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FINANCIAL EMERGENCY OF THE UNITED NATIONS

Analysis of the financial situation of the United Nations

Report of the Secretary-General

1. At its thirty-fifth session, the General Assembly, after consideration of the report of the Secretary-General on the financial emergency of the United Nations, 1/ adopted resolution 35/113 on 10 December 1980, in which the Secretary-General was requested (a) to give appropriate publicity to the issuance of United Nations postage stamps on the conservation and protection of nature and endangered species, and (b) to submit to the General Assembly, at its thirty-sixth session, a progress report on the status of the project on the issuance of the special postage stamps and detailed information regarding the extent, rate of increase and composition of the deficit of the Organization, as well as voluntary contributions from Member States and other sources. The General Assembly also decided to include the item entitled "Financial emergency of the United Nations" in its provisional agenda for the thirty-sixth session. In compliance with the above-mentioned requests, the Secretary-General submits the present report, which is divided into two parts. The first relates to the issuance of the special postage stamps; the second provides information on the current and foreseen extent of the financial deficit of the Organization, and suggests necessary corrective action.

1/ A/C.5/35/13.

I. PROGRESS REPORT ON THE ISSUANCE BY THE UNITED NATIONS POSTAL ADMINISTRATION OF POSTAGE STAMPS ON THE SUBJECT OF CONSERVATION AND PROTECTION OF NATURE

2. In pursuance of the request of the General Assembly contained in paragraph 7 (a) of resolution 35/113 to issue postage stamps on the subject of conservation and protection of nature, the United Nations Postal Administration enlisted the advice and assistance of the United Nations Environment Programme (UNEP). UNEP, in consultation with the World Wildlife Fund and the International Union for Conservation of Nature and Natural Resources, and in collaboration with the Food and Agriculture Organization of the United Nations (FAO) and the United Nations Educational, Scientific and Cultural Organization (UNESCO), provided guidance in the selection of themes for the stamps.

3. It was decided to divide the programme into six different areas, each of which would be the subject of an individual stamp as follows:

- (a) Flora (trees, plants, flowers etc.);
- (b) Insects;
- (c) Reptiles;
- (d) Birds;
- (e) Fish and other marine life;
- (f) Mammals

4. In accordance with established practice, a stamp design competition was organized which was open to participants on a world-wide basis. The response to invitations to submit stamp designs was excellent; 206 designs by 59 artists from 23 countries were received. Selection of the winning designs was made by an Interdepartmental Stamp Design Committee on 14 October 1981. Invitations to bid will now be sought on an international basis for the printing of the issue.

5. The stamps will be released simultaneously in November 1982 in Geneva, New York and Vienna in six denominations: SWF 0.40, SWF 1.50, \$.20, \$.28, S5 and S7. The expected net revenue from their sale is estimated at two million dollars.

6. An extensive campaign is planned to publicize the stamps which, inter alia, will enlist the support of organizations concerned with the protection and conservation of nature and natural resources. Particular efforts will be made to promote the themes of the stamps in philatelic circles, and preliminary investigation is now under way to determine the feasibility of a short motion picture documentary which would largely be funded from private sources.

7. In accordance with paragraph 2 of resolution 35/113, a portion of the revenue, after deducting the cost of producing the stamps, will be earmarked for promoting, under United Nations auspices, the cause of conservation and protection of nature and endangered species. The remaining revenues will be placed in a special account.

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II. THE CURRENT AND FORESEEN EXTENT OF THE FINANCIAL DEFICIT OF THE ORGANIZATION

8. During much of 1981, the financial situation of the Organization has been particularly precarious. For a number of years, the \$40 million Working Capital Fund has been virtually wiped out, because of the need to draw upon it to replace withholdings and delays in payment. The Special Account, established by Assembly resolutions 2053 A (XX) and 3049 A (XXVII) has also been almost entirely depleted for the same reason. In these circumstances, the day-to-day financial existence of the Organization is dependent almost entirely on the timely receipt of assessed contributions. This year, unexpected delays in receiving these payments have been experienced, and, as a result, it appeared at times that the Organization would be unable to meet its immediate commitments. The forecast for future years gives grounds for even deeper concern, and the Secretary-General wishes to place before the Assembly the facts, and possible courses of corrective action, for the consideration of and decision by the Member States.

9. The origin and nature of the financial difficulties of the Organization have been discussed year after year. This short historical summary is not intended to repeat the exhaustive coverage the Members have already given it but merely to serve as basic reference material in regard to the previous discussions and decisions of the membership of the Organization.

10. By resolution 2006 (XIX) of 18 February 1965, the General Assembly established a Special Committee on Peace-keeping Operations to undertake a comprehensive review of all aspects of peace-keeping operations, including ways of overcoming the existing financial difficulties of the Organization. The consensus of the Special Committee set forth in its report ^{2/} was that the financial difficulties of the Organization should be solved through voluntary contributions by Member States, with the highly developed countries making substantial contributions. At its 1331st plenary meeting, on 1 September 1965, the General Assembly adopted that report. On 15 December 1965, the Assembly adopted resolution 2053 (XX), calling upon all Member States to make voluntary contributions, "so that the future may be faced with renewed hope and confidence". Pursuant to that resolution, 25 Member States have, to date, contributed \$26.3 million.

