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BUDGET ESTIMATES FOR THE FINANCIAL YEAR 1952

Increase in the amount of the Working Capital Fund

Eleventh report of 1951 of the Advisory Committee
on Administrative and Budgetary Questions

1. In accordance with a decision taken by the Fifth Committee at its 298th meeting on 27 November 1951, the Advisory Committee on Administrative and Budgetary Questions has considered a note submitted by the Secretary-General (A/C.5/452) on the subject of an increase in the Working Capital Fund.
2. The Secretary-General proposes that, in view of various factors outlined in his note, the Working Capital Fund should be increased by \$5,000,000 to the figure of \$25,000,000. Specifically, he points out, in support of the proposal, that at the present level of United Nations activities, the amount available in the Fund has at times reached a dangerously low level; for example, on 31 March 1951, the aggregate of authorized advances stood at \$15,184,000, this leaving a balance of no more than \$4,816,000 available for financing the budget or for meeting unforeseen and extraordinary expenses in connexion with the maintenance of peace and security.
3. The Board of Auditors has pointed out, in paragraph 26 of its report on the accounts of the United Nations for the year 1950,^{1/} that the unsatisfactory cash position at the end of March 1951 was principally due to delays in the payment of contributions. Such delays have, of course, a direct bearing on the status of the Fund, and the Advisory Committee gives below figures showing balances due on contributions to the budgets for the financial years 1950 and 1951, as of 30 November 1951:

^{1/} A/1800, Official Records of the General Assembly, Sixth Session, Supplement No. 6.

	<u>1951 contributions</u> <u>Dollars (US)</u>	<u>1950 contributions</u> <u>Dollars (US)</u>
Balances due	8,872,400	1,922,000

4. While recognizing that constitutional or administrative procedures in different countries may stand in the way of the prompt payment of contributions upon assessment, the Advisory Committee emphasizes that protracted delays such as the above figures disclose constitute a major factor in the cash position of the Organization. At the same time, an earlier assessment by the Secretary-General might expedite contributions from Member States in which constitutional or administrative procedures do not constitute an obstacle to payment in the first months of the year.

5. The Advisory Committee appreciates that of necessity there must be a reasonably close ratio between the size of the working capital of the Organization and the level of annual budgets approved by the General Assembly. It is therefore relevant that the Working Capital Fund, having been decreased from \$25,000,000 to \$20,000,000 by the General Assembly at the second part of its first session (December 1946), has stood at the lower figure throughout the years 1947 to 1951, during which period the net assessment figures in respect of Members' contributions to the annual budget of the United Nations have shown the following variations: 1947: \$27,450,000; 1948: \$34,698,000; 1949: \$41,651,063; 1950: \$34,197,085; 1951: \$42,898,520.

6. The Secretary-General points out in his note (A/C.5/452, page 2) that the amount available in the Fund for most of the period 1947-1951 was no more than sufficient to cover cash requirements pending the receipt of Members' contributions to the budget, and to provide in addition a reasonable reserve. The Advisory Committee was also informed that the lowest cash level of the Fund during the years 1950 and 1951 was respectively \$7.3 million and \$4.7 million; and further that, on a tentative estimate, a still lower level may be unavoidable at some point during the first half of 1952. In view of these figures and of the decision of the General Assembly that a reserve of \$2 million should be available for commitments relating to the maintenance of peace and security or to urgent economic rehabilitation, it is clearly undesirable that the cash position of the Organization should at any time be so stringent that there may be an element of doubt whether requirements for working expenses can readily be met beyond a period of one month.

7. Nevertheless, the Advisory Committee is not convinced that the present normal level of the Working Capital Fund should be increased at this stage. The Secretary-General has expressed the view (A/C.5/452, page 5) that additional cash advances of \$5 million, if paid in full during 1952, would impose upon Members a heavy financial burden at a time when serious financial and currency problems persist. The Committee fully concurs in this view. Before assessments are levied for this purpose, every effort should, in its opinion, be made to find alternative solutions.
8. It is the view of the Advisory Committee that since the financial stability of the Organization must be the first consideration, the problem is not merely a problem of equating the cash resources of the Fund to budgetary requirements, even though it may be argued that an increase in budget expenditure establishes a prima facie case for an increase in the level of the Fund. It is quite clear that any further increases in appropriations or an expansion of programmes which might give rise to additional withdrawals from the Fund and inevitably accentuate the difficulties of the position should be subjected to careful scrutiny and resisted where not fully warranted on ground of importance or urgency.
9. The Advisory Committee believes that other factors tending towards an improvement of the situation may well be present during 1952, since it seems probable that loans to specialized agencies and advances to special accounts may be diminished in volume by comparison with earlier years. Furthermore, the Committee has no reason to doubt that in due course the position of the Working Capital Fund will be eased through further accessions to the Convention on the Privileges and Immunities of the United Nations. The Secretary-General may also in his discretion defer or slow down the rate of certain expenditures during the early months of the year, when the position is one of concern from a financial point of view.
10. Nevertheless, in view of the elements of doubt and the necessity for providing an adequate level for the Working Capital Fund, the Advisory Committee is prepared to recommend that, on a provisional basis, the balance on surplus account (\$1,239,000) available for application against assessments for the year 1952 should be transferred to the Working Capital Fund, and not used as hitherto to reduce annual assessments. The General Assembly at its seventh session (1952) might re-examine the position, in the light of the available facts, and either confirm the transfer of the above balance (supplementing it, if necessary, by further balances on surplus account) or direct that the balance already transferred be applied against the 1953 assessments.