



SUMMARY RECORD OF THE 56th MEETING

Chairman: Mr. BRODODININGRAT (Indonesia)

Chairman of the Advisory Committee on Administrative  
and Budgetary Questions: Mr. MSELLE

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AND BUDGETARY QUESTIONS

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7 December 1981

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The meeting was called to order at 10.45 a.m.

AGENDA ITEM 102: FINANCIAL EMERGENCY OF THE UNITED NATIONS (A/C.5/36/28 and Corr.1 and 2; A/36/701; A/C.5/36/L.14/Rev.1)

1. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the report of the Secretary-General (A/C.5/36/28 and Corr.1 and 2) entitled "Analysis of the financial situation of the United Nations", said that the report contained a brief analysis of what was customarily described as the "financial emergency of the United Nations". That emergency had a long and complicated history. It had arisen essentially because a group of Member States had not contributed to the financing of certain activities by the Organization which, in their view, had been authorized in violation of the Charter of the United Nations. The activities in question could be divided into two main categories: peace-keeping activities and activities financed from the regular budget of the United Nations. For many years past, negotiations had been held with a view to reconciling the differences of opinion between Member States. The various Committees created for that purpose (the Special Committee on Peace-keeping Operations, the Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies, the Special Committee on the Financial Situation of the United Nations and the Negotiating Committee on the Financial Emergency of the United Nations) were mentioned in paragraphs 10 to 15 of the report of the Secretary-General (A/C.5/36/28 and Corr.1 and 2).

2. The financial emergency of the United Nations had been the subject of study and research in institutions of higher learning, and it had been a topic for discussion at seminars and colloquia organized by universities of all kinds. It had even been referred to the International Court of Justice. Of the many proposals made on all those occasions, some deserved careful study, while others were mere wishful thinking. In his report, the Secretary-General referred to some of the serious recommendations which had been made for solving the crisis and also for solving a related problem - namely, the existing cash-flow situation caused by the late payment of assessed contributions. However, in spite of the discussions that had taken place, the financial emergency of the United Nations continued; and, as the Secretary-General had recognized in his report, the prospects for the future were not very encouraging.

3. People might ask why no solution to the problem had yet been found. The answer was very simple. There had been no solution because the problem was not financial but political. Its fundamental cause was the attitude of certain Member States to the Organization, and particularly their views as to what the United Nations should or should not do. The United Nations existed because of the support of all its Members. But when a Member State refused to pay for the expenses of the Organization, the latter did not have the power - to use a metaphor - to seize the property of the State in question, as a bailiff would do at the national level. The Charter did indeed provide for certain measures to be taken with regard to recalcitrant countries; but, as everyone knew, the application of Article 19 of the Charter, in which those measures were specified, might lead to unwelcome results. Since the financial emergency of the United Nations was due to political

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(Mr. Mselle, ACABQ)

causes, it must be solved by political means; but a political solution was possible only if the parties concerned were ready to attack the roots of the problem.

4. The report of the Advisory Committee (A/36/701) had been prepared in full awareness of the politically sensitive aspects of the question. It reviewed the seven options presented by the Secretary-General in his report (A/C.5/36/28 and Corr.1 and 2). Those options were not new, but the Secretary-General took the view that they should be considered once again by the General Assembly at the present session. They might not perhaps help to solve the political problem of the non-payment of contributions for peace-keeping operations, but they might at least help to solve the present cash-flow problem.

5. With regard to option (b) (An increase in the Working Capital Fund), the Advisory Committee noted that the level of the Fund had remained unchanged since 1963, and accordingly it supported the Secretary-General's recommendation that the level of the Working Capital Fund should be increased from \$40 million to \$100 million as from 1982.

6. With regard to option (e) (Suspension of the provisions of financial regulations 5.2 (d), 4.3 and 4.4), the Advisory Committee accepted the Secretary-General's recommendation that the application of the provisions of those regulations should be suspended; but, unlike the Secretary-General, it did not believe that their application should be suspended indefinitely. The Advisory Committee also recommended that the amount of \$3.9 million which was being held in a suspense account in pursuance of General Assembly resolution 2947 B (XXVII) should continue to be held in suspense.

7. The Advisory Committee was not in favour of options (c) (Borrowings in the open market), (d) (Borrowings from Member States) and (g) (Issuance of long-term bonds) since, apart from difficulties that might arise because of considerations of principle held by certain Member States, there was no visible prospect of the United Nations being able to find the resources in the years ahead with which to repay any loans.

