than conclude this final report of the Fifth Committee with a quotation from the statement concerning the general financial situation which confronts the United Nations, made by the Delegate of the United States of America, following the conclusions of the debate on the provisional budget:

"I should consider it fatal to our aspirations" he said, "if the United Nations should permit its aspirations to so far outrun its resources that any peace-loving nation would ever find it financially impossible to maintain its membership and its allegiance or that it should ever lose its vote because of unavoidable arrears. This must never become a so-called "rich man's club", it must always remain the "town meeting of the World".....Let us build carefully and prudently and let us live within our common means for the sake of solvency in connection with this great enterprise to which our efforts are dedicated".

The Committee is satisfied, after the very full consideration these budgetary and financial matters have received from the Executive Committee, the full Preparatory Commission, the Advisory Group of Experts and the Fifth Committee itself, that the recommendations now submitted for the approval of the General Assembly make adequate provision for the essential needs of the Organization during the transitional period and will facilitate, under the control of the Secretary-General, the orderly, economic and efficient conduct of the affairs of the United Nations.

I therefore have the honour to move the adoption of the following resolutions:

I

The permanent budgetary and financial arrangements of the United Nations should be so designed as to promote efficient and economical administration and command the confidence of Members.

THEREFORE THE GENERAL ASSEMBLY RESOLVES that:

1. Arrangements be made on the basis of the general principles set out in Section 2 of Chapter IX of the Report of the Preparatory Commission and of the Provisional Financial Regulations, for budgetary procedures, the collection and custody of funds, the control of disbursements and the auditing of accounts.
2. To facilitate the consideration of administrative and budgetary questions by the General Assembly and its Administrative and Budgetary Committee, there be appointed at the beginning of the Second Part of the First Session of the General Assembly, an Advisory Committee on Administrative and Budgetary Questions of nine members (instead of seven as laid down in Rule 37 of the Provisional Rules of Procedure) with the following functions:
 - (a) to examine and report on the Budget submitted by the Secretary-General to the General Assembly;
 - (b) to advise the General Assembly concerning any administrative and budgetary matters referred to it;
 - (c) to examine on behalf of the General Assembly the administrative budgets of specialized agencies and proposals for financial arrangements with such agencies;
 - (d) to consider and report to the General Assembly on the auditors' reports on the accounts of the United Nations and of specialized agencies.

The Committee shall deal with personnel matters only in their budgetary aspects, and representatives of the staff shall have the right to be heard by the Committee.

3. A standing expert Committee on Contributions of ten members (instead of seven as laid down in Rule 40 of the Provisional Rules of Procedure) be appointed with instructions to prepare a detailed scale of apportionment of expenses, based on the principles set out in paragraph 13 of Section 2 of Chapter IX of the Report of the Preparatory Commission for consideration at the Second Part of the First Session.

II

With a view to the integration of the administrative and budgetary planning of the Organization

THE GENERAL ASSEMBLY

4. Recommends that the Secretary-General appoint at an early date a small advisory group of experts, as described in paragraphs 23 - 26 of Section 2 of Chapter IX of the Report of the Preparatory Commission to perform the functions suggested by the Preparatory Commission in paragraphs 23 - 26 of Section 2 of Chapter IX of its Report, including those specified in the Provisional Financial Regulations.

III

Having made a general examination of the Draft Provisional Financial Regulations submitted by the Preparatory Commission

THE GENERAL ASSEMBLY

5. Adopts the Provisional Financial Regulations, as amended, and reproduced in Annex I to this report.

IV

The opportunities of Members to participate in the activities of the United Nations should be equalized as far as possible.

THEREFORE THE GENERAL ASSEMBLY RESOLVES that:

6. The actual travelling expenses of representatives or their alternates to and from meetings of the General Assembly shall be borne by the United Nations budget provided that the number of persons whose expenses will be so paid is limited to five in all per Member. The maximum travelling allowances shall be restricted to the equivalent of first-class accommodation by recognized public transport via an approved route from the capital city of a Member to the place where the General Assembly is meeting, and shall not include the payment of subsistence, except where this is included as an integral part of the regular posted schedule for first-class accommodation for recognized public transport. Actual travelling expenses to and from the meetings of the General Assembly of representatives or their alternates shall be reimbursed to each Member by means of an adjustment in the Member's annual contribution.