11. Also at its twentieth session, the General Assembly, by resolution 2049 (XX) of 13 December 1965, established the Ad Hoc Committee of Experts to examine the finances of the United Nations and the specialized agencies, which - without prejudice to the terms of reference of the Special Committee on Peace-keeping Operations - was to submit such recommendations as it deemed appropriate in order to secure better utilization of the funds available through rationalization and more thorough co-ordination of the activities of the organizations and to ensure that any expansion of those activities would take into account both the needs they were intended to meet and the costs Member States would have to bear. The Committee was also to examine and comment on the Secretary-General's analysis of the finances of the United Nations and complete statement of the financial situation of the Organization as at 30 September 1965.

^{2/} A/5916.

12. As a result of its analysis, the Ad Hoc Committee, in its first report submitted to the General Assembly at its twenty-first session in 1966, 3/ confirmed that the assets of the Organization were not sufficient to meet its liabilities, with the result that there was at 30 September 1965 a residual shortfall. It further estimated that the continuation of that situation would result in an increase in the level of the cumulative deficit in the regular budget by approximately \$2.4 million per year.

13. At its 2031st plenary meeting, on 22 December 1971, the General Assembly, acting on the proposal of its President, decided to establish the Special Committee on the Financial Situation of the United Nations, composed of 15 Member States. In its report to the Assembly at the twenty-seventh session, 4/ the Special Committee stated that it had been unable to formulate a common position on the matter of resolving the financial situation of the United Nations, since no common viewpoint had been reached. The Assembly took note of the Special Committees' report at its 2116th plenary meeting, on 19 December 1972, and adopted resolution 3049 (XXVII), by which all Member States were urged to review their payment pattern of contributions to the regular budget of the United Nations, with a view to paying future contributions on time. By the same resolution, the Assembly requested the Secretary-General to solicit suggestions from Member States for amendments to the Financial Regulations to achieve a steady and timely cash flow in the payment of assessed contributions and to establish a special account into which voluntary contributions could be paid and used for the purpose of clearing up the past difficulties of the United Nations. Further, the Assembly requested all Member States, and invited non-member States, to make voluntary contributions to that special account. Only three Member States have responded to that appeal, in an amount of \$11.3 million. Together with the \$26.3 million contributed as a result of resolution 2053 (XX) (see para. 10 above), and after application of \$3.9 million to the United Nations Emergency Force (UNEF) pursuant to General Assembly resolution 2115 II (XX), the principal of the special account, excluding interest earned, stands at \$33.7 million.

14. In the introduction to his annual report on the work of the Organization to the General Assembly at the thirtieth session 5/ and in a statement made before the Fifth Committee on 25 September 1975 in connexion with the programme budget presentation for 1976-1977, 6/ the Secretary-General expressed his deep concern over the critical financial situation of the Organization. He stressed that the Organization deserved a more permanent solution to its financial problems and

3/ A/6289.

4/ Official Records of the General Assembly, Twenty-seventh Session, Supplement No. 29 (A/8729).

5/ Official Records of the General Assembly, Thirtieth Session, Supplement No. 1A (A/10001/Add.1).

6/ A/C.5/1685.

warned that the Organization had no reserves to fall back on, that the Working Capital Fund had been fully depleted and that repeated attempts to eliminate the accumulating deficit had so far been unsuccessful. In order to assure the Organization's future financial viability and to reinforce its ability to discharge its tasks effectively, the Secretary-General appealed to Member States to consider seriously a new approach to the financial problems, the immediate aim of which should be to ensure the prompt and full payment of assessed contributions, followed by the elimination of the accumulating deficit.

15. Noting that statement with deep concern, the General Assembly, by resolution 3538 (XXX), established a Negotiating Committee on the Financial Emergency of the United Nations, with a mandate "to bring about a comprehensive settlement of the critical financial situation of the United Nations". In its report to the Assembly at the thirty-first session in 1976, ^{7/} the Negotiating Committee stated that it was unable to reach a consensus on a solution to the financial difficulties of the Organization and, consequently, was unable to put forward recommendations for an agreed solution to the financial difficulties facing the Organization.

16. By resolution 32/104, the General Assembly took note of the report of the Negotiating Committee and asked it to submit, if necessary, a supplementary report on further developments. The General Assembly has since included an item entitled "Financial Emergency of the United Nations" in its agenda for each session.

17. As is indicated in annex I to the present report, the deficit of the Organization, projected to 31 December 1981, is estimated at \$274.8 million. Significant as this figure is - representing roughly one third of total net annual expenditures for the combined total of the regular budget and peace-keeping operations - its most alarming feature is the increase by \$36.1 million, or more than 15 per cent, over the equivalent figure last year; this increase is due principally to non-payment of assessments on peace-keeping operations.

