



Chairman: Mr. E. Olu SANU (Nigeria).

FINANCIAL SITUATION OF THE ORGANIZATION

Statements by the Secretary-General and by Mr. Hambro, President of the General Assembly at its twenty-fifth session

1. The SECRETARY-GENERAL said he wished to express personally and publicly his appreciation for the views which had been expressed, during the general discussion of agenda item 76, on the statement he had made at the 1427th meeting of the Committee (A/C.5/1376).

2. He also wished to express his deep appreciation to Mr. Hambro, President of the General Assembly at its twenty-fifth session, for his efforts to find a generally acceptable solution to the current difficulties of the Organization. He fully supported Mr. Hambro's efforts which, under the circumstances, represented the best that could be done.

3. Finally, he pointed out that the positive steps which had recently been taken by certain Governments gave him reason to trust that real progress could be made at the current session.

4. Mr. HAMBRO (President of the General Assembly at its twenty-fifth session) reported on the ideas and suggestions which had been submitted to Member States and to certain non-members who held United Nations bonds with a view to finding a solution to the current financial crisis of the Organization. Since negotiations were still in a preliminary stage, it would not be appropriate to divulge any details on the matter.

5. Recalling that he had previously submitted to all delegations an aide-mémoire in which he had stressed the need to seek a viable solution aimed at eliminating both the current cash deficit and any future budgetary deficits, he said that his approach was based on the theory that, while positions of principle which Member Governments had taken must be fully respected, it was nevertheless in the common interest of the entire membership to contribute towards safeguarding the capacity of the United Nations to continue fulfilling its obligations in the future.

6. In its first report to the General Assembly at its twenty-first session,¹ the *Ad Hoc* Committee of Experts to Examine the Finances of the United Nations and the

Specialized Agencies had reached the unanimous conclusion that, after taking into account voluntary contributions paid or pledged in 1965 to the special account to assist the Organization out of its financial difficulties, additional voluntary contributions in cash (or equivalent) totalling a minimum of \$31.9 million and a maximum of \$53.3 million would be required to restore the Organization's solvency.

7. Since that time, the financial situation had continued to deteriorate. That was due, in particular, to the accumulating effect of an annual shortfall of some \$4 million in the regular budgetary assessments. Thus the Organization's deficit at the end of 1970 had stood at a total of \$65.7 million, while the balance from voluntary contributions made by some Governments in 1965 had amounted to \$13.4 million. Allowing for certain other adjustments and using the same premises as those used by the *Ad Hoc* Committee, it was estimated that a minimum of \$52.3 million and a maximum of \$69.9 million in voluntary contributions would be required—in addition to voluntary contributions already made and pledged—to settle the current deficit.

8. It was, of course, feasible to visualize a separate solution to the cash deficit problem only, but such a solution would be unsatisfactory and short-sighted. To ensure that the Organization did not in future again find itself in the same financial situation, it would be necessary to tackle the problem of those provisions in the regular budget which were the source of the annual cumulative deficit. The most complex of such problems was the servicing of the United Nations bond issue, under which \$119.4 million still remained to be amortized. It would also be necessary to tackle the difficulties in connexion with that part of the budget which (part VI for 1972) concerned technical programmes, as well as the United Nations Memorial Cemetery in Korea and the United Nations Commission for the Unification and Rehabilitation of Korea.

9. With regard to the United Nations bond issue, the solution proposed in the aide-mémoire he had sent to Governments consisted of urging bond-holders to accept a one-time settlement whereby the value of the bonds they were holding would be offset against the total of contributions towards the amortization costs they would have to make over the regular budget during the remaining life of the bond issue. That would make it possible to liquidate immediately close to \$80 million of the \$119 million outstanding and reduce the balance that would have to be refinanced in another way to some \$40 million.