V

THE GENERAL ASSEMBLY RESOLVES that:

7. The Secretary-General, after consultation with the Advisory Group referred to above, should be prepared to recommend to the General Assembly during the Second Part of the First Session necessary action on administrative and budgetary questions, including the following:

- (a) the form of the budget;
- (b) procedure for the examination of the budget by the Advisory Committee on Administrative and Budgetary Questions, and for submission of the Committee's report to the General Assembly;

- (c) machinery for the control of expenditure;
- (d) means of meeting extraordinary expenditure;
- (e) provision of working capital;
- (f) character and scope of special funds; and
- (g) scope and method of audit of accounts and the procedure for the submission of the auditor's report to the Advisory Committee and the General Assembly.

VI

THE GENERAL ASSEMBLY:

8. Notes the observations made in paragraphs 5, 10 and 11 of Section 2 of Chapter IX of the Report of the Preparatory Commission dealing with the formulation, presentation and execution of the budget, the collection and management of funds and the currency of account, and transmits them to the Secretary-General for his information and consideration.

VII

THE GENERAL ASSEMBLY RESOLVES that:

9. An amount of \$21,500,000 is hereby appropriated for the following purposes :

Section I	For expenses of the General Assembly and the Councils.....US	\$ 1,500,000
Section II	For expenses of the Secretariat.....US	\$16,510,750
Section III	For expenses of the International Court of Justice.....US	\$ 617,250
Section IV	For Unforeseen Expenses.....US	\$ 2,000,000
Section V	For the expenses of the Preparatory Commission and the cost of convening the General Assembly and the First Session.....US	\$ 872,000

10. The above amounts are to be available for the payment of obligations incurred prior to 1 January 1947. The Secretary-General may transfer by written order credits among or within the above listed classifications.

VIII

THE GENERAL ASSEMBLY RESOLVES that :

11. A Working Capital Fund is established at the amount of \$25,000,000 (US).
12. Members shall make advances to the the Working Capital Fund in accordance with the attached provisional scale which is merely a matter of convenience and in no sense a precedent for the assessment of contributions.
13. These advances shall be readjusted at the time of the Second Part of the First Session of the General Assembly in accordance with the scale to be adopted by the General Assembly for contributions of Members to the first annual budget.
14. Except for any readjustments which may result from a revision of the scale referred to in paragraph 3, advances to the Working Capital Fund shall not be offset against contributions of Members to the first annual budget.
15. The General Assembly at the Second Part of its First Session (September 1946) shall determine the amount at which the Working Capital Fund should be maintained and the method and timing of consequential set-offs against contributions or other adjustments.

PROVISIONAL SCALE OF ADVANCES TO WORKING CAPITAL FUND

	<u>Proposed Scale Adjusted</u>	<u>Amount of advances. U.S. Dollars.</u>
Argentina	2.983	745,750
Australia	2.875	718,750
Belgium	1.329	332,250
Bolivia	0.256	64,000
Brazil	2.983	745,750
Byelorussian S.S.R.	0.738	184,500
Canada	4.362	1,090,500
Chile	0.994	248,500
China	6.400	1,600,000
Colombia	0.610	152,500
Costa Rica	0.049	12,250
Cuba	0.610	152,500
Czechoslovakia	1.447	361,750
Denmark	0.640	160,000
Dominican Republic	0.049	12,250
Ecuador	0.049	12,250
Egypt	1.497	374,250
El Salvador	0.049	12,250
Ethiopia	0.256	64,000
France	5.602	1,400,000
Greece	0.394	98,500
Guatemala	0.049	12,250
Haiti	0.049	12,250
Honduras	0.049	12,250
India	4.391	1,097,750
Iran	0.610	152,500
Iraq	0.384	96,000
Lebanon	0.049	12,250
Liberia	0.049	12,250
Luxembourg	0.049	12,250
Mexico	1.615	403,750
Netherlands	1.428	357,000
New Zealand	0.994	248,500
Nicaragua	0.049	12,250
Norway	0.640	160,000
Panama	0.049	12,250
Paraguay	0.049	12,250
Peru	0.610	152,500
Philippines	0.256	64,000
Poland	1.231	307,750
Saudi Arabia	0.295	73,750
Syria	0.197	49,250
South Africa	1.989	497,250
Turkey	1.497	374,250
Ukrainian S.S.R.	1.231	307,750
U.S.S.R.	6.892	1,723,000
United Kingdom	14.768	3,692,750
United States	24.614	6,153,500
Uruguay	0.502	125,500
Venezuela	0.502	125,500
Yugoslavia	0.738	184,500
	100.00	25,000,000

ANNEX I

DRAFT PROVISIONAL FINANCIAL REGULATIONS

THE FINANCIAL YEAR

Regulation 1

The Financial Year shall be the calendar year, 1 January to 31 December.