18. Figures of this order of magnitude immediately and inevitably attract the question of how, under this burden the Organization is able financially to survive at all. The reply lies essentially in the differing nature of the liabilities of the United Nations. In respect of peace-keeping operations financed by assessed contributions, the liabilities, amounting to \$235.2 million, represent, essentially, debts to Member States which have participated in those operations - the United Nations Operations in the Congo (ONUC), UNEF (1956), UNEF (1973), United Nations Disengagement Observer Force (UNDOF), and the United Nations Interim Force in Lebanon (UNIFIL) - under agreements with the Organization which provided for reimbursement of the services rendered. As regards the Organization's current peace-keeping activities, the fact that they can remain in operation despite a serious and growing financial deficit is due entirely to the dedication and forbearance of the participating Member States on which the full burden of that deficit is falling.

^{7/} Official Records of the General Assembly, Thirty-first Session, Supplement No. 37 (A/31/37).

19. A different situation obtains in respect of the \$95.6 million deficit on the regular budget. The Secretary-General considers it to be his duty to implement fully the programme as approved by the General Assembly, without regard to withholdings announced by Member States or delays in or non-payment of assessed contributions. The shortfall in payments into the regular budget account - whether due to withholdings or delays in the payment of assessments - results in an immediate cash shortage in respect of the day-to-day cash needs of the Organization - i.e., essentially, payroll and payments to vendors. Up to the present time, and as indicated in paragraph 8 above, it has been necessary to meet this cash shortage by having recourse to the Working Capital Fund (\$40 million) and to the Special Account referred to in paragraphs 10 and 13 above (\$66 million, including interest). However, of the latter amount, \$10 million can be used only as a last resort, and after consultation with the donor. It is therefore clear that the \$95.6 million deficit on the regular budget now equals, and even surpasses, the sum total of such cash reserves as did exist. These amounts are placed in perspective by the fact that ongoing cash requirements of the Organization are now at the level of approximately \$50 million per month. And, in respect of the Special Account, it should also be noted that, unlike the Working Capital Fund, it was never intended to be used in the way it is now being used - i.e., as a supplementary source for meeting immediate cash-flow shortages - but rather as a means to solve the problem of the accumulated deficit, by wiping it out once and for all.

20. In the absence of any real reserve, the Organization must rely on the day-to-day receipt of assessed contributions. The timely payment of assessed contributions is required by financial regulation 5.4. But the delicate balance between monthly cash requirements and monthly receipt of contributions from Member States has already been upset, and the imbalance is expected to increase over the next few years. Collections of 1981 assessments are late; as of 15 October, \$205.9 million - representing a little over the cost of four months of operations - had not yet been received; withholdings and other arrears from previous years brought the figure to a total of \$293.3 million. In these circumstances, it has been possible to meet the most pressing cash commitments only by temporary borrowing from other internal accounts.

21. The outlook for the future is even bleaker. Annex V below shows the estimated difference between receipts and disbursements for the regular budget as at 30 April, 31 August and 31 December for each of the years 1981 through 1985. That difference, which in August of this year amounted to 9.3 per cent of net assessments, is expected to increase to 13 per cent in August 1982, 16.9 per cent in August 1983 and 20.9 per cent in August 1984. Since the disbursements pattern is fairly regular throughout the year, i.e., at a rate of approximately 8.3 per cent per month, the difference between receipts and disbursements represents an imbalance which, by 1983, will amount to two months' requirements of the Organization's annual budget and will near three months' requirements in 1984. The translation of these percentage terms into dollar figures will depend on the size of the budget for each of the years shown; for a net assessment of \$700 million in 1983, the imbalance in August would be some \$118 million; a net assessment of \$800 million in 1984 would result in an imbalance, also in August of that year, of some \$167 million. In assessing the impact of these shortages, it is essential to bear in mind that, as described above, all other general fund reserves, i.e., the

Working Capital Fund and the Special Account - are already virtually exhausted. There will thus be no reserve with which to meet these shortages.

22. As is clear from the above, the financial difficulties of the United Nations have assumed alarming proportions, and it is no longer possible to defer arriving at some solution to those difficulties. The problems are simply too serious and the risk of inaction too great. Bearing in mind the fact that these difficulties are rooted in the political perceptions of Member States, it is the Secretary-General's duty to show, fully and dispassionately, what the cash needs of the Organization are. To alleviate the current situation, a number of options are set out in the following paragraphs. None of them is new; all have been considered at one time or the other. No single one of them, by itself, offers a complete solution. One or several should be acted upon now, if the Organization is to be able to meet its commitments over the next few years.

(a) Prompt payment of assessed contributions

23. The prompt and full payment of assessed contributions is the first essential in alleviating the Organization's financial problems. The Financial Regulations of the United Nations adopted by the General Assembly represent the broad legislative directives established by it to govern the financial administration of the Organization. In this regard, regulation 5.4 states that "contributions and advances shall be considered as due and payable in full within thirty days of the receipt of the communication of the Secretary-General referred to in regulation 5.3 or as of the first day of the calendar year to which they relate, whichever is the later". The stricter the compliance by all Member States with this regulation, the less of an increase would be required in the level of the Working Capital Fund. The Secretary-General has, on numerous occasions, stressed to Member States the importance of ensuring prompt and full payment of assessed contributions.