10. It was felt that if the complex question of the bond issue could be solved, it should also be possible to find solutions acceptable to a majority of Members to the other

¹ Official Records of the General Assembly, Twenty-first Session, Annexes, agenda item 80, document A/6289, paras. 31-35.

questions. An over-all solution to the United Nations financial problems would involve: the liquidation of the current deficit, now estimated at \$52.3 million, on the assumption that those Governments which had paid their assessments in full would have to be credited for their due share of UNEF and ONUC surpluses of approximately \$17.3 million; the immediate liquidation of the un-amortized portion of the bond issue, amounting to \$119.4 million; a settlement of the problem posed by part VI of the budget that would be acceptable to the majority of Member States; and a negotiated agreement with respect to the United Nations Memorial Cemetery in Korea and the United Nations Commission for the Unification and Rehabilitation of Korea.

11'. For the purpose of managing those operations from the accounting point of view, he suggested that a United Nations refinancing account should be established which would take up all remaining assets, liabilities, surpluses and deficits from the various special and *ad hoc* accounts. All voluntary contributions in cash or equivalent would be credited to that account.

12. The solution of the Organization's general financial problems would depend fundamentally on the response of the major Powers in the Organization. It had transpired from his negotiations that the major Powers had recognized the seriousness of the problem and the need for voluntary contributions. The decision of the French Government to make a first contribution of approximately \$4 million was most encouraging, particularly since it had done so unconditionally and before any general agreement was in sight. The Organization was badly in need of such concrete gestures of support. The Secretary-General had warned that in the absence of voluntary financial support in sufficient measure, he would have no alternative to proposing a series of restrictive measures designed to arrest any further increase in the deficit. He urged all Member States to take to heart the Secretary-General's warning and act without delay.²

13. Mr. TARASOV (Union of Soviet Socialist Republics) asked whether all delegations had received the aide-mémoire to which Mr. Hambro had referred.

14. Mr. REFSHAL (Norway) said that the aide-mémoire had been sent to all delegations. The Norwegian delegation would be happy to supply additional copies in English to delegations that might desire them.

15. The CHAIRMAN thanked the Secretary-General for having addressed the Fifth Committee a second time. It was to be hoped that members would now be fully aware of the priority which must be accorded to the current financial crisis.

AGENDA ITEM 75

Supplementary estimates for the financial year 1971 (continued) (A/8458, A/8471)

16. Mr. BROWN (Australia) said he accepted the suggestions of the Advisory Committee on Administrative and

Budgetary Questions regarding the unspent appropriation of \$2 million under section 7 of the 1971 budget to finance construction at Headquarters, but he would like to hear the views of other delegations on the matter.

17. Mr. NAUDY (France) said he was surprised that the report of the Secretary-General on Headquarters accommodation (A/C.5/1381) was not more detailed. A more complete report should have been provided, since the financing plan had not been implemented and it was therefore necessary to review the entire situation. Furthermore, in its resolution 2618 (XXIV), the General Assembly had requested the Secretary-General to carry out certain studies which had not been submitted. It would appear that the Secretary-General did not intend to make any new proposals in the matter and that he considered the project abandoned. That was an additional reason for his delegation to support the proposals of the Secretary-General and the Advisory Committee.

18. Mr. TARASOV (Union of Soviet Socialist Republics) regretted having to note that the Secretary-General had again submitted supplementary estimates that year. His delegation realized that under certain circumstances it might be unavoidably necessary to incur additional expenditures. However, those circumstances were provided for in the Financial Regulations of the United Nations and they should remain exceptional in nature. As a general rule, the Secretary-General should cover supplementary expenditures by revising priorities, economizing and transferring funds within the budget. It was regrettable that the Secretariat systematically broke that rule. To be sure, some of the supplementary requirements for 1971 were related to factors beyond the Secretary-General's control, for instance the revaluation of certain currencies or the rise in the cost of living. The Administration should, however, take the necessary steps to meet those requirements from within the funds approved for the year. Furthermore, the Advisory Committee's report (A/8471) on the supplementary estimates for 1971 pointed out certain waste and unjustifiable expenditure, particularly on official travel, and also with respect to UNCTAD and UNIDO. Discipline was required there too.

