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FINANCIAL STATUS OF THE COMMISSION'S PROGRAMME

ECONOMY MEASURES

Note by the Executive Secretary

1. Delegations are no doubt aware of the current serious financial situation the United Nations is facing as a result of withholding of assessed contributions by Member States leading to an immediate cash shortage in the Organization. The purpose of this note is to apprise ESCWA members of the measures taken by the Secretary-General in meeting the current crises and their effect on the ESCWA programmes.

2. In a directive dated 17 January 1986 (ST/SGB/215), the Secretary-General informed the staff of the Organization that the serious cash shortage (\$ US 100 million) had necessitated taking the following steps for the Organization as a whole:

(a) A 20 per cent reduction in costs relating to travel, the hiring of consultants, temporary assistance and overtime;

(b) The deferral of a number of alteration and maintenance projects;

(c) Strict and rigorous application of the resolutions of the General Assembly and the Economic and Social Council on the control and limitation of documentation.

3. The Secretary-General considered at the time that the above measures, although affecting the implementation of mandated programmes, would have the least disruptive effect on them. The measures taken would result in a saving of \$ US 15 million.

4. In a further directive dated 20 March 1986 (ST/SGB/217), the Secretary-General announced that it had become evident that the financial situation was not improving and that the measures initially taken by him were insufficient. The following economy measures were therefore decided upon effective immediately.

(a) A freeze in recruitment;

(b) Non-extension of staff beyond the age of 60;

(c) Suspension of the payment of the second half of the representation allowance for staff at levels D-2 and above;

(d) A further reduction of 10 per cent in the use of budgeted funds for overtime payment;

(e) Suspension of the promotion process for six months;

(f) Deferment of the implementation of cost-of-living adjustments in the salaries of staff in the General Service and related categories at the eight main duty stations;

(g) A number of house-keeping economies and adjustments.

The above steps would result in a further saving of more than \$ US 15 million, producing a total of approximately \$ US 30 million in savings for 1986.

5. The Secretary-General requested that the fortieth session of the General Assembly be reconvened to discuss the financial situation so as to agree on the obviously required further extensive measures to cope with the shortfall of \$ US 70 million either by providing supplementary funds or by deferring programmes or a combination of the two.

6. For the purpose of proposing to the General assembly deferral of programmes the Secretary-General requested all departments or offices of the United Nations to indicate how a reduction of 10 per cent in their budgeted expenditures could be best achieved.

7. In response to the Secretary-General's request the following programme activities in the 1986-1987 programme budget have been identified for deferral:

- (a) Programme element 2.1 under the Food and Agriculture programme;
- (b) Programme elements 2.1 and 3.1 under the Development Issues and Policies programme;
- (c) Programme element 3.2 under the Industrial Development programme;
- (d) Programme elements 1.2 and 2.1 under the Population programme;
- (e) Programme element 1.1 under the Public Administration and Finance programme;
- (f) Programme element 2.1 under the Science and Technology programme;
- (g) Programme elements 1.5 and 2.1 under the Transport and Communications programme.
- (h) Under the programme of Administration and Common Services a reduction of \$ US 590,000 has been applied.

8. It is obvious from the above measures taken that the 1986 mandated programme of work will be seriously affected. In addition, the functioning of the secretariat will to some extent be hampered by the reduction of budgeted operating expenditures. With regard to the implementation of the mandated work programme, the recruitment freeze will have a considerable impact. As of 15 April 1986, the total number of vacant posts stood at 33, most of them in substantive programmes. It is difficult at this time to assess the actual impact of the freeze since its duration is not known. It is, however, clear that the effect will go far beyond the number of programme elements identified in paragraph 7 above.

The secretariat will be in a better position to report on the effect of the economy measures to the fourteenth session of the Commission in 1987.

9. In order to meet the effect of the reduction in administrative expenditures, the secretariat has already applied a number of house-keeping economies and adjustments including cancellations of alterations to premises, limitation of documentation, reduction in supplies, use of utilities and communications.

10. The financial crisis has, in view of the secretariat's high vacancy rate, a greater impact on the Commission than perhaps on other organizations with fuller staff establishments. The secretariat considers that ESCWA may therefore bear an unequal share of the economy measures decided upon. The Secretary-General has, however, undertaken to set up a system to reduce the imbalances caused by the recruitment freeze in different departments and offices. The outcome of the resumed fortieth session of the General Assembly is awaited to see whether all measures decided upon will have to be maintained or extended.

11. The secretariat considers that, since the Organization is facing serious financial difficulties, the time is opportune for the Commission to strengthen the Voluntary Fund it established under Commission resolution 33(III).

As indicated in document E/ESCWA/13/9/Add.2 the balance of the ESCWA Trust Fund for Regional Activities stood at \$ US 436,865 as of 31 December 1985.

The secretariat's conservative use of the Fund since its establishment has proved during this time of financial crisis to be a blessing since it enables the secretariat to finance some of the programme activities proposed for deferral. It must, however, be observed that the Fund balance can in no way substitute for the totality of the programme cuts and certainly the secretariat has no intention of exhausting the Fund at this time.

The Commission may therefore give increased attention to the strengthening of the Fund by pledging specific or general contributions in furtherance of the implementation of the programmes it has mandated. In this connection, it may be recalled that the last major contribution received dates back to 1983.

The secretariat stands ready to provide members with specific programme and project proposals in this regard.

