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CURRENT FINANCIAL CRISIS OF THE UNITED NATIONS

Implementation of economy measures in 1986

Report of the Secretary-General

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I. THE CURRENT SITUATION

1. In accordance with paragraph (c) of General Assembly decision 40/472 A of 9 May 1986, the present report reviews the evolving financial situation of the Organization and the implementation in 1986 of the economy measures proposed by the Secretary-General in his report (A/40/1102 and Corr.1-3). It is based on information available through September 1986 as regards expenditure and through 15 November 1986 as regards income received from assessed and voluntary contributions; it also includes the latest projected levels of expenditure for the year 1986 after implementation of the economy measures.

2. In section II of the report of the Secretary-General (A/40/1102 and Corr.1-3), it was anticipated that arrears in the collection of contributions would exceed estimated reserves by some \$76 million in 1986. Economy measures totalling \$60 million were proposed in section III of that report, and in section IV the Secretary-General suggested ways in which the remaining shortfall of \$16 million could be forthcoming, including, inter alia, through prompt payment of assessed contributions and through voluntary contributions to the United Nations Special Account in response to the appeal of the Secretary-General.

3. As at 1 January 1986, total payments due on arrears and on 1986 assessments was \$978 million. As indicated in paragraph 13 of the report of the Secretary-General (A/40/1102 and Corr.1-3), payments expected in 1986 were from \$703 million to \$715 million. Based on the pattern of payments up to 15 November 1986, it is projected that total payments for 1986 would amount to \$694.3 million.

4. In paragraph 11 of the Secretary-General's report (A/40/1102 and Corr.1-3), it was projected that the largest contributor would make payments of from \$181.8 million to \$193.8 million, consisting of \$38.4 million received in respect of its arrears for 1985 and prior years and from \$143.4 million to \$155.4 million against its assessed contribution of \$210.3 million for 1986. As at 15 November 1986, an amount of \$48.8 million has been paid and an indication of a further payment of \$100 million has been received. This would bring payments to an amount lower than that estimated by \$33 million to \$45 million. In the same paragraph, it was also assumed that the other Member States would pay their 1986 assessments (totalling \$525.3 million), less some \$4.1 million. As at 15 November 1986, these Member States have paid a total of \$545.0 million, and are expected to pay a further \$0.5 million by the end of the year, which would bring their payments made in 1986 to an amount equivalent to \$20.2 million more than the combined amount of their 1986 assessments.

5. The above projection of payments in 1986 (\$694.3 million) will be about \$41 million less than the amount assessed for 1986 (\$735.6 million). As a consequence, the arrears, projected to 31 December 1986, would increase to \$284 million.

6. However, in response to an appeal by the Secretary-General for voluntary contributions to augment the Special Account, two Member States contributed and one Member State pledged a total of some \$10.2 million to that account in 1986. 1/ In

summary, therefore, when voluntary contributions are taken into account, the total expected payments to the United Nations in 1986 will approximately correspond to the lower of the two estimates given in section II of the Secretary-General's report (A/40/1102 and Corr.1-3).

7. The estimated reserves that normally would have been available to the Organization and that as at 31 December 1986 would have amounted to \$205.1 million 2/ will effectively be wiped out by arrears, that is, unpaid assessed contributions, which at the end of the year are estimated at \$284 million, leaving an estimated shortfall of some \$79 million. This shortfall would have led the Organization to insolvency had economy measures not been introduced. As things stand, with the application of economy measures that are anticipated to yield some \$67 million and the remaining net balances in the General Fund, estimated at \$22 million, 3/ it is expected that the shortfall will be covered, leaving an available cash balance of \$10 million - or rather less than one week's requirements - with which to enter 1987.

8. The Secretary-General will report separately to the General Assembly on the continuing implications of the financial crisis in 1987.