19. The Soviet delegation felt that the Fifth Committee should recommend that the Secretary-General take advantage of the remaining months of the year to study ways of financing the supplementary estimates with the funds available.

20. With regard to the unspent \$2 million appropriated for the construction programme in New York, the Secretariat's suggestion that the money be used to cover supplementary expenditures for 1971 was not acceptable. His delegation took the view that the funds should be allocated to construction programmes at Geneva and elsewhere, in order to reduce the appropriations under section 7 of the estimates for 1972. His delegation, together with others, had already spoken several times against the construction plans in New York. The report of the Informal Joint Committee on Host Country Relations³ showed that many delegations were not satisfied with the steps taken by the

² The complete text of the statement subsequently was issued as A/C.5/XXVI/CRP.8.

³ Document A/8474, relating to agenda item 86, issued separately (offset).

Government of the host country to guarantee the smooth operation of the Organization. The Permanent Representative of the USSR to the United Nations had been obliged that very morning to make a complaint in the General Assembly (1972nd plenary meeting) about shots fired into the Permanent Mission of the Soviet Union the night before. That statement had been followed by another attack on the mission during which the window of the front door had been shattered. He hoped that the Sixth Committee would examine the matter and recommend appropriate action. At all events, his delegation formally opposed allocating the \$2 million for construction in New York.

21. In addition, the draft resolution on the supplementary estimates for the 1971 financial year (A/8458, annex I) provided for certain illegal expenditures relating to United Nations bonds, the Memorial Cemetery in Korea, the so-called United Nations Commission for the Unification and Rehabilitation of Korea, and technical programmes. His delegation would have to vote against the draft resolution.

22. Mr. GUPTA (India) felt that the Committee should take a decision without further delay on the question of the supplementary estimates. The decision would, in any event, only be a provisional one, for the Committee would have to come back to the question of the \$2 million when it considered section 7 of the 1972 budget estimates and might have to revise the figure. He agreed entirely with the views expressed by the representative of Brazil at the previous meeting and thought that the Committee should approve supplementary estimates of \$2,478,500.

23. Every year certain delegations criticized the ritual supplementary estimates by the Secretary-General. But those delegations seemed to forget that the supplementary estimates were the inevitable consequence of the cuts in appropriations recommended each year by the Advisory Committee. In fact, sections 2, 3, 4, 5, 10, 15 and 16, for which the Secretary-General was currently requesting additional funds, had been the very ones for which appropriations had been reduced in 1970 on the recommendation of the Advisory Committee. Far from encouraging unnecessary expenditures, the Secretary-General was clearly doing everything in his power to economize, as could be seen from paragraph 3 of the Advisory Committee's report (A/8471) on the supplementary estimates for 1971. But for the reductions recommended each year by the Advisory Committee and for the pressures in favour of reductions brought to bear by certain delegations, the Secretariat would not have to submit supplementary estimates.

24. Mr. NSUBUGA (Uganda) expressed the hope that the desire to balance the budget would not lead to arbitrary reductions in appropriations.

25. Mr. FAROOQ (Pakistan) said that, after hearing the statements by the representatives of Brazil and the Controller at the previous meeting, he thought the Committee should act without delay on the supplementary estimates in the usual way, as suggested by the representative of Brazil. He pointed out that the submission of supplementary estimates was a normal practice with most Governments and that, as the representative of India had said, it would be unnecessary if drastic reductions had not been imposed.

26. Mr. RHODES (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said he could not accept the notion that a direct cause and effect relationship existed between the supplementary estimates and the reductions recommended by the Advisory Committee, as the representative of India had suggested. In fact, the Secretary-General attributed the over-expenditure of more than \$1 million to the consequences of the revaluation of certain European currencies. Moreover, a look at the figures in paragraph 10 of the Advisory Committee's report convincingly showed that the reductions recommended by the Advisory Committee were not excessive, since even with them the Secretary-General could achieve substantial savings.