24. In 1971, at the request of the Special Committee on the Financial Situation of the United Nations, the Secretary-General made an urgent appeal to Member States to settle their outstanding assessed contributions at the earliest possible date, so as to relieve the serious liquidity situation of the Organization. At the end of 1972 and following the recommendations made by the Secretary-General and by the Special Committee, the General Assembly adopted a resolution, 8/ urging all Member States to review their pattern of payments of assessed contributions to the regular budget, with a view to settling their future contributions on time. In September 1975, in his statement made before the Fifth Committee, the Secretary-General again stressed the gravity of the financial situation of the Organization and repeated his appeal for the prompt and full payment of assessed contributions by Member States. A number of representatives of Member States addressed a note to the Chairman of the Fifth Committee, indicating their full support to that appeal, 9/ and calling on the Fifth Committee to give an urgent response to the

8/ Resolution 3049 A (XXVII).

9/ A/C.5/L.1240.

Secretary-General's suggestions. They agreed with the Secretary-General that it was not commensurate with the important status of the United Nations for it to survive on a hand-to-mouth basis and that it was totally inconsistent with the dignity of the United Nations and the aspirations of its membership for the Organization to continue to operate under the shadow of bankruptcy.

25. However, as is clear from the present report, the expectations of the General Assembly have not been fulfilled; nor have the appeals of the Secretary-General been heard. Assessed contributions not only continue to be paid late, but there is a disquieting trend to pay them later each year. In this respect, consideration might be given by the General Assembly to requiring payment of interest on outstanding contributions after a set date each year, for example, 31 March.

(b) An increase in the Working Capital Fund

26. The Working Capital Fund was established in 1946 for the purpose of providing sufficient liquidity to enable the Secretary-General to advance from it such sums as might be necessary to finance budgetary appropriations, pending the receipt of contributions. It was also meant to cover commitments which might be duly authorized under the provisions of the resolutions adopted by the General Assembly to meet unforeseen or extraordinary expenses of the Organization. The establishment of the Working Capital Fund was based on a recommendation of the Preparatory Commission of the United Nations, which stated that the need for Working Capital Fund should not be limited solely to the provisional period and that "it should be large enough to cover the expenditure to be incurred in 1946, with a suitable margin". 10/ It further stated that "a Working Capital Fund should form an essential feature of the permanent financial arrangements of the Organization in order to ensure means for financing various contingencies".

27. The Working Capital Fund was initially established by the General Assembly in 1946 at a level of \$25 million. 11/ It was reduced for 1947 to \$20 million and remained at that level for a five-year period. Thereafter, with some slight fluctuations, it was gradually increased, until it again reached \$25 million in 1960. That increase was endorsed by the General Assembly after it had noted the report of the Secretary-General on the dangerous cash situation which arose during the early part of each year as a consequence of the delay in the payment of the contributions of some Member States. In 1963, the General Assembly increased the Fund to its present level of \$40 million 12/ upon the recommendation of the Secretary-General and with the concurrence of the Advisory Committee on Administrative and Budgetary Questions.

28. In 1975, in his statement to the Fifth Committee referred to in paragraphs 14 and 24 above, the Secretary-General drew the attention of members of the Fifth Committee to the fact that, since 1963, despite an estimated fourfold increase in

10/ PC/20. 23 December 1945.

11/ Resolution 14 (I) of 13 February 1946.

12/ Resolution 1863 (XVII).

the size of the expenditure budget, the Working Capital Fund had remained at the level of \$40 million, representing less than 12 per cent of the annual budget at that time. He proposed that, in order to restore the financial position of the Organization to viability, the size of the Working Capital Fund should, as an immediate measure to alleviate the chronic cash-shortage difficulties, be increased to \$80 million. However, that proposal was not approved.

29. Today, the approved level of the annual gross budget of the Organization has climbed from \$309.5 million in 1975 to \$669.5 million in 1981 - an increase of more than 100 per cent since the proposal for an increase in the level of Working Capital Fund was made in 1975, or an increase of more than 700 per cent as compared with the annual budget of 1963, the year the Working Capital Fund was increased from \$25 million to \$40 million. It should be noted that for the decade 1950-1960, the Fund was maintained at a level which represented some 36 to 45 per cent of the authorized appropriations. In 1962, this percentage had fallen to 29 per cent. The 1963 increase in the level of the Fund restored the percentage to 43 per cent, which was considered to be adequate, based on the historical pattern of payments of the assessed contributions by Member States.