II. ECONOMY MEASURES APPLIED IN 1986

9. As indicated in paragraph 2 above, economy measures amounting to approximately \$60 million were to be applied in 1986. The savings projected as a result amounted to about 9 per cent of the 1986 share (\$693.1 million) of the biennial appropriation (exclusive of staff assessment). However, as noted in the report of the Secretary-General (A/40/1102 and Corr.1-3, para. 14), these savings did not take into account the impact of the depreciation of the United States dollar, which was estimated at the time at \$30 million, nor any required adjustment in the budgeted rate of inflation. More recent estimates show that the impact of currency exchange rates in 1986 is expected to be \$28.8 million, but this will be partly offset by more favourable inflation rates than budgeted (\$8.3 million, exclusive of staff assessment). As a result of these developments, the first performance report on the programme budget for the biennium 1986-1987 will seek provision for an upward adjustment, exclusive of staff assessment, of \$20.5 million for currency and inflation in respect of the 1986 portion of the appropriation. It is against the estimated resulting 1986 appropriation level projected at \$713.6 million that the savings measures taken may be compared.

10. Against this projected appropriation level of \$713.6 million, as revised for currency and inflation, it is expected that about \$646.7 million will be expended. 4/ The expenditure levels, like the revised appropriations, reflect currency and inflation rates actually experienced in 1986. The balance of \$66.9 million represents the results of the economy measures introduced in 1986, which is 9.4 per cent of the 1986 share of the projected appropriation.

11. The savings measures that have been introduced are outlined in section III of the report of the Secretary-General (A/40/1102 and Corr.1-3). Measures put into effect under the authority of the Secretary-General are described in paragraphs 16

to 18, while other measures are given in paragraphs 21 to 25. As indicated in paragraph 25, savings to be derived from deferment of programme activities will accrue from resulting reductions in expenditure on a variety of objects of expenditure, such as temporary assistance, general operating expenses and construction. In the following table, the savings that are expected to be made in 1986 (as reflected in para. 9 above) are described by object of expenditure and are compared with the amounts of savings anticipated in paragraphs 16, 18 and 21 of the report of the Secretary-General (A/40/1102 and Corr.1-3).

Table. Estimated savings foreseen in the report of the Secretary-General (A/40/1102 and Corr.1-3)
(Millions of United States dollars)

	Para. 16	Para. 18	Para. 21	Total	Savings now expected to be achieved
Salaries and common staff costs	7.8	14.5	5.4	27.7	27.6
Consultants	0.8	-	1.0	1.8	2.5
Travel	2.4	-	3.4	5.8	5.0
Contractual services	-	-	1.9	1.9	2.7
General operating expenses	-	0.5	3.7	4.2	1.4
Supplies, materials, furniture and equipment	-	-	7.8	7.8	10.4
Alterations, maintenance and construction	3.7	-	9.5	13.2	15.5
Other	-	-	1.1	1.1	1.8
	<u>14.7</u>	<u>15.0</u>	<u>33.8</u>	<u>63.5</u>	<u>66.9</u>

12. A full assessment of the programmatic impact of the economy measures cannot be made at this time, as in many cases they have had relatively little effect on programme delivery in the first half of 1986. Most of the impact of those measures is only beginning to be felt in the second half of 1986. The full impact of the economy measures on the programmes will not be known until the programme performance report for the biennium 1986-1987 is completed. It is clear, however, that the economy measures have caused disruptions to programme activities and services. Some broad indications of the nature of those disruptions are given below for illustrative purposes.

13. The deferment and curtailment of a number of meetings and the unavailability of some meeting services beyond normal working hours have caused strain both on delegations and on Secretariat staff who strove to finish their agendas within reduced meeting periods. The changes in the 1986 calendar of meetings and in the provision of verbatim and summary records are reported in the annex below. The cancellation of certain meetings has brought protests from some intergovernmental bodies, Member States and non-governmental organizations and individuals who feared that long-standing work undertaken through the meetings would be set back by purely financial considerations.