27. Mr. VAN DER GOOT (Netherlands) said he had no difficulty in supporting the proposals made by the Secretary-General and the Advisory Committee and noted with satisfaction that the Controller had undertaken to do all he could to see that the over-expenditures resulting from the present budgetary situation would be offset by further savings.

28. The problem, in his opinion, was a procedural one. The adoption of the supplementary estimates should actually be done in two stages: in the first stage, the Fifth Committee should approve certain expenditures and, in the second stage, it should decide how those expenditures should be financed. The two stages were equally important and could not be divorced from one another; it would be difficult for the Netherlands delegation to vote for the supplementary estimates without knowing where the funds were to come from. The Committee could therefore proceed as with the budget estimates for 1972, to a two-phase examination: first, it would give a first reading to requests for supplementary funds and approve them in principle; next, it would examine the question of the construction work at Headquarters under section 7 of the 1972 budget estimates; finally, it would give a second reading to the supplementary estimates which it would then adopt definitively with a clear idea of where the funds would come from. In fact, the question of the \$2 million had not yet been settled: the Committee might decide either to use the money to cover over-expenditures in other sections of the budget thus reducing the supplementary funds requested for 1971 to \$478,500 and obviating the need for requesting additional contributions from Member States, as the Advisory Committee had suggested in its report, or to carry over those funds to the following financial year in which case the supplementary estimates would come to \$2,478,500, in which case additional contributions would have to be requested from Member States.

29. The CHAIRMAN suggested that, in view of the suggestion of the representative of the Netherlands, the Committee should accept in principle and subject to the examination of section 7 of the budget estimates for 1972, that the gross expenditure budget for 1971 be set at \$192,627,800 and that the estimate of income be increased by \$478,500 in accordance with the recommendation made by the Advisory Committee in paragraph 13 of its report (A/8471).

30. Mr. TURNER (Controller) said that the Advisory Committee had recommended in its report that the

Secretary-General be authorized to incur, for the financial year 1971, expenditures up to \$192,627,800 without prejudice to the decision that the Fifth Committee might take concerning the unspent \$2 million under section 7. The Fifth Committee should leave that question in abeyance and return to it later when it examined the revised estimates for 1972 for section 7. It could decide then whether simply to surrender the unspent money or to carry it over to 1972 in order to use it for construction work at Headquarters—in the hope that the planned work could be started—or elsewhere. He, personally, thought that the \$2 million should be used to finance construction work or be surrendered but should not be used for purposes other than those for which it had been intended.

31. Mr. GUPTA (India) thanked the Controller for the clarifications he had given but pointed out that if the Committee set the gross expenditure budget for 1971 at \$192,627,800, the \$2 million would cover over-expenditures in other sections of the budget and would, therefore, be utilized precisely for purposes other than those for which it had been intended. He asked whether in voting on the figure of \$192,627,800 the Committee was being asked to decide on a definitive amount or on a provisional one, as had been proposed by the representative of the Netherlands. He, personally, would prefer the latter approach.

32. Mr. FAURA (Peru) thought he had understood from the Controller's remarks that it was a provisional amount. If that were so he would vote in favour of that base figure.

33. Mr. MSELLE (United Republic of Tanzania) felt that the Controller's remarks had confused the situation still further. In approving the amount of \$192,627,800, the Committee could not ignore the unspent \$2 million appropriation since it had served precisely to reduce the gross expenditure budget for 1971 from \$194 million to \$192 million. The Committee should therefore provisionally approve a gross figure of \$194,627,800.

34. Mr. TARDOS (Hungary) said that, in approving the supplementary estimates, the Committee should state clearly that the appropriation of \$2 million should not be used, even under section 7, for any purpose other than to finance the Headquarters construction project, since it was for that project that the appropriation had been authorized.

