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BUDGET ESTIMATES FOR THE FINANCIAL YEAR 1963

Working Capital Fund

Twenty-ninth report of the Advisory Committee on Administrative and Budgetary Questions to the General Assembly at its seventeenth session

1. The Advisory Committee on Administrative and Budgetary Questions has considered a report by the Secretary-General (A/C.5/951) recommending that, for 1963, the Working Capital Fund be established at a figure between \$40 million and \$50 million, as against a level of \$25 million in 1962.
2. Prior to the issuance of his report, the Secretary-General had sounded the Advisory Committee on a preliminary draft about which the Committee took the opportunity to exchange views with his representatives, and to inform him of its initial reactions.
3. In paragraph 5 of his report, the Secretary-General states that "the primary task of the Working Capital Fund remains the financing of the budget pending the receipt of contributions"; in paragraph 8, it is indicated that "the Working Capital Fund in addition is expected to finance such commitments as may be necessary to meet unforeseen and extraordinary expenses, and more particularly those related to the maintenance of peace and security".
4. The Advisory Committee notes that the Secretary-General's recommendation is intended to be exclusively related to the current and growing activities of

the Organization financed out of the regular budget. In this respect, the Committee has studied table 5 of the Secretary-General's report giving comparative figures on the level of the budget and the level of the Working Capital Fund year by year since the establishment of the Organization. It is true that the amount of the Working Capital Fund has been very little changed over that period, while the gross budget appropriations have increased from \$19.4 to \$82.1 million. However, the Working Capital Fund proved adequate for many years after 1945 at levels below \$25 million established by the General Assembly while the gross budget was substantially increasing.

5. The Secretary-General also points out the financial handicap under which he has to perform his functions in the first half of the year when there is a delay in the receipt of contributions for the current financial year. During that period, the Working Capital Fund is called upon to cover the accumulation of arrears on previous years' assessments, to finance regular budget programmes of increasing magnitude, to maintain minimum working balances in a growing number of accounts all over the world, and to finance commitments under the resolution relating to unforeseen and extraordinary expenses. In this connexion, the following table indicates the position of the Working Capital Fund at 30 June and 31 December during the last ten years:

Position of the United Nations Working Capital Fund  
(in millions of US dollars)

<u>As at 30 June</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Unforeseen and extraordinary .....	-	-	0.3	0.1	0.1	-	0.2	0.3	0.1	0.6
Self-liquidating purposes .....	0.3	0.3	0.3	0.3	0.4	0.4	0.3	0.4	0.3	0.4
Regular budgetary expenditures .....	17.1	15.2	15.1	17.1	18.8	19.8	21.8	21.0	19.8	22.1
Loans to specialized agencies .....	0.3	-	-	-	0.1	0.6	-	-	-	-
UNEF and ONUC .....	-	-	-	-	<u>0.9</u>	-	<u>0.2</u>	-	<u>4.7</u>	<u>1.4</u>
Totals borrowed	17.7	15.5	15.7	17.5	20.3	20.8	22.5	21.7	24.9	24.5
Advances unpaid by Members .....	0.6	0.5	-	-	0.8	0.1	0.8	0.6	0.3	0.5
Cash and investments.	<u>3.2</u>	<u>5.5</u>	<u>5.8</u>	<u>2.5</u>	<u>0.9</u>	<u>1.1</u>	<u>0.2</u>	<u>2.7</u>	-	-
Total Working Capital Fund ...	<u>21.5</u>	<u>21.5</u>	<u>21.5</u>	<u>20.0</u>	<u>22.0</u>	<u>22.0</u>	<u>23.5</u>	<u>25.0</u>	<u>25.2</u>	<u>25.0</u>
<u>As at 31 December</u>										
Self-liquidating purposes .....	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.5	
Regular budgetary expenditures .....	5.6	6.1	10.3	8.8	13.2	16.6	11.8	13.0	10.7	
Loans to specialized agencies .....	-	-	-	-	0.6	-	-	-	-	
UNEF and ONUC .....	-	-	-	<u>0.6</u>	-	<u>0.1</u>	<u>2.9</u>	<u>11.6</u>	<u>10.7</u>	
Totals borrowed .	5.9	6.4	10.6	9.8	14.1	17.0	15.0	24.9	21.9	
Advances unpaid by Members .....	-	-	-	-	-	-	0.1	0.3	0.1	
Cash and investments .	<u>15.6</u>	<u>15.1</u>	<u>10.9</u>	<u>10.2</u>	<u>7.9</u>	<u>5.0</u>	<u>8.4</u>	-	<u>3.2</u>	
Total Working Capital Fund	<u>21.5</u>	<u>21.5</u>	<u>21.5</u>	<u>20.0</u>	<u>22.0</u>	<u>22.0</u>	<u>23.5</u>	<u>25.2</u>	<u>25.2</u>	