30. A schedule of the annual level of the Working Capital Fund from 1946 through 1981, with the comparative levels of authorized appropriations and the respective percentages for the same period, is contained in annex VI below. It shows that the level of the Fund has now dropped to a point where it represents only 6 per cent of the authorized annual appropriation. This has made it necessary for the Secretary-General to utilize the Special Account - established for the purpose of attracting voluntary contributions from Member States, in order to eliminate the accumulated deficit - as a supplementary source from which to meet temporary cash-flow shortages - a function for which it was never intended - as is the Working Capital Fund. The contributions received, including the interest earned thereon since the inception of the Special Account, amounting to an additional \$62.5 million (after deduction of \$3.5 million advanced to the UNEF (1956) and the Congo operations), have thus been used to finance current expenditures, pending receipt of contributions. Even with this additional source of funding to meet current cash-flow requirements, the combined total available from the Working Capital Fund and the Special Account, amounting to \$102.5 million, or 15.3 per cent of the current level of expenditure, is still well below the 43 per cent deemed to be necessary by the General Assembly in 1963. Meanwhile, it should be noted that withholdings from the regular budget have reached \$95.6 million, i.e., 93.3 per cent of the combined Working Capital Fund and Special Account balances. It is recalled that, as explained in paragraph 19 above, \$10 million of this balance is subject to special conditions regarding its use.

31. In view of the foregoing, the Secretary-General considers it necessary to repeat the proposal which he made to the General Assembly in September 1975 that a substantial increase in the level of the Working Capital Fund is necessary in order to place the Organization on a sounder and more secure basis. One year ago, at the meeting of the Governing Council of the United Nations Development Programme (UNDP) in June 1980, Member States decided that UNDP should have at its disposal at all times a readily available operational reserve equal to at least 25 per cent of the estimated annual contributions or expenditures, whichever may be the higher. The

financial needs of the parent Organization, the United Nations, are no less urgent - no less real. By such a standard, having in mind the level of the United Nations regular budget, the Working Capital Fund would need to be increased to a level of between \$150 and \$200 million. This order of magnitude is not only reasonable but is required in order to meet the estimated cash shortages referred to in paragraph 21 above. The Secretary-General recognizes that it would be unrealistic to expect this level to be established immediately but considers that it should be accepted by the General Assembly as a goal to be achieved in stages over the next few years. For the biennium immediately ahead, and in order to avoid the risk of having the United Nations drift into insolvency, it will be necessary to increase the Working Capital Fund to not less than \$100 million. This will mean a net increase of \$60 million during the biennium 1982-1983.

(c) Borrowings in the open market

32. The Secretary-General was initially authorized in 1958, 13/ subject to the conditions set out in paragraph 8 of his report, 14/ to borrow, on payment of normal current rates of interest, cash from special funds and accounts in his custody, for purposes which normally relate to the Working Capital Fund, should the provision in the Working Capital Fund prove to be inadequate. That authorization has been extended from financial period to financial period in terms of the resolution approving the Working Capital Fund for the period under review. Additionally, in its resolution 1448 (XIV), the Assembly extended that authorization to cover short-term loans from Governments. By the current resolution on the Working Capital Fund, 34/232 of 20 December 1979, the Assembly authorizes the Secretary-General to utilize the proceeds of loans authorized by the General Assembly (without specific reference to the conditions set forth in resolution 1448 (XIV)) to make payments on budgetary appropriations and unforeseen and extraordinary expenses, and to finance miscellaneous self-liquidating activities or advance insurance or income tax payments.

33. The Secretary-General, however, has always held the opinion that recourse to the temporary utilization of cash in his custody from special funds and accounts should be limited to the maximum extent possible. Special funds in the Secretary-General's custody have been established for definite purposes, are contributed on a voluntary basis and provide resources for programmes which have to be implemented on schedule. It would be wholly inappropriate, in his opinion, and not in accordance with the terms of his trust, to utilize, except on a strictly temporary short-term basis, voluntary funds contributed for a specific purpose to meet expenses which have been approved as a part of the regular budget and are, therefore, a proper charge on assessed contributions and a responsibility of all Member States. Furthermore, the requirement that current rates of interest be paid would result, in the final analysis, in an additional burden to all Member States (including those which contributed to the fund in question) which would be required

13/ General Assembly resolution 1341 (XIII) of 13 December 1958.

14/ A/C.5/743 of 19 December 1958.

to pay that interest. At current levels of interest (16 per cent as of 15 October 1981), a three-month loan of \$50 million, for example, would attract interest amounting to \$2 million.

34. It is clear from the foregoing that the authority to borrow, referred to above, relates only to funds and accounts in the Secretary-General's custody and to short-term loans from Governments authorized by the General Assembly but does not extend to commercial borrowing in the open market. In this respect, the situation in the United Nations differs, for example, from that in the International Labour Organisation, the financial regulations of which provide that "should the Working Capital Fund as a whole be temporarily inadequate to finance budgetary expenditure pending receipt of contributions, the Director-General may contract loans or advances for such sums as may be necessary pending the receipt of contributions". The Secretary-General understands that this authorization for outside borrowing has been utilized by ILO on a number of occasions. For the United Nations, however, the likely amounts of any borrowing raises the questions, not only of the substantial interest payable but of availability and security.