35. Mr. TURNER (Controller) assured the representative of Hungary that that would certainly be the case.

36. The CHAIRMAN suggested that the Committee should approve, provisionally and subject to the decision that it might subsequently take with regard to section 7, the request for supplementary appropriations totalling \$2,478,500 and an increase of \$478,500 in the income estimates for 1971.

37. Mr. SILVEIRA DA MOTA (Brazil) opposed the use of the word "provisionally". The Committee should take a final decision on the supplementary estimates, without prejudice to the decision that it would subsequently take with regard to the unused appropriation of \$2 million.

38. The CHAIRMAN said he was ready to delete the words "provisionally and subject to . . .", which had been

included to meet the objections raised by the representatives of India and the Netherlands.

39. Mr. VAN DER GOOT (Netherlands) requested that the formulation on which the Committee would be invited to vote should be circulated in writing to the members of the Committee.

40. Mr. PICK (Canada), Mr. SANTAMARIA (Colombia) and Mr. NAITO (Japan) supported the request made by the representative of the Netherlands.

41. The CHAIRMAN said that the formulation in question would be submitted in writing the next day to the members of the Committee.

AGENDA ITEM 76

Budget estimates for the financial year 1972 (*continued*)
(for the documentation, see the 1435th meeting)

General discussion (continued)

42. Mr. LOURENCO (Portugal) said that the Secretary-General had requested for 1972 a gross appropriation of \$207,721,500, which represented an increase of 8.1 per cent over the appropriation for 1971. However, the Secretary-General had announced that he would request further appropriations amounting to \$6.8 million to cover items in regard to which decisions would have to be taken soon. The Advisory Committee on Administrative and Budgetary Questions, for its part, after examining all the relevant information, had recommended a reduction of \$3,101,200 in the net expenditure. But even if that reduction were carried out, the budget would show an increase over the preceding financial year. His delegation regarded the progressive growth of the budget from year to year with misgiving, since although a growing budget was ordinarily an indication of vitality, that was unlikely to be the case with the United Nations.

43. In his foreword to the budget estimates for the financial year 1972 (A/8406), the Secretary-General had presented a very useful comparative study section by section of the estimates for 1972 and appropriations approved for 1971. He had also analysed the factors responsible for the increase in the budget, particularly the additional cost of maintaining in 1972 the staff resources approved for 1971, the increases in salaries and wages, the increase in rates for contractual services, the increase in sea and air travel fares and other unavoidable increases. His delegation well understood that the inflation of recent years, with its accompanying increases in the cost of living, together with the revaluation of certain currencies, had complicated the Secretary-General's task, but it should not be forgotten that the Governments of Member States had to face the same difficulties.

44. In certain sectors, more judicious management could greatly assist in trimming expenditure to a reasonable level. Under the Financial Regulations, the Secretary-General was responsible not only for the preparation of the budget estimates which he submitted to the General Assembly, but also for the supervision and control of expenditure. It was true that, as the Organization had grown, proposals

emanating from within the Secretariat had had their own budgetary impact, and the process of decentralization had created additional centres of initiative, concerned primarily with their own objectives, but depending for their financing on the budget approved by the General Assembly. However, the final over-all responsibility for the choice of priorities and the application of finances rested with the Secretary-General. It would therefore not be unreasonable to expect the various departments and subsidiary bodies to become amenable to discipline in the case of disbursements which were not strictly in consonance with the directives laid down by the General Assembly, let alone in cases involving needless additional expenditure, such as those which the Board of Auditors had criticized in its reports. Furthermore, the unrestricted expansion of personnel, not always dictated by requirements, contributed to an undisciplined growth in administrative expenses, which added to factors such as the continued increase in the amount of documentation gave rise to ever larger budgets. His delegation nevertheless wished to record its appreciation to the Secretary-General for making the best of a difficult situation.