8. With regard to option (a) (Prompt payment of assessed contributions), the Advisory Committee had made some comments on that subject in paragraph 8 of its report (A/36/701); and it also had reservations about the suggestion made by the Secretary-General that consideration should be given to requiring payment of interest on outstanding contributions, since a decision to that effect would be ill-received by Member States which delayed their payment because of genuine financial or administrative difficulties. He would be glad to reply to any questions which members of the Committee might wish to put to him on the above remarks.

9. Mr. RUEDAS (Assistant Secretary-General for Financial Services), introducing the report of the Secretary-General (A/C.5/36/28 and Corr.1 and 2), noted that attention was generally focused on the proposed programme budget and on the allocation of resources to various programmes because it was assumed that the resources were there and needed only to be channelled. That there might be an almost insurmountable gap between the resources required and those available, and a cash shortage such as to imperil the day-to-day work of the United Nations, was

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(Mr. Ruedas)

seldom considered. The document before the Committee indicated the seriousness of the situation and suggested action which might be taken to remedy it.

10. The first part of the document was a progress report on the issuance of special stamps. The Committee would no doubt be pleased to note that net revenue from the sale of the stamps was estimated at \$2 million, and if it was the wish of the Committee a further progress report would be made in 1982.

11. The second part of the document was a financial report. He must stress at the outset that, while the report drew attention to the political origin of part of the financial difficulties of the Organization, it was not the intention of the Secretary-General to comment on the political aspects of the matter. A further point was that the solutions offered in the report were directed towards placing on a firm financial footing the regular programme of work of the Organization, but not the peace-keeping operations.

12. The report made a distinction between two sorts of liabilities: debts to Member States which had participated in peace-keeping operations, and the shortfall in payments into the regular budget account (see paras. 18 and 19). Where current peace-keeping operations were concerned, the Organization had to rely on the forbearance of the participating Member States. In the case of the regular budget, any shortfall in payments resulted in an immediate cash shortage in respect of the day-to-day cash needs of the Organization - i.e., payroll and payments to vendors.

13. The Organization's current cash-reserve situation was especially precarious because both the Working Capital Fund and the special account established under the terms of resolutions 2053 (XX) and 3049 (XXVII) were nearly exhausted, having been drawn on to offset the amounts withheld from their contributions by some Member States. In the absence of any reserves, the Organization must rely on the day-to-day receipt of assessed contributions. Thus, any delay in the payment of contributions exacerbated the situation to a point where, in the course of the next few years, the cash shortage could amount to up to three months' requirements (see para. 21). It should be noted that the seriousness of the deficit was not directly related to the size of the budget.

14. Having thus quantified the extent of the problem, the Secretary-General proposed in paragraphs 23 and 40 of his report, some remedies which should be acted upon immediately. The first was the prompt payment of assessed contributions in accordance with General Assembly resolution 3049 A (XXVII) and regulation 5.4 of the Financial Regulations, also adopted by the General Assembly. It was clearly preferable for Member States to contribute early rather than having to pay later.

15. With regard to the proposed increase in the Working Capital Fund, he said that the level of the Fund, which at the time of its establishment had represented approximately 12 per cent of the annual budget, was now equivalent to some three weeks of operation. It was on that basis that the Secretary-General, in paragraph 31 of his report, proposed an increase in the level of the Working Capital Fund from \$40 to \$100 million. The level should subsequently be gradually increased to \$200 million, that being the full estimated cash shortage over the next few years.

(Mr. Ruedas)

16. As for the option of borrowing from Member States, it was evident that that would result in increased cost to the Organization, since the interest would have to be paid. On the other hand, the Secretary-General's proposal for the suspension of the provisions of the Financial Regulations requiring the return to Member States of the surplus, if it existed, at the end of each financial period would result in a limited improvement in the cash situation.

17. With regard to the offset of Member States credits against unpaid assessments, he said that that procedure was in use in UNESCO (see para. 38). The issuance of long-term bonds would require the agreement of Member States.

18. In conclusion, he said that three actions were needed: an increase in the Working Capital Fund, prompt payment of assessed contributions, and an increase in liquidity through the retention of budget surpluses rather than crediting them back to Member States.