6. It will be seen from this table that the total amount drawn from the Fund to cover regular budgetary expenditures as at the end of June has averaged \$18.78 million over the ten years 1953-1962, and \$20.90 million over the last five years of that period, with a maximum drawing of \$22.1 million in 1962. From the first line of the table, it appears that "unforeseen and extraordinary expenses" (excluding UNEF and ONUC in 1961 and 1962) have not so far involved a substantial call on the Working Capital Fund itself in the first half of the year. At the same time, account must be taken of the need for the Secretary-General to be able to meet such commitments when necessary in accordance with whatever annual resolutions the General Assembly may adopt.

7. The Advisory Committee would recall that, by its resolution 1341 (XIII) of 13 December 1958, the General Assembly, having referred to the "dangerous cash situation which arises during the early part of each year as a consequence of the delay in the payment of the contributions of some Member States", raised the level of the Working Capital Fund from \$22 million to \$23.5 million for 1959, and authorized "the Secretary-General in the event of urgent need in 1959 ... to borrow, on payment of normal current rates of interest, cash from special funds and accounts in his custody, for purposes which normally relate to the Working Capital Fund". The Secretary-General had to avail himself of this authorization to a considerable extent as early as 1959, "for the purpose of meeting payroll and other legal commitments on which, in the absence of recourse to this emergency expedient, the Organization would have be en obliged to default".<sup>1/</sup> Such borrowings have since had to be made in various amounts, often substantial, to cover requirements which would have normally been met by

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<sup>1/</sup> Official Records of the General Assembly, Fourteenth Session, Supplement No. 5 (A/4110), foreword, para. 65.

the Working Capital Fund<sup>2/</sup>. However, the Advisory Committee recognizes that it will become difficult in the future to borrow appreciable amounts from the special accounts in the Secretary-General's custody; in addition, it understands that recourse to the last remaining substantial source of borrowing, viz., the Special Fund, will become increasingly difficult as the Special Fund operations accelerate.

8. The Advisory Committee believes that these difficulties could be met to some extent by a special renewed effort to persuade Member States, where appropriate, to liquidate regular budget arrears as soon as possible, and to pay contributions earlier in the year. In the present circumstances, such an effort would appear likely to have a greater chance of success - even though somewhat limited in practice - than earlier efforts which have been made. Nevertheless, some further relief seems to be needed through an increase in the Working Capital Fund to a higher level, at least for 1963. At the same time, the Advisory Committee would endorse the Secretary-General's recognition, in paragraph 11 of his report (A/C.5/951), that many Member States are already experiencing difficulties in meeting their obligations under the regular budgets of the United Nations and its specialized agencies as well as their contributions to voluntary programmes, and that a large increase at this time in the Working Capital Fund would represent an added difficulty and burden.

9. In the absence of a satisfactory alternative, the Advisory Committee would concur in an increase in the Working Capital Fund. However, it believes that, taking all considerations into account, the level should not at this time be raised above \$40 million, and that such an increase should be approved only for 1963 pending a further review of the problem at the eighteenth session.

10. At the same time, the Advisory Committee considers it equally important that the Secretary-General should explore all possible avenues to secure the liquidation of arrears and the early payment of current contributions in respect

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<sup>2/</sup> The authorization was continued for 1960 [resolution 1448 (XIV) of 5 December 1959], 1961 [resolution 1586 (XV) of 20 December 1960] and 1962 [resolution 1736 (XVI) of 20 December 1961].

of the regular budget and report on the efforts made by him to the General Assembly at its eighteenth regular session. If, as is to be hoped, the special efforts of the Secretary-General have met with a good measure of success, the Advisory Committee would suggest that the General Assembly might then reconsider the whole question of the level of the Working Capital Fund in order to ascertain whether a lower level would not be warranted.

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