(d) Borrowing from Member States

35. As indicated in paragraph 32 above, temporary borrowings from Member States are authorized in principle, in terms of General Assembly resolution 1448 (XIV). Therefore, such borrowings to meet the Organization's cash-flow difficulties represent another alternative that is theoretically open to consideration. The United Nations itself resorted to this means of alleviating its difficult financial situation in the 1960s through the bond issue. UNESCO also was successful, in recent years, in obtaining interest-free loans from 12 of its member States which enabled it to surmount a financial crisis extending over a number of years. In both instances, however, borrowing was resorted to to meet a financial crisis created by a special situation. The present situation is somewhat different: the difficulty arises from the steady erosion and deterioration of the Organization's financial position. While the immediate cash-flow situation could be temporarily assisted if Member States were willing to provide loans on the basis of long-term repayment, or even a repayment moratorium, the effect of such an arrangement would merely mean the deferment of the financial crisis to a later date, when the loans would eventually have to be repaid. There is no visible prospect in the foreseeable future, under existing financial conditions, of the United Nations being able to find the resources in the years ahead with which to repay any loans which Member States might be willing to advance to it at the present time.

(e) Suspension of the provisions of financial regulations 5.2 (d), 4.3 and 4.4

36. These regulations have the effect of returning to Member States the balance of appropriations which is not required to discharge obligations in respect of goods, supplies and services rendered in the financial period or to liquidate any other outstanding legal obligation of the financial period. At its plenary meeting of 8 December 1972, the General Assembly adopted resolution 2947 B, suspending the provisions of the above regulations in respect of an amount of \$3.9 million no longer required in the appropriations for 1972, and decided that the amount should be held in a suspense account, pending a further decision.

37. The General Assembly may wish to consider taking action to apply the above sum against the deficit. This would have the effect of reducing the size of the deficit on paper by the amount of \$3.9 million but would not have any material effect on the cash position of the Organization. It would be helpful, however, in alleviating the financial difficulties of the Organization in a small but important way, if the provisions of financial regulations 5.2 (d), 4.3 and 4.4 were suspended indefinitely, so as to permit the retention of future uncommitted balances of regular budget appropriations, if they exist, and the application of those balances towards the reduction of the deficit. This would be a practical and useful step which the General Assembly could take at the present time.

(f) Offset of Member States credits against unpaid assessments

38. This procedure is followed by UNESCO in respect of application of surplus credits against assessments. UNESCO links the disposal of credits resulting from unspent balances of appropriations to the status of the the collection of contributions from its member States. Thus, the amount of credit apportioned to a member State will be surrendered to such member State only if its contribution for that financial period has been paid in full. This is in accordance with the Financial Regulations of UNESCO, which provide that, at the end of the 12 months following the end of a financial period, the remaining unspent balance of the appropriations retained after deducting unpaid contributions of member States relating to that financial period will be apportioned among member States and "the amount so apportioned to a member State shall be surrendered to such a member State if its contribution for that financial period has been paid in full".

(g) Issuance of long-term bonds

39. By the terms of General Assembly resolution 1739 (XVI), the Secretary-General was authorized to issue United Nations bonds to States Members of the United Nations and members of the specialized agencies and the International Atomic Energy Agency, as well as to the official institutions of such members, and, under certain conditions, to non-profit institutions or associations, in order to enable the Organization to discharge its financial commitments and to utilize the proceeds "for purposes normally related to the Working Capital Fund, subject to such decisions as the General Assembly might thereafter adopt". Of the \$200 million authorized by resolution 1739 (XVI), bonds amounting to \$169.9 million were sold.

40. A second bond issue constitutes a further option for consideration by the Assembly. Such bonds would be issued for the purpose of obtaining necessary funds to finance regular-budget expenditures normally advanced from the Working Capital Fund, pending receipt of payments of assessed contributions, and would thus, in effect, replace the need to increase the level of Working Capital Fund. If the issuance of bonds commends itself to the General Assembly, the amount thereof should be such as to permit the financial integrity of the Organization throughout the next few years; in line with the forecast indicated in paragraph 21 above and annex V to this document, and with the proposal contained in paragraph 31, that amount might be of the order of \$110 to \$160 million. The terms and conditions governing the issuance of bonds could be similar but need not necessarily be the same as those formulated for the United Nations bonds issued in 1962. In any event

it must be recognized that a long-term bond issue, involving a lengthy schedule of interest and principle repayments, would be possible only if there were full acceptance by Member States of such items of expense as a proper part of the regular budget.

41. As earlier indicated, none of the options described in paragraphs 23 to 40 above is new; all of them have been either implemented, or at least considered by the United Nations or by a specialized agency. The option which would result in the lowest cost to Member States would be the prompt payment by every Member State, early in the year, of its assessed contributions, in accordance with financial regulation 5.4; the historical background described earlier in this document, however, does not give grounds for optimism in this regard; the repeated calls of the General Assembly and the Secretary-General's own appeals, have not met with much success. Next, in order of increase of cost to Member States, would be an increase in the amount of the Working Capital Fund or the issuance of bonds; either of these options would preserve the equity of Member States in the funds contributed. Borrowing in the open market or from member States is at best, an emergency solution, and repayment terms - including the rate of interest - might be costly. The suspension of the provisions governing the return to Member States of unobligated funds at the end of the financial period would, depending on the size of the funds in question, be of immediate and definite assistance but would constitute only a partial solution, since the amounts involved are likely to be minor in relation to the size of the cash deficit foreseen for the next few years. Finally, withholding by the Organization of credits due to Member States would also be of limited help.