19. He was gratified to see from the report of the Advisory Committee (A/36/701) that CABQ had found it possible to support those three actions, and he hoped that they would also recommend themselves to the Fifth Committee. Urgent action must be taken, because the possibility of default was no longer theoretical but very real.

20. Mr. KEMAL (Pakistan), introducing draft resolution A/C.5/36/L.14/Rev.1, said that the precarious financial situation of the United Nations had been a source of deep concern to Member States for two decades. The financial difficulties had arisen mainly as a result of deep-rooted differences among Member States over peace-keeping operations, such as the United Nations Emergency Force (1956), the United Nations Operation in the Congo, the United Nations Emergency Force (UNEF) (1973), and the United Nations Disengagement Observer Force (UNDOF) and the United Nations Interim Force in Lebanon (UNIFIL) (1978). As a result, some Member States had withheld funds from the various peace-keeping accounts.

1. As indicated in the report of the Secretary-General (A/C.5/36/28 and Corr.1 and 2), the Organization's deficit was estimated at nearly \$275 million, representing an increase of \$36 million over the preceding year. While the deficit in respect of the regular budget was \$95.6 million, the shortfall in regard to UNEF/UNDOF and UNIFIL was 175 million. In that connexion, his delegation wished to pay tribute to the troop-contributing countries, on which the burden of the deficit was falling.

2. Over the years, Member States had made efforts to find a comprehensive solution to the financial problems of the Organization. For that purpose, the General Assembly had established in 1965 a Special Committee on Peace-keeping Operations, which was still in existence and an Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies, and in 1971 a Special Committee on the Financial Situation of the United Nations. Despite their efforts, those Committees had failed to produce a solution to the financial problems of the Organization. In 1975, the General Assembly had established a Negotiating Committee on the Financial Emergency of the United Nations, which had had the mandate of bringing about a comprehensive settlement of the critical financial situation of the United Nations. As he had reported at previous sessions of the General Assembly, the Negotiating Committee had examined a comprehensive set of guidelines for a financial accord prepared by its Chairman, on the basis of recommendations by the Group of 77 with

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(Mr. Kemal, Pakistan)

inputs from other Member States. Although the guidelines had represented a delicate balance of interests, they had not been accepted in their entirety by a few Member States, whose support had been deemed essential. The absence of consensus in the Negotiating Committee had prevented the Fifth Committee from recommending concrete measures to resolve the problems.

23. At the thirty-fifth session, in response to the report of the Secretary-General regarding the worsening of the financial situation, his delegation had recommended a substantial increase in the Working Capital Fund, a suspension of regulations 4.3 and 5.2 of the Financial Regulations to enable the Secretary-General to retain budgetary surpluses, and the issuance of special postage stamps on the conservation and protection of nature for the purpose of opening a new source of revenue for the Organization. In adopting resolution 35/113, the General Assembly had accepted Pakistan's idea concerning the postage stamps. His delegation would revert to the other recommendations when the Committee came to consider the Secretary-General's proposals requesting an increase in the Working Capital Fund and the suspension of financial regulations 4.3, 4.4 and 5.2 (d).

24. His delegation had always held the view that a lasting solution, rather than a partial solution, must be found for the cash-flow problem of the Organization. That would require acceptance by all Member States of the principle of collective financial responsibility embodied in Article 17 of the Charter. It was in order to give effect to that vital principle that Pakistan, on behalf also of Bangladesh, Colombia, the Comoros, Mauritania, Panama, Peru, Sierra Leone, Sri Lanka, Tunisia and Zaire, was presenting draft resolution A/C.5/36/L.14/Rev.1, which represented the outcome of consultations in Beijing, with the Government of the People's Republic of China, and in New York in the course of the year.

25. As indicated in the draft resolution, the People's Republic of China intended from 1 January 1982 to pay its share of the assessed expenses for UNDOF and UNIFIL. In accordance with operative paragraph 2 of the draft resolution, the balances of the assessed contribution due from the People's Republic of China, amounting to \$55 million, would be placed in a special account. He would like to clarify that the placing of that sum in a special account, which was in effect a negative balance, did not prejudice the method of its liquidation.

26. Next, in the light of the special circumstances, it was proposed that the question of the applicability of Article 19 of the Charter in respect of the arrears of the People's Republic of China should not be raised. In that connexion, the sponsors had sought inspiration from the language used in the consensus of the Special Committee on Peace-keeping Operations, which had been adopted by the General Assembly on 1 September 1965. That was the reason why the consensus was mentioned in the first preambular paragraph of the draft resolution.