14. Member States have none the less shown determination, understanding and co-operation in coping with the inconveniences and frustrations of abbreviated meetings and reduced services. Staff members have also stood up to the additional strain, despite the fact that temporary assistance was reduced and payments of due entitlements were delayed. Because vacant posts could not be filled due to the recruitment freeze, many staff members have had to take on additional, unfamiliar tasks.

15. A number of reports, technical and sales publications and periodicals originally scheduled for completion in 1986 have been deferred or curtailed. Technical advisory services to Governments have been reduced, some training seminars and workshops were not held, and a number of fellowships were deferred or not granted. Grants for the immediate relief needs of disaster-stricken populations were reduced significantly.

16. The deep cuts in travel funds have seriously hampered the ability of staff to undertake on-the-spot gathering of information and other materials on which to base their reports and publications or to render advisory services to Governments. Where vast distances separate the Secretariat unit's seat and the place of information-gathering or delivery of service, such as in several regional commissions, and where modern means of communication are inadequate, the utility and relevance of programme output have suffered.

17. Programme managers and staff have made all efforts to cope with the severe reduction in the services of consultants and other outside experts. However, various specialized inputs must by necessity be contracted from outside. The continued denial of such inputs could adversely affect the technical quality of the work and publications of the Secretariat. The useful interaction between the staff and external experts could also be severely restricted.

18. The issuance of the United Nations Treaty Series, the Yearbook of the United Nations, the Yearbook on Human Rights and the United Nations Disarmament Yearbook has been deferred, scaled down or cancelled. Press releases, including those containing coverage of meetings, and press cables, information materials and publications to United Nations information centres were reduced. Radio programmes in many languages and television spots were suspended. Regional television news magazine and photo coverage were reduced. Translation and publication of information material in local languages were greatly reduced.

19. The ongoing management improvement programme, which has considerable impact on enhanced use of electronic equipment and office automation, could be stymied if the cuts in funding were to persist. For example, projects designed to facilitate better information service to Member States regarding observance of treaty obligations and to upgrade the provision of meeting records and certain library services to delegations and the Secretariat were deferred. Appropriate use of office automation could expand effectively the Secretariat's productivity and servicing capacity, which is essential at a time when the reduction of staff is being considered. The cut by 50 per cent of the expenditure for equipment has hampered that endeavour.

20. The two major construction projects at the Economic Commission for Africa and the Economic and Social Commission for Asia and the Pacific have been postponed.

21. Major maintenance work on the outside surfaces of buildings and the replacement of some electrical installations and heating systems were deferred. Extensive housekeeping economies and adjustments were undertaken, and garage rental charges to staff were doubled. It should be borne in mind that the omission of maintenance work on buildings and equipment and the deferral of replacements of installations and systems cannot be continued for long without eventually causing extensive damage to the physical assets of the Organization.

Notes

1/ Total cash receipts in 1986 are estimated at \$741.3 million. This reflects payments of assessed contributions (\$694.3 million), contributions and interest in the United Nations Special Account (\$15.3 million), and miscellaneous income, exclusive of related expenditures (\$31.7 million). The total receipts correspond with the cash flow reported in annex VII of the report of the Secretary-General on the financial emergency (A/C.5/41/24).

2/ Estimated reserves

(Millions of United States dollars)

Working Capital Fund	100.0
Special Account	92.0 <u>a/</u>
Monies realized through 31 December 1986 from the suspension of Financial Regulations 4.3, 4.4, and 5.2 (<u>d</u>)	29.7 <u>b/</u>
<u>Less</u> the unpaid assessments transferred to a special account pursuant to General Assembly resolution 3049 C (XXVII)	<u>(16.6)</u>
Total of reserves projected at 31 December 1986	<u><u>205.1</u></u>

a/ As shown in annex VI of document A/C.5/41/24.

b/ As shown in annex III of document A/C.5/41/24.

