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### CURRENT FINANCIAL CRISIS OF THE UNITED NATIONS

#### FINANCIAL EMERGENCY OF THE UNITED NATIONS

##### WORKING CAPITAL FUND

#### Report of the Advisory Committee on Administrative and Budgetary Questions

1. In paragraph 17 of its report on the current financial crisis of the United Nations and the financial emergency of the United Nations (A/44/873) the Advisory Committee recommended that consideration of the Secretary-General's proposal to increase the level of the Working Capital Fund be deferred to the forty-fifth session of the General Assembly; the Advisory Committee stated its intention to submit definitive recommendations on the subject at that time. The observations and recommendations of the Advisory Committee with regard to the Working Capital Fund can be grouped under the following headings: (a) purpose; (b) level; (c) financing; (d) implementation.

##### (a) Purpose

2. The uses of the Working Capital Fund are enumerated in paragraph 5 of General Assembly resolution 44/204. Paragraph 5 (a) of General Assembly resolution 44/204 provides that the Secretary-General is authorized to advance from the Working Capital Fund "such sums as may be necessary to finance budgetary appropriations pending the receipt of contributions; sums so advanced shall be reimbursed as soon as receipts from contributions are available for that purpose". The Advisory Committee believes that this formulation is broad enough to cover advances necessary to finance start-up costs of peace-keeping operations since the term "budgetary appropriations" can refer not only to appropriations for the regular budget, but to appropriations for the budgets of the peace-keeping operations as

well. Bearing in mind, however, that the scales of assessment for the costs of peace-keeping operations can and have been different from that of the regular budget, there is a need for Member States to address the way in which the Fund should be financed to cover the costs of peace-keeping, as well as the manner in which any increase in the Fund is initially financed.

(b) Level

3. In paragraph 25 of its report (A/44/725), the Advisory Committee stated:

"Taken together, the existing level of the Working Capital Fund as a percentage of the combined regular budget and peace-keeping appropriations for 1985 amounts to 10.7 per cent, the comparable figure for 1989 is 6.0 per cent. Under the circumstances, the Advisory Committee believes that the time has come to consider an increase of the Working Capital Fund."

In this connection the Committee notes from paragraph 12 of the Secretary-General's report on the financial emergency that at "the end of 1989 ... these outstanding contributions substantially exceeded the \$412.5 million then available from the Working Capital Fund (\$100 million), the Special Account (about \$113.5 million) and the amounts realized from the suspension of the provisions of financial regulations 4.3, 4.4 and 5.2 (d) (\$199 million)".

4. The Advisory Committee notes from paragraph 33 of the Secretary-General's report (A/C.5/44/27) that based "on views expressed to date during the forty-fourth session of the General Assembly, it would appear that most Member States have agreed with both the principle of an increase in the Working Capital Fund and the size of such an increase". The Advisory Committee points out that the necessary broad agreement among Member States on the principle of an increase must be preceded by a clear understanding and agreement on the reasons for the increase. The Advisory Committee believes it should be clear from the outset that an increase in the level of the Working Capital Fund is not occasioned by or seen as a solution to the financial difficulties of the United Nations. In the opinion of the Advisory Committee, the Working Capital Fund is a mechanism for ensuring an orderly cash flow which can only work properly when the financial régime of the Organization is respected by Member States; an increase in its size should only be contemplated as a purely technical consequence of an increase in the size of the Organization's assessed budgets and not as a solution to a political problem.

5. As to the size of the increase, the Advisory Committee believes that it should be decided at such time as it is considered propitious to implement the increase (see paras. 10 and 11 below).

(c) Financing

6. As indicated in paragraph 34 of the Secretary-General's report, "increases in the level of the Working Capital Fund have traditionally been effected by apportioning the amount of the increase among all Member States as part of their assessments". The Advisory Committee points out that repayments to the Fund would come from the account related to the activity for which the withdrawal was made.

7. For the reasons given in paragraph 36 of his report the Secretary-General has not put forward voluntary contributions as an option.

8. In paragraph 35 of his report, the Secretary-General puts forward, as a variation to straight assessment of the full amount of the increase, the idea of a series of smaller increases over a period of years until the desired total is achieved. This may indeed be a workable option; the time to consider it, however, is when actual implementation is being decided upon (see para. 11 below).

9. The option discussed in paragraphs 37 and 38 of the Secretary-General's report is, as stated in paragraph 37, essentially an accounting option. The situation which exists at the time of implementation will determine the utility of this device. In the opinion of the Advisory Committee, the variation put forward in paragraph 39 will not solve the problem, since increasing the assessments of those Member States which have not paid is likely to result in an increase in the deficit rather than an increase in the cash available to the Organization.

(d) Implementation

10. As stated in paragraph 4 above the Advisory Committee does not see an increase in the Working Capital Fund as a solution, even a partial one, to the financial difficulties of the United Nations. Moreover, as alluded to in paragraph 9 above, implementing such an increase prior to the resolution of the Organization's financial difficulties could lead to a worsening of the situation, since the outstanding obligations of certain Member States might even increase as a result. In any case, to increase current or future assessments while some Member States still owe significant amounts on prior assessments would result de facto in payment by those Member States which have fulfilled their financial obligation to the Organization of the shortfall created by those Member States which have not.

11. Under the present circumstances of financial difficulty, the Advisory Committee recommends that a decision on the implementation of an increase in the level of the Working Capital Fund should only take place when the principle of payment by Member States of their full financial obligations to the Organization - the underpinning of the financial health of the United Nations - is honoured. The Advisory Committee was informed that there is a positive change in the cash flow of the United Nations. The Committee trusts that in the near future the question of an increase and its exact level and method of payment can be determined in light of the most up-to-date data on the financial conditions and requirements of the Organization. Moreover, the General Assembly, at that time, can also consider steps to address the existing situation with regard to special accounts such as the ones referred to in paragraph 3 above.

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