27. The purpose of operative paragraph 1 was to highlight the fact that, since the restoration of its lawful rights in October 1971, the People's Republic of China had been assessed at a rate substantially in excess of its relative capacity to pay, based on the existing criteria. If China's rate of assessment had been 1.62 per cent all along, instead of 4 per cent through 1973 and 5.5 per cent from 1974 to 1979, it would have paid \$88 million less for the regular budget and \$90 million less for the specialized agencies which used the United Nations scale in calculating the assessment of Member States. The sponsors recognized that retroactive adjustment of scales of

(Mr. Kemal, Pakistan)

assessment was not feasible, but they wished to point out that the amounts involved far exceeded the amount withheld from the peace-keeping operations.

28. Draft resolution A/C.5/36/L.14/Rev.1 was a compromise text which took into account the interests of Member States and the larger interests of the Organization. Some delegations had raised questions regarding the impact of the draft resolution on Article 19 of the Charter. The sponsors firmly believed that their draft protected the Charter. Article 19 was, of course, the bulwark of the financial viability of the Organization. The question was whether refraining from raising the question of the applicability of Article 19 in the present case would not in fact enhance the financial viability of the Organization and thus strengthen Article 19 rather than weaken it.

29. It should be borne in mind that the People's Republic of China, a permanent member of the Security Council, had not participated in the Council's votes establishing UNEF, UNDOF and UNIFIL. China had also abstained entirely from the financing of those peace-keeping forces. The sponsors were therefore convinced that the decision of the People's Republic of China was a major development in favour of international peace and security in that it strengthened the role of the Organization. They wished to express their sincere appreciation to the Chinese Government for its gesture and its courage.

30. The immediate consequence of China's decision to pay its share of the cost of peace-keeping operations in the future would be a reduction in the rate of growth of the Organization's short-term deficit. In the longer term, it was hoped that other countries currently withholding their assessed share of peace-keeping expenses might emulate China's example. That would greatly strengthen the role of the Organization as a force for world peace and an indispensable forum for promoting international co-operation in the political, economic, social and humanitarian fields.

31. Mr. LING Qing (China) said that China, like other States Members of the Organization, was very much concerned about the problems facing the United Nations, including its financial situation. China had always supported the efforts made by the Secretary-General and the Negotiating Committee on the Financial Emergency of the United Nations to solve the financial problems of the Organization. His delegation wished to express its appreciation for the decision to issue special stamps.

32. China had consistently abided by the purposes and principles of the United Nations Charter. It had always fulfilled its obligations towards the Organization, including its financial obligations, and had for a long time made contributions far beyond its real capacity to pay.

33. For historical and political reasons, China had taken a well-known position with regard to United Nations peace-keeping operations. Those operations and the expenses they entailed had always been a controversial issue in the Organization. It was the wish of the Member States that a solution to that problem should be sought through consultation, and that confrontation should be avoided. That was also the sincere wish of China. During the past year, some friendly Governments had expressed the hope that the Chinese Government would be able to accept a positive solution to the question of the withholding of contributions. The draft resolution submitted by Pakistan and others was the result of the efforts to solve that question.

34. The Chinese Government had given careful consideration to the proposal made by its friends. In view of the changes that had taken place in the international

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(Mr. Ling Qing, China)

situation and the evolution of the role of United Nations peace-keeping operations, his Government, conscious of its responsibility towards the Organization and towards the cause of world peace and human progress, was prepared from now on to adopt a flexible attitude, on a case-by-case basis. His delegation therefore supported the proposal of Pakistan and its co-sponsors, which showed a positive and forward-looking spirit.

35. His delegation wished to announce solemnly that if draft resolution A/C.5/36/L.14/Rev.1 was adopted, China would, beginning on 1 January 1982, be prepared to contribute its share of assessed expenses for UNDOF and UNIFIL. China would thereafter support future peace-keeping operations which were established in strict conformity with the purposes and principles of the Charter of the United Nations and which were favourable to the maintenance of international peace and security and to safeguarding the sovereignty and independence of States. In addition, it would make a voluntary contribution of \$5 million to the Organization in order to help to relieve some of its financial difficulties.