42. While none of the options considered above would by itself permanently solve the financial situation of the Organization, action by the General Assembly, at its current session, on a number of them would considerably alleviate the present intolerable financial strain. In the Secretary-General's view, the first priority is to place the Organization reasonably beyond the risk of defaulting in its commitments over the immediate years. To this effect, an increase in the amount of operating capital - i.e., in the level of the Working Capital Fund - is an essential need. At the same time, the General Assembly might wish to secure increased compliance with its resolutions asking for early payments of assessed contributions by introducing a system of payment of interest such as suggested in paragraph 25 above. It might further decide to suspend indefinitely, or for a fixed period of time, the application of financial regulations 5.2 (d), 4.3 and 4.4 in order to increase liquidity in the middle of each financial period.

43. In placing these facts and considerations before the Member States, the Secretary-General wishes again to stress the need for progress on this matter at the current session of the General Assembly, since inaction might lead to the Organization's being unable, as early as 1982, to meet its day-to-day commitments.

Annex I

COMPARATIVE ANALYSIS OF THE SHORT-TERM DEFICIT OF THE UNITED NATIONS AS AT
11 DECEMBER 1981 (ESTIMATED) AND 1980
(Millions of United States dollars)

	<u>1981</u>	<u>1980</u>
1. <u>Regular budget and Working Capital Fund</u>		
a. Amounts withheld by Member States which, because of positions of principle, have not participated in the financing of certain regular budget items	79.0	71.9
b. Special account for assessed contributions unpaid pursuant to General Assembly resolution 3049 C (XXVIII)	<u>16.6</u>	<u>16.6</u>
Subtotal	<u>95.6</u>	<u>88.5</u>
2. <u>(UNEP) (1973) and UNDOF a/</u> Amounts Member States have stated are being withheld	<u>61.6</u> b/	<u>59.8</u>
3. <u>(UNIFIL) c/</u> Amounts Member States have stated are being withheld	<u>114.9</u> d/	<u>84.1</u>
4. <u>(UNEP) (1956)</u> Conditional voluntary contributions received, repayable to Governments	0.6	0.6
Obligations incurred in excess of assessed contributions, voluntary contributions and miscellaneous income available	39.6 e/f/	39.6
<u>Less:</u> Financed from the United Nations bonds	(8.1)	(8.1)
Financed from the United Nations Special Account, General Assembly resolution 2115 (XX)	<u>(3.9)</u>	<u>(3.9)</u>
Net obligations incurred in excess of available funds	<u>28.2</u>	<u>28.2</u>
5. <u>(ONUC)</u> Conditional voluntary contributions received, repayable to Governments	1.6	1.6
Obligations incurred in excess of assessed contributions, voluntary contributions and miscellaneous income available	48.0 e/g/	48.0
<u>Less:</u> Financed from the United Nations bonds	<u>(35.9)</u>	<u>(35.9)</u>
Net obligations incurred in excess of available funds	<u>13.7</u>	<u>13.7</u>
6. <u>Total gross deficit</u>	314.0	274.3
7. <u>Less:</u> Voluntary contributions and pledges to the United Nations Special Account	<u>56.0</u> h/i/	<u>52.4</u>
8. <u>Net "A" deficit</u>	258.0	221.9
9. <u>Add:</u> Amounts to be repaid or credited to Member States from surplus accounts for contributions to: UNEP (1956)	1.0	1.0
ONUC	<u>15.8</u>	<u>15.8</u>
10. <u>Net "B" deficit</u>	<u>274.8</u>	<u>238.7</u>

a/ The UNEP (1973) and UNDOF deficit shown does not take into account the amount of \$29,779,484 presently held in suspense as a result of General Assembly resolutions 33/13 E, 34/7 D and 35/45 B which suspended financial regulations 5.2 (b), 5.2 (d), 4.3 and 4.4 in respect of the above amount pending a further decision of the Assembly.

b/ Estimated cumulative withholdings from the inception of UNEP (1973) through the completion of its liquidation and from the inception of UNDOF in 1974 to 30 November 1981.

c/ The UNIFIL deficit shown does not take into account the amount of \$2,295,605 presently held in suspense as a result of General Assembly resolutions 34/9 E and 35/115 B, which suspended the provisions of financial regulations 5.2 (b), 5.2 (d), 4.3 and 4.4 in respect of the above amount until a further decision is taken by the Assembly.

d/ Estimated cumulative withholdings from the inception of UNIFIL on 19 March 1978 to 18 December 1981.

e/ The amounts shown include an allowance of \$3.3 million resulting from currency translations.

f/ The above amounts for UNEP (1956) have taken into consideration the claims received from Governments but not yet accepted by the United Nations and estimates for provisions in respect of reimbursable costs for which no claims have yet been received from Governments.

g/ Provision has been made in the above table for reimbursable costs for which claims have been received but not accepted and for the estimated claims for services supplied by Governments to ONUC.

h/ Excludes \$10 million received for the purposes of General Assembly resolution 3049 A (XXVII) which was contributed with the expectation of inducing other Member States to make voluntary contributions of sufficient amount to arrive at a total solution of the financial problems of the Organization.

i/ Includes \$0.1 million pledged by a Member State for which payment has not yet been received.