THE PROVISIONAL BUDGET

Regulation 2

The Secretary-General shall submit to the First Part of the First Session of the General Assembly a provisional budget for the Financial Year 1946. The provisional budget as adopted by the General Assembly shall remain in force pending its substitution by the adoption of the first annual budget of the Organization by the General Assembly during the Second Part of the First Session.

Regulation 3

Estimates of expenditure to be incurred under the provisional budget shall be divided into two separate parts: The Secretariat and the organs served by it; the International Court of Justice. The first part shall be divided into general broad headings of expenditure, such as Salaries, Wages, Travelling Expenses, Incidental Expenses, Rent of Buildings, Office Equipment, Library, and Contingencies, and shall be presented in a form to be determined by the Secretary-General after consultation with the Advisory Group of Experts.

Regulation 4

The provisional budget shall cover expenditures for the calendar year 1946, the costs of the Preparatory Commission and the costs incidental to the convening of the First Session of the General Assembly incurred prior to 31 December 1945.

WORKING CAPITAL FUND

Regulation 5

Expenditures under the provisional budget shall be financed by a Working Capital Fund, to consist of advances made by Members in accordance with a scale of allocation determined by the General Assembly.

Regulation 6

After the General Assembly has adopted the provisional budget, and established the total of the Working Capital Fund, the Secretary-General shall

- (a) inform Members of their maximum commitments in respect of the Working Capital Fund;
- (b) request them to remit their advances in amounts and at times as may be determined;
- (c) call upon Members thereafter, from time to time, as funds are required, to remit outstanding instalments of the advances agreed upon.

Regulation 7

All advances to the Working Capital Fund shall be calculated and paid in the currency of the state in which the United Nations is situated.

FIRST ANNUAL BUDGET

Regulation 8

The Secretary-General shall submit the first annual Budget of the United Nations to the General Assembly during the Second Part of the First Session. He shall arrange for this budget to be examined beforehand by the Advisory Group of Experts.

Regulation 9

Estimates of expenditure to be incurred under the first annual budget should be divided into separate parts and under broad headings of general expenditure as indicated in Regulation 3.

The exact figures of estimates shall be determined by the Secretary-General after consultation with the Advisory Group of Experts.

Regulation 10

The budget shall be accompanied by:

- (a) a summary of the estimated expenditure under the separate parts divided into the appropriate general headings;
- (b) a statement of total income; and
- (c) a statement showing the amount to be contributed by each Member in accordance with the approved scale of contributions.

Regulation 11

After the General Assembly has adopted the budget and the total amount voted has been apportioned among Members on the scale agreed upon, the Secretary-General shall transmit all relevant documents to Members and request them to remit their contributions as soon as possible.

CURRENCY OF THE CONTRIBUTION

Regulation 12

The contributions of Members shall be assessed and paid in the currency of the state in which the United Nations has its headquarters.

APPROPRIATION OF FUNDS

Regulation 13

The adoption of the Budget by the General Assembly shall constitute an authorization to the Secretary-General to incur expenditures for the purposes for which credits have been voted up to the amounts so voted. The Secretary-General shall allot in writing the appropriations voted by the General Assembly to the various headings of expenditure prior to the incurring of obligations, commitments or expenditures therefore. He shall

keep a record of such allotments and all liabilities incurred showing at all times the amount available under each heading.