36. China was a developing socialist country which would still face numerous economic difficulties in the years ahead. It could not as yet extend as much financial support to the Organization as it might have wished. However, as its economic development gathered momentum, China would be able to increase its contribution.

AGENDA ITEM 18: APPOINTMENTS TO FILL VACANCIES IN SUBSIDIARY ORGANS AND OTHER APPOINTMENTS (continued)

(b) APPOINTMENT OF SIX MEMBERS OF THE COMMITTEE ON CONTRIBUTIONS (A/36/162; A/C.5/36/51)

37. The CHAIRMAN said that the names of the six candidates for the vacancies in the Committee on Contributions were listed in document A/C.5/36/51. As the number of candidates was equal to the number of vacancies, he suggested that the Committee should dispense with the secret ballot, in accordance with paragraph 16 of General Assembly decision 34/401.

38. It was so decided.

39. The CHAIRMAN suggested that the Committee should recommend to the General Assembly the appointment of Mr. Ali (Pakistan), Mr. Christyakov (USSR), Mr. Mendoza (Mexico), Mr. Yang Hushan (China), Mr. Koschorreck (Federal Republic of Germany) and Mr. Zeller (France) as members of the Committee on Contributions for a three year term beginning on 1 January 1982.

40. It was so decided.

(a) APPOINTMENT OF FIVE MEMBERS OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS (A/36/161; A/C.5/36/50 and Corr.1)

41. The CHAIRMAN said that the candidates for the five seats to be filled were the seven persons whose names were listed in document A/C.5/36/50. As the number of candidates was greater than the number of vacancies, it was necessary to proceed to a secret ballot. In that connexion, he drew the attention of the Committee to rules 92 and 94 of the rules of procedure of the General Assembly.



42. Mr. JOHNSON (Benin), speaking on behalf of the Group of African States, said that originally the African Group had decided to nominate Mr. Lahlou for appointment to the Advisory Committee. However, Egypt and the Libyan Arab Jamahiriya, having expressed certain reservations, had subsequently decided to nominate a candidate of their own.

43. Mr. KEMAL (Pakistan), speaking on behalf of the Group of Asian States, said that the Asian Group was not nominating a candidate but hoped that the results of the election would reflect the existing pattern of geographical distribution within the Advisory Committee.

44. Mr. WILSKI (Poland), speaking on behalf of the Group of Eastern European States, also stressed the necessity of preserving the existing geographical balance within the Advisory Committee and announced that the Group of Eastern European States had decided to endorse the candidacy of Mr. Grodsky.

45. Mrs. LOPEZ ORTEGA (Mexico), speaking on behalf of the Group of Latin American States, proposed the re-election of Mr. Garcia del Solar. She emphasized the need to respect the long-standing agreement on representation within the subsidiary organs of the General Assembly.

46. Mrs. MUSTONEN (Finland), speaking on behalf of the Group of Western European and other States, supported the nomination of Mrs. Housholder and Mr. Pedersen. She urged the Committee to confirm the tacit understanding on geographical distribution within the Advisory Committee and to elect the two candidates of the Group of Western European and other States.

47. At the invitation of the Chairman, Mr. Al-Khalifa (Bahrain), Mr. Maycock (Barbados), Mrs. Conway (Ireland) and Mr. Barac (Romania) acted as tellers.

48. A vote was taken by secret ballot.

The meeting was suspended at 12.20 p.m. and resumed at 1.20 p.m.

<u>Number of ballot papers:</u>	132
<u>Invalid ballots:</u>	1
<u>Number of valid ballots:</u>	131
<u>Abstentions:</u>	1
<u>Number of members voting:</u>	130
<u>Required majority:</u>	66
<u>Number of votes obtained:</u>	
Mr. Garcia del Solar	114
Mr. Grodsky	112
Mr. Pedersen	107
Mrs. Housholder	104
Mr. Lahlou	70
Mr. El Houderi	55
Mr. El Safty	19

49. Mr. García del Solar (Argentina), Mr. Grodsky (Union of Soviet Socialist Republics), Mr. Pedersen (Canada), Mrs. Housholder (United States of America) and Mr. Lahlou (Morocco) having obtained the required majority, the Committee decided to recommend their appointment as members of the Advisory Committee on Administrative and Budgetary Questions for a three-year term beginning on 1 January 1982.

The meeting rose at 1.30 p.m.