Notes (continued)

3/ This amount represents an estimate of the net balance of other assets and liabilities in the balance sheet of the United Nations at 31 December 1986. It includes unliquidated 1986 obligations against the regular budget (\$35 million), savings anticipated in the liquidation of 1982-1983 obligations (\$20 million) and 1984-1985 obligations (\$10 million), unencumbered balance of the 1984-1985 appropriation (\$4 million), undischursed portion of the special appropriation for UNIDC (\$8 million), less an expected shortfall in 1986 miscellaneous income (\$5 million), for a total of \$72 million. Offset against these credit balances are debits estimated at \$50 million, comprising expected amounts to be assessed on Member States in respect of the currency and inflation adjustments in 1986 (\$20 million), an amount advanced from the Special Account to UNEF/ONUC (\$4 million), and other current assets, offset by other current liabilities (\$26 million). The resulting net credit balance of \$22 million constitutes a resource of the United Nations General Fund.

4/ Of the \$646.7 million estimated to be expended in 1986, it is expected that \$611 million will be disbursed during the year and the remaining \$35.7 million will represent unliquidated obligations at 31 December 1986. In addition to disbursements of \$611 million for the regular budget in 1986, a total of \$107.9 million will have been disbursed for other purposes in 1986, namely, disbursements in liquidation of 1984-1985 obligations (\$40.4 million), the loan to UNIDO (\$16 million), disbursements from the Tax Equalization Fund (\$34 million) and expenditures against revenue-producing activities (\$17.5 million). The total disbursements (\$718.9 million) correspond with the cash flow reported in annex VII of the report of the Secretary-General on the financial emergency (A/C.5/41/24).

ANNEX

Changes in the 1986 calendar of meetings and in the
provision of verbatim and summary records

A. Meetings

1. As indicated in the Secretary-General's report (A/40/1102 and Corr.1-3, para. 23), the following economy measures related to the 1986 calendar of conferences were proposed:

(a) Curtailment of the duration of the forty-first session of the General Assembly by three weeks;

(b) Curtailment of the 1986 spring and summer sessions of the Economic and Social Council by one week and the deferment or curtailment of other meetings;

(c) Reduction in the provision of verbatim and summary records;

(d) Reduction in the payments for travel costs to representatives of Member States attending the General Assembly.

2. The economy measures approved by the General Assembly in its decision 40/472 A of 9 May 1986 with respect to the 1986 calendar of meetings serviced from Headquarters were detailed in annex IV of the report of the Secretary-General (A/40/1102 and Corr.1-3). With respect to intergovernmental and expert bodies serviced at locations other than Headquarters, that decision of the General Assembly included a target reduction of 30 per cent in the number, duration and frequency of their meetings. The present annex presents the status of implementation of the various proposals contained in annex IV of the report of the Secretary-General (A/40/1102 and Corr.1-3).

3. Under the terms of General Assembly decision 40/472 A regarding the proposed curtailment of the forty-first session of the Assembly by three weeks, it was considered that the feasibility of the proposal depended on the way in which the Assembly would organize its work and the progress that it would make. In this regard, the forty-first session of the Assembly has been organized with sufficient flexibility so as to allow an orderly shortening. The actual savings realized in this connection will depend on the extent to which the session can be shortened.

4. With regard to the proposal to curtail the sessions of the Economic and Social Council and of the Trusteeship Council by one week, the General Assembly invited both organs to take the decisions that were most appropriate in organizing their 1986 programme of work. The second regular session of 1986 of the Economic and Social Council concluded two days earlier than scheduled and the total number of meetings was reduced from 99 to 79. The Council further agreed to a proposal of the Secretariat that for 1987 full conference facilities would be scheduled to be provided for (a) 45 meetings for the first regular session, instead of the 114 meetings previously provided for, and (b) a continuation of the same procedures

that enabled the reduction of the meetings of the second regular session of 1986 down to 79. In addition, the provision of full conference services for night meetings could not be expected. As for the Trusteeship Council, it decided to conclude its fifty-third session two days earlier than planned.