INTERNAL CONTROL

Regulation 14

The Secretary-General shall:

- (a) establish detailed financial rules and budgetary procedure in order to ensure effective financial administration and the exercise of economy;
- (b) cause an accurate record to be kept of all capital acquisitions and all supplies purchased and used;
- (c) render to the auditors with the accounts a statement as at 31 December 1946, showing the supplies in hand and the assets and liabilities of the Organization;
- (d) cause all payments to be made on the basis of supporting vouchers and other documents which ensure that the services or commodities have been received and that payment has not previously been made;
- (e) designate the officials who may incur liabilities and make payments on behalf of the Organization;
- (f) maintain an internal financial control which shall provide for an effective current examination or review of financial transactions in order to ascertain:
 - (i) the regularity of the receipt, disposal and custody of all funds and other financial resources of the Organization;
 - (ii) the conformity of all expenditure with the estimates voted by the General Assembly; and
 - (iii) any uneconomic use of the resources of the Organization

Regulation 15

Where in the discretion of the Secretary-General it seems desirable, tenders for supplies shall be invited by advertisement.

THE ACCOUNTS

Regulation 16

The accounts of the Organization shall be kept in the currency of the state in which the United Nations has its headquarters.

Regulation 17

There shall be established one cash control record to which shall be credited all cash receipts accruing to the benefit of the Organization. The cash control record shall be divided into such subsidiary receipts classification as may be deemed necessary.

Regulation 18

Cash shall be deposited in one or more bank accounts as required; branch accounts, or special funds which involve a separation of cash assets, shall be established as charges to the cash control record under appropriate regulations as to objects, purposes and limitations of such accounts and funds.

Regulation 19

The accounts shall consist of:

- (a) Budget Accounts showing within the appropriations:
 - (i) the original allotments;
 - (ii) the allotments after modification by any transfers;
 - (iii) the actual obligations or expenditures incurred; and
 - (iv) the unobligated balance of allotments
- (b) Cash account showing all cash receipts and actual disbursements made:

- (c) a working capital fund account;
- (d) property records showing:
 - (i) capital acquisitions;
 - (ii) equipment and supplies purchased and on hand; and
- (e) a record which will provide a statement of assets and liabilities at 31 December 1946.

APPOINTMENT OF EXTERNAL AUDITORS

Regulation 20

Auditors, who shall be persons not in the service of the United Nations, shall be appointed in a manner to be determined by the General Assembly during the Second Part of its First Session. The auditors shall be appointed for the purpose of auditing the accounts for the period ending 31 December 1946.

CUSTODY OF FUNDS

Regulation 21

The Secretary-General shall, in consultation with the Advisory Group of Experts, designate the bank or banks in which the funds of the Organization shall be kept.

TRANSFERS UNDER THE BUDGET DURING THE FINANCIAL YEAR - 1946

Regulation 22

Transfers by the Secretary-General within the budget shall be permitted during the financial year 1946 and shall be effected only under his written authority.

ANNEX II

PROVISIONAL BUDGET OF THE UNITED NATIONS

(for the period ending 31 December 1946 and
for previously incurred expenses)

Submitted to the General Assembly, First
Session, by the Fifth Committee

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PROVISIONAL BUDGET OF THE UNITED NATIONS

PART I

EXPLANATORY STATEMENT

1. The Preparatory Commission instructed the Executive Secretary, assisted by the Advisory Group of Experts, to prepare a Provisional Budget covering the financial period ending 31 December 1946 for submission to the First Session of the General Assembly. In accordance with that directive a Provisional Budget has been prepared covering:
 - (a) The estimated expenditure of the Organization for the financial year 1946.
 - (b) The estimated costs of the Preparatory Commission.
 - (c) The estimated costs incidental to the convening of the First Part of the First Session of the General Assembly.
2. The Preparatory Commission further recommended that the General Assembly during the First Part of the First Session should establish a Working Capital Fund. The Provisional Budget will be financed from the available monies of the Organization which, it is assumed, will consist of the advances of Members deposited in that Fund.
3. In the preparation of these estimates it has been assumed that the Provisional Budget will be voted at the First Part of the First Session of the General Assembly; that the Working Capital Fund will be voted at the First Part of the First Session; that the First Annual Budget of the Organization will be voted at the Second Part of the First Session (September 1946), at which time Members' contributions to the 1946 Budget will be called for; that the Second Annual Budget (1947) will also be voted at the Second Part of the First Session of the General Assembly (September 1946); and that Members' contributions to the 1947 Budget will be called for at that

time and will be payable after 1 January 1947.

