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CURRENT FINANCIAL CRISIS OF THE UNITED NATIONS

Report of the Advisory Committee on Administrative
and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the current financial crisis of the United Nations (A/42/841). During its consideration of this report the Advisory Committee met with representatives of the Secretary-General who provided additional information.
2. In his report the Secretary-General outlines the current situation and the funding prospects for 1988. In paragraphs 5 to 14 he provides information on the situation in the current biennium, including the effect of the economy measures. In paragraphs 15 to 19, the Secretary-General discusses the prospects for 1988, and in paragraphs 20 to 22 he summarizes his conclusions and presents his proposals for 1988.
3. As stated in paragraph 1 of the Secretary-General's report, as at 16 November 1987, \$279.2 million (36.9 per cent) of regular budget assessments for 1987 remained unpaid; cumulative unpaid assessments totalled \$456.4 million, of which \$342.8 million was owed by one Member State. The Advisory Committee was informed that, as at 3 December 1987, \$276.5 million (36.6 per cent) of regular budget assessments for 1987 remained unpaid; total assessed contributions outstanding amounted to \$356.8 million. The Advisory Committee was also informed that, as stated in paragraph 5, all reserves of the Organization (the Working Capital Fund and the Special Account) remained exhausted. Consequently, the Secretary-General concludes that, "if the timing and amount of payments in 1988 follow the pattern of 1987, cash depletion will occur in August 1988" (A/42/841, para. 18). Furthermore, "even if all 1988 assessments are paid in full, cash depletion cannot be avoided unless these assessments, or substantial arrears, are also paid early in the year" (*ibid.*, para. 2). The Committee recalls that cash flow figures are usually subject to change; therefore, the cash flow situation should be monitored closely and Member States kept informed.

4. In paragraph 20 of his report, the Secretary-General reiterates his position that "the only solution to the current financial crisis of the Organization is the payment by all Member States of their assessed contributions in full and on time". The Advisory Committee shares the concern of the Secretary-General on the gravity of the current financial crisis and concurs with him on its ultimate long-term solution. Although the Secretary-General trusts "that Member States will make good on their legal obligations under the Charter" (*ibid.*, para. 21), he also, in the face of the possible funding shortfall in 1988, including a projected cash depletion in August 1988, requests that the General Assembly adopt the following measures:

(a) Increase the Working Capital Fund by \$100 million to a level of \$200 million, effective 1 January 1988. This would bring the Working Capital Fund to the level identified in 1981 as that required to meet the estimated cash shortages of the Organization;

(b) Authorize the Secretary-General, should the provisions in the Working Capital Fund prove to be inadequate, to resort to commercial borrowing in the open market for such sums as may be necessary pending the receipt of contributions, up to an amount of \$50 million, and to pay commercial rates of interest thereon;

(c) Authorize the Secretary-General to issue certificates of indebtedness in the amounts of the arrears, secured by an assignment of these accounts receivable and repayable, without interest, when the arrears are paid in full. Such certificates of indebtedness would be open to subscription by Member States and international entities and would constitute, in fact, borrowing from Member States."

5. With regard to recommendation (a), an increase in the Working Capital Fund, the Advisory Committee recalls that when the Fund was increased to \$100 million in 1982, it represented 13.2 per cent of the appropriations of that year. The Committee also recalls that when the Secretary-General proposed an increase in the level of the Fund at the fortieth session of the General Assembly, the Fund, at its \$100 million level, was equivalent to 12.8 per cent of the 1985 portion of the revised appropriations for the biennium 1984-1985, excluding the resources relating to the United Nations Industrial Development Organization. In response to inquiries, the Committee was informed that, at present, the Fund, still at the \$100 million level, is equivalent to 11.8 per cent of the 1987 portion of the revised appropriations for the biennium 1986-1987. In the opinion of the Advisory Committee, the decrease in percentage is not significant enough to warrant an increase in the level of the Fund. It therefore recommends against increasing the Working Capital Fund at this time.

6. The Advisory Committee continues to believe that borrowing in the open market (recommendation (b)) is not prudent. As indicated in its earlier report (A/36/701), this would involve the payment of interest which could be substantial, and would thus impose additional burdens upon all Member States.

7. The Committee has no objection, in principle, to recommendation (c), that is, the issue of certificates of indebtedness, on the understanding that this would be

on a one-time voluntary basis and would entail no additional cost to the regular budget, and that, after appropriate consultations with Member States and other potential subscribers, the actual total amount and modalities would be established with the prior concurrence of the Advisory Committee.