5. The Advisory Committee on Administrative and Budgetary Questions had advised the Secretary-General that its 1986 schedule of meetings would be curtailed by a total of five weeks. The Advisory Committee's 1986 spring session was reduced by two weeks. The remaining three-week curtailment relates to the Advisory Committee's autumn session and is contingent upon the curtailment of the forty-first session of the General Assembly by three weeks as proposed initially.

6. With regard to the proposed curtailment by one week of the meetings of the bodies listed below, the implementation was as follows:

<u>Meeting/body</u>	<u>Original dates</u>	<u>Proposed change</u>	<u>Remarks</u>
Intergovernmental Committee on Science and Technology for Development	2-13 June	2-6 June	Implemented
Committee on Information	16 June-3 July	23 June-3 July	Implemented
Disarmament Commission	5-30 May	5-23 May	Implemented
Committee for Programme and Co-ordination	28 April-30 May	28 April-23 May	Implemented
United Nations Commission on International Trade Law, nineteenth session	16 June-11 July	23 June-11 July	Implemented

7. The thirty-eighth session of the International Law Commission was concluded on 11 instead of 25 July 1986, thereby curtailing the session's duration by two weeks as proposed. The status of implementation of the proposals for deferment or curtailment of the various other meetings as contained in paragraphs 7 and 8 of the annex IV of the Secretary-General's report (A/40/1102 and Corr.1-3) are summarized as follows:

<u>Meeting/body</u>	<u>Original dates</u>	<u>Proposed change</u>	<u>Remarks</u>
<u>Ad Hoc Committee on the Indian Ocean</u>	23 June-3 July 11-22 August	Merge June/July meeting with August meeting	Implemented (14-25 July)*
<u>Ad Hoc Committee on the Implementation of the Collective Security Provisions of the Charter of the United Nations, first session</u>	11-29 August	Defer August meeting to 1987	Implemented
<u>Working Group on the Drafting of an International Convention on the Protection of the Rights of All Migrant Workers and Their Families</u>	27 May-6 June	Replace May/June meeting by a sessional Committee of the Third Committee of the General Assembly	Implemented
<u>Intergovernmental Oceanographic Commission - Working Group</u>	16-25 July	Defer to 1987	Implemented
<u>Ad Hoc Committee on the Drafting of an International Convention against the Recruitment, Use, Financing and Training of Mercenaries</u>	16 June-3 July	Defer the June/July meeting to 1987	Implemented
<u>Committee on the Elimination of Racial Discrimination, thirty-fourth session</u>	4-22 August	Defer to 1987	Implemented
<u>UNCITRAL-Working Groups:</u> (a) Working Group on International Negotiable Instruments (b) Working Group on the New International Economic Order (c) Working Group on International Contract Practices	2 sessions each in 1986	Working Groups should have only one session in 1986	Implemented
<u>Commission on Human Rights: Sub-Commission on Prevention of Discrimination and Protection of Minorities and three Working Groups:</u>			

* The August meeting was subsequently rescheduled to July.