Relation to Approved Policies

4. This Budget has been prepared in advance of action by the Organs on certain policies. It is assumed, of course, that the Secretary-General in his execution of the Budget will proceed in accordance with the approved policies.

Scope and Content of the Budget

5. The draft Provisional Budget covers the amounts by broad classifications estimated to be required during this period. In view of the uncertainties concerning the exact site of the Organization, the probable rate of development of its programme, and the number, character and activities of its subsidiary Commissions and Committees, it has not been possible to determine the requirements of the Organization for this period with any great degree of precision but all available sources of information have been drawn upon. The Provisional Budget estimates will be superseded when the First Annual Budget is adopted.

6. The Provisional Budget has necessarily been prepared without the benefit of past expenditure experience, apart from that gained during the Preparatory Commission and the First Part of the First Session of the General Assembly. As the programme and organization of the United Nations are still in the developmental stage, this experience has been of limited value. Thus, while the Advisory Group has fully utilized available experience and forecasts, the estimates are tentative. The form of the Budget is also provisional and is not intended to establish a precedent in any way for future budget presentations.

7. A major item of expense in the Budget is the cost of establishing the Organization at the interim site. This item will be largely non-recurring in character.
8. The Budget does not include funds for the purchase of land or the construction of buildings. It is assumed that the General Assembly will wish to consider such items at a future Session, when a plan for the permanent headquarters has been developed. Funds for the formulation of the preliminary plans for the permanent headquarters are included in the Budget.
9. The Budget does not contain an income statement as it is assumed that it will be financed by available monies in the Working Capital Fund. Further, no item is carried for losses and gains on foreign exchange. An estimated income statement will be included in the 1946 Annual Budget and Budgets for succeeding years.

Amount of the Budget

10. The total Budget authorization estimated to be required for the period ending 31 December 1946 is \$21,500,000 (U.S.) to be utilized as follows:

SECTION I	For the expenses of Sessions, Commissions and Committees of the General Assembly, the Security Council, the Economic and Social Council, the Trusteeship Council	(U.S.) \$ 1,500,000
SECTION II	For the Secretariat	16,510,750
SECTION III	For the International Court of Justice	617,250
SECTION IV	For unforeseen expenses	2,000,000

SECTION V: For the estimated expenses of the Preparatory Commission and the convening of the First part of the First Session of the General Assembly, up to and including 31 January 1946 (U.S.) \$ 872,000

11. The following paragraphs explain briefly the sections included in Part II, "United Nations Provisional Budget."

SECTION I

The General Assembly, Security Council, Economic and Social Council and Trusteeship Council

12. Estimates have been included under this classification to provide funds for the Sessions of the General Assembly, for meetings of the Councils, the Commission on Atomic Energy and other Commissions and Committees.

13. These estimates include funds for travel, rental of space and furniture, communications, printing and local transportation.

The staff required to service these meetings is provided for under the estimate for the Secretariat.

SECTION II

The Secretariat

14. During this financial period the Secretariat will need to recruit and train staff and organize its work, as well as provide assistance to the Councils and General Assembly.

15. The personnel estimate for the Secretariat is based upon the requirements, in so far as they can be foreseen at this time, for each of the Organization's programmes.

16. While the personnel estimates have been developed from the best available forecasts, they should be considered as an overall amount to cover the Organization's personnel costs for the

period. The Secretary-General will be bound by the approved policies of the appropriate Organs as these affect the allocation of posts and funds between the units of the Secretariat.

17. Staff will be appointed only as they are required to meet the developing needs of the Organization and, in view of the difficulties of recruiting competent personnel, many appointments will not be made until toward the end of the financial period. In view of all these factors the actual amount requested is based upon a "man year"* figure.

18. On the basis of this projected personnel strength, estimates have been made of the Organization's contributions to the provident fund, allowances necessary for certain personnel, and of costs of supplies, building rentals, and contractual services, and equipment and furniture.

19. The estimate of travel expenses for United Nations business matters has been computed by calculating the probable number of trips or missions which staff of the Secretariat would make to field offices, meetings or conferences of other organizations, and to serve at United Nations' meetings held away from the headquarters. In addition, an estimate has been made of the travel costs of consultants who may be employed by the Secretariat.