45. After a quarter of a century of existence, the United Nations had undeniably reached a critical phase. It was necessary to face the fact that the difficulties facing the Organization were not all simply financial, and that the financial crisis was but an outward symptom of a more serious malaise, of a crisis in the international community's confidence in the Organization. As a result of the policies followed by the United Nations and the action that it had taken over the past decade, certain Member States could no longer contribute to expenditure with which they did not agree. Furthermore, the enthusiasm of millions of human beings for the Organization appeared gradually to have cooled—which was understandable in view of the list of unresolved questions which had accumulated over the years on the agenda of the Security Council.

46. Of course, the Fifth Committee avoided political considerations as far as possible when examining the appropriations requested for the implementation of programmes recommended by other legislative bodies. However, it was those very programmes that were responsible for the growing deficit in various sections of the budget. The argument had been advanced that, in view of the critical financial situation in which the United Nations now found itself, Member States should make an effort to forgo the positions of principle which prevented them from making certain contributions, now that those positions were well known. To his delegation, that argument appeared fallacious. The fact that the Organization pursued policies and programmes detrimental to the interests of certain Member States, the fact that it continued to discriminate against certain Member States in all sectors of the Organization's activities, and the fact that those States were systematically excluded from technical assistance that they could receive as members of certain subsidiary organs, could scarcely be expected to make the Governments concerned enthusiastic about coming to the aid of the Organization. All those questions should be studied without emotion and in a realistic manner.

47. Passing to some specific items of the estimates and the related recommendations of the Advisory Committee, he

said he did not share the view of the Advisory Committee, which had recommended (A/8408 and Corr.1 and 2, para. 85) that the verbatim records of the meetings of the Conference of the Committee on Disarmament should be discontinued, despite the economies which would thereby be achieved. The deliberations of the Conference on the question of disarmament concerned all nations, and Governments which did not participate in those deliberations wished to have access to the verbatim records of meetings of the Conference, which were the only means whereby they could acquaint themselves with the Conference's deliberations and decisions.

48. If economies at any price were felt to be necessary, they could be made in other sectors. He had in mind particularly the travel of staff, and also an enterprise upon which the Office of Public Information had recently embarked, namely, the publication entitled "The UN Story—a feature series on the expanding frontiers of United Nations activities in the world today", the utility of which was questionable, in view of the fact that the United Nations was on the brink of insolvency.

49. Mr. DE PRAT GAY (Argentina) observed that the United Nations was in a paradoxical situation: at a time when the world, long troubled by distressing conflicts between nations, was glimpsing a more stable future based on peace and understanding between peoples, the United Nations found itself on the brink of bankruptcy, as the Secretary-General and the Chairman of the Advisory Committee had indicated in no uncertain terms in their statements to the Fifth Committee at the 1427th meeting (A/C.5/1376 and A/C.5/1377). It was not the first time that the United Nations had been faced by a critical financial situation but, as the Secretary-General had said, the Organization was now in a state of near and hopeless insolvency. Its funds were depleted to the point where, in order to meet its most basic commitments, it was living literally from hand to mouth. Moreover, that was happening at a time when the United Nations was called upon to play an essential role in building a new world, in conformity with the principles of the Charter.

50. His country had confidence in the Organization, as it had shown during 26 years of membership. It would like to see the Organization freed from its economic difficulties. That was why his delegation enthusiastically supported Mr. Hambro's efforts to seek a solution to those problems. It considered that the suggestion made by one delegation to set up a group in which Mr. Hambro and members of the Fifth Committee would participate was of interest and deserved study.

51. His country, for its part, intended to fulfil its obligations to the Organization. It occupied seventeenth place among the countries that contributed to the United Nations budget, which meant that it must give up substantial amounts of foreign exchange urgently needed for its own development.

52. Without wishing to go into the details of the budget estimates, his delegation simply wished to stress the need to reduce the expenses of the Organization as much as

possible. In that connexion, it supported the work of the Advisory Committee.

53. His delegation was convinced that a solution could be found to enable the United Nations to pursue its role in

international life. In its search for that solution, the Organization could count on the support of the Argentine nation.

The meeting rose at 5.15 p.m.