<u>Meeting/body</u>	<u>Original dates</u>	<u>Proposed change</u>	<u>Remarks</u>
(a) Sub-Commission	11 August-5 September	Defer to 1987	Implemented
(b) Working Group on Communications	28 July-8 August	Defer to 1987	Implemented
(c) Working Group on Slavery	4-8 August	Defer to 1987	Implemented
(d) Working Group on Indigenous Populations	4-8 August	Defer to 1987	Implemented
Special Committee to Investigate Israeli Practices Affecting the Human Rights of the Population of the Occupied Territories	Undetermined	Defer to 1987	Implemented
United Nations regional seminars or symposia on the question of Palestine:		Reduce the number of meetings scheduled in 1986 from six to four	
(a) European symposium	23-26 June	30 June-1 July, Vienna	Reduced by 2 days
(b) International NGO meeting	25-29 August	2-4 July, Vienna	Reduced by 2 days
(c) African seminar	July/August, 5 days	18-22 August, Nairobi	Implemented
(d) Latin American symposium	April, 5 days	Deferred	-
(e) North American symposium	11-13 June	9-10 June, New York	Reduced by 1 day
(f) North American seminar	June, 5 days	12-13 June, New York	Reduced by 3 days
Special session of the General Assembly on the question of Namibia	8-12 September	Hold after opening of the forty-first session	Implemented (17-20 September)
Group of Consultant Experts on the Economic and Social Consequences of the Arms Race and of Military Expenditures	21-25 April 17-28 November	Defer to 1987	Implemented
Group of Consultant Experts to Carry Out a Study of the Climatic and Potential Physical Effects of Nuclear War, including Nuclear Winter	2-6 June 1-12 December	Defer to 1987	Implemented

8. The summer session of the Preparatory Commission for the International Sea-Bed Authority was held, as proposed, in New York.

9. As regards intergovernmental and expert bodies not included in annex IV of the Secretary-General's report (A/40/1102 and Corr.1-3) and serviced at locations other than Headquarters, the status of implementation in connection with the target of a 30 per cent reduction in the number, duration and frequency of meetings is as summarized below:

United Nations Office at Geneva

<u>Meeting/body</u>	<u>Original dates</u>	<u>Remarks</u>
Conference on Disarmament	10 June- 29 August	A reduction from 15 fully-serviced meetings per week to 10 meetings per week was achieved.
<u>Ad Hoc</u> Committee on Chemical Weapons	September- October (8 weeks)	Duration shortened to 4 weeks; meetings per week reduced by 7 down to 3.
UNHCR:		
(a) Executive Committee	6-17 October	Held on 6-13 October; curtailed by 4 days.
(b) Working Group on Enforced or Involuntary Disappearances	22-26 September	Deferred.
ECE: Working groups and committees	May-December	Duration of meetings reduced by 128 days from a total of 178 scheduled for the period.
UNCTAD: Working groups and committees	May-December	Duration of meetings reduced by 29 days from a total of 67 scheduled for the period.

United Nations Office at Vienna

<u>Meeting/body</u>	<u>Original dates</u>	<u>Remarks</u>
International Narcotics Control Board, ninth and tenth sessions	20-30 May	Held 20-22 May; duration reduced by 8 days.
	14-31 October	Held 20-31 October; duration reduced by 4 days.
Intersessional intergovernmental preparatory meetings of UNPICUNE	23 June-4 July	Held 23-27 June; duration reduced by 5 days from 10 scheduled.

Meetings of regional commissions

ESCAP: intergovernmental and expert groups	April-December	Reduction of 10 meeting days out of a total of 38 scheduled for the period.
ECA: intergovernmental and expert groups	April-December	Reduction of 41 meeting days out of a total of 84 scheduled for the period.
ESCWA: intergovernmental and expert groups	April-December	Reduction of 12 meeting days out of a total of 94 scheduled for the period.

B. Verbatim and summary records

10. The economy measures outlined in annex IV of the report of the Secretary-General (A/41/1102 and Corr.1-3) with respect to the 1986 calendar of conferences and meetings also contained proposals regarding the provision of summary records and verbatim records to various bodies and organs of the United Nations and its common system. While verbatim and summary records continued to be provided to the organs or bodies listed, respectively, under paragraphs 11 and 12 of that annex, the above proposals were implemented fully.

11. It should be noted, as indicated in paragraph 13 of annex IV of the report of the Secretary-General (A/41/1102 and Corr.1-3) that in the cases where summary or verbatim records were not provided, reports of the meetings nevertheless continued to be prepared, including the incorporation of a fuller account of the views and positions expressed in debates or discussions.