20. The item in the Budget regarding expenses incident to the transfer of the Organization from London to the Interim site and incident to moving newly employed personnel from their homes to

* "Filled posts" or "man years" represent the 31 December 1946 personnel figure multiplied by the percentage of the financial year during which the posts will be occupied.

the site has been derived on the basis of average transportation and per diem costs. Further an amount has been included in this item to cover the cost of allowances to employees while at the interim site to meet abnormal expenses which they may be occasioned for accommodations at the temporary site.

SECTION III

The International Court of Justice

21. In estimating the expenses of the International Court of Justice, the cost of a full year's salaries and allowances for the Judges at the rates established by the General Assembly has been used. Other expenses include settlement costs of the members and employees of the Court, registry expenses, and salaries of other employees.

SECTION IV

Unforeseen Expenses

22. Since the actual needs of the Organization cannot be anticipated at present with precision, provision has been made for unforeseen expenses.

23. Examples of the items which may need to be met under this head are the expenses of investigations; indemnities to employees killed or injured in the service of the Organization; special meetings of the Organs which cannot be anticipated in this Budget; the expenses of as yet unformulated programmes; and the reimbursement to employees for national income taxation.

SECTION V

Estimated Expenses of the Preparatory Commission and Costs of Convening the General Assembly

24. The estimate of these costs has been prepared from reports of actual expenses incurred and from forecasts of additional liabilities

known to have been incurred but not yet fully determined. These liabilities are being discharged with money advanced by Members and such advances will be credited to their accounts.

Authority to Transfer Credits

25. The Provisional Financial Regulations authorize the Secretary-General to transfer credits between classifications within the Budget. This authority is necessary during the Organization's first financial year to permit the Secretary-General to utilize the money appropriated for the Provisional Budget in accordance with the developing needs of the Organization. Estimates for the various classifications of expenditure have been made upon this assumption.

Resolution

26. The Resolution authorizing the Provisional Budget and appropriating amounts from available monies to finance these expenditures, is attached.

PART II

PROVISIONAL BUDGET OF THE UNITED NATIONS FOR 1946

U.S. dollars

SECTION I: SESSIONS, COMMISSIONS AND COMMITTEES OF:

General Assembly)	
Security Council)	
Economic and Social Council)	
Trusteeship Council)	1,500,000

SECTION II: THE SECRETARIAT

(a) Personnel Services		5,875,000	
(b) Provident Fund contributions by the Organization		235,750	
(c) Allowances and hospitality expenses		221,000	
(d) Travel expenses on official business matters		529,000	
(e) Travel, transportation and per diem costs incidental to transfer of United Nations headquarters to interim site, and to initial movement and installation of staff		3,610,000	
(f) Rentals, contractual services and office supplies		3,470,000	
(g) Furniture, fixtures and equipment		2,520,000	
		<hr/>	
TOTAL FOR SECRETARIAT		16,510,750	16,510,750

Carried Forward: 18,010,750

Brought Forward: \$ 18,010,750

SECTION III: THE INTERNATIONAL COURT OF JUSTICE 617,250

SECTION IV: UNFORESEEN EXPENSES 2,000,000

SECTION V: THE PREPARATORY COMMISSION and the FIRST PART
OF THE FIRST SESSION OF THE GENERAL ASSEMBLY:
estimated expenses up to and including
31 January 1946 872,000

GRAND TOTAL OF THE PROVISIONAL BUDGET: \$ 21,500,000

PART III

RESOLUTION FOR THE APPROPRIATION OF
MONIES TO FINANCE THE PROVISIONAL BUDGET

The General Assembly resolves that:

1. An amount of \$21,500,000 is hereby appropriated for the following purposes:

SECTION I:	For expenses of the General Assembly and the Councils.....U.S.	\$ 1,500,000
SECTION II:	For expenses of the Secretariat.....U.S.	\$ 16,510,000
SECTION III:	For expenses of the International Court of Justice.....U.S.	\$ 617,250
SECTION IV:	For Unforeseen Expenses.....U.S.	\$ 2,000,000
SECTION V:	For the expenses of the Preparatory Commission and the First part of the First Session of the General Assembly up to and including 31 January 1946.....U.S.	\$ 872,000

2. The above amounts are to be available for the payment of obligations incurred prior to 1 January 1947. The Secretary-General may transfer by written order credits among or within the above listed classifications.