Annex II

UNITED NATIONS SHORT-TERM DEFICIT

(Millions of United States dollars)

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Opening balance, short-term deficit	<u>98.3</u>	<u>103.1</u>	<u>120.9</u>	<u>129.5</u>	<u>168.1</u>	<u>210.4</u>	<u>238.7</u>
<u>Add:</u> Withholdings of Member States							
Regular budget	3.8	1.3	7.5	5.3	3.2	5.7	7.1
UNEF/UNDOF	3.8	18.8	5.3	10.8	9.5	3.9	1.8
UNIFIL	-	-	-	27.4	30.4	26.3	30.8
Adjustments							
UNEF (1956)	(2.1)	-	(.5)	-	2.1	(1.0)	-
ONUC	(.3)	-	(.1)	-	(.3)	-	-
Surplus account repayments	.6	-	-	-	(.2)	.3	-
<u>Less:</u> Contributions to and interest on Special Account	<u>(1.0)</u>	<u>(2.3)</u>	<u>(3.6)</u>	<u>(4.9)</u>	<u>(2.4)</u>	<u>(6.9)</u>	<u>(3.6)</u>
Net increment	<u>4.8</u>	<u>17.8</u>	<u>8.6</u>	<u>38.6</u>	<u>42.3</u>	<u>28.3</u>	<u>36.1</u>
Closing balance, short-term deficit	<u>103.1</u>	<u>120.9</u>	<u>129.5</u>	<u>168.1</u>	<u>210.4</u>	<u>238.7</u>	<u>274.8</u>

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Annex III

A. ESTIMATED WITHHOLDING BY MEMBER STATES FROM THE
 REGULAR BUDGET OF THE UNITED NATIONS PROJECTED
 TO 31 DECEMBER 1981

(Thousands of United States dollars)

	<u>Bond issue</u>	<u>Regular programme of technical assistance</u>	<u>Other budget items</u>	<u>Total</u>
Albania	46.1	-	38.7	84.8
Bulgaria	259.3	229.0	49.0	537.3
Byelorussian Soviet Socialist Republic	747.1	758.0	152.0	1 657.1
China	3 849.4	-	114.2	3 963.6
Cuba	28.0	-	9.8	37.8
Czechoslovakia	1 471.1	-	216.9	1 688.0
Democratic Kampuchea	-	-	70.6	70.6
France	4 367.6	-	-	4 367.6
German Democratic Republic	926.5	1 176.4	147.8	2 250.7
Hungary	691.0	-	249.1	940.1
India	-	-	47.5	47.5
Mongolia	46.1	-	7.2	53.3
Poland	2 166.0	-	284.0	2 450.0
Portugal	261.4	-	3.7	265.1
Romania	491.5	-	376.2	867.7
South Africa	778.3	-	13 401.0	14 179.3
Ukrainian Soviet Socialist Republic	2 808.0	1 805.7	571.5	5 185.2
Union of Soviet Socialist Socialist Republics	21 277.6	14 437.8	4 331.1	40 046.5
United States of America	-	-	383.5	383.5
Total	<u>40 215.0</u>	<u>18 406.9</u>	<u>20 453.8</u>	<u>79 075.7</u>

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B. ESTIMATED WITHHOLDING BY CERTAIN MEMBER STATES WHICH THEY HAVE STATED TO BE FOR REASONS OF PRINCIPLE: UNITED NATIONS EMERGENCY FORCE (UNEF) AND UNITED NATIONS DISENGAGEMENT OBSERVER FORCE (UNDOF) AND UNITED NATIONS INTERIM FORCE IN LEBANON (UNIFIL)

(Thousands of United States dollars)

	<u>UNEF/UNDOF a/</u>	<u>UNIFIL b/</u>
Albania	19.6	9.7
Algeria	-	108.6
Benin	9.6	4.6
Bulgaria	27.5	147.9
Byelorussian Soviet Socialist Republic	558.1	1 954.3
China	35 935.8	19 455.1
Cuba	-	107.6
Czechoslovakia	397.7	4 087.0
Democratic Kampuchea	19.6	-
Democratic Yemen	4.3	4.6
German Democratic Republic	1 223.7	6 674.6
Hungary	-	323.1
Iraq	84.4	99.9
Lao People's Democratic Republic	-	4.6
Libyan Arab Jamahiriya	173.9	194.2
Mongolia	8.1	9.7
Poland	-	6 405.0
South Africa	2 587.5	2 056.9
Syrian Arab Republic	25.2	24.9
Ukrainian Soviet Socialist Republic	2 084.4	7 305.3
Union of Soviet Socialist Republics	18 447.2	65 852.4
Viet Nam	8.8	29.3
Yemen	9.2	-
Total	<u>61 624.6</u>	<u>114 859.3</u>

a/ Estimated cumulative withholdings from inception of UNEF (1973) through the completion of its liquidation and from the inception of UNDOF in 1974 to 30 November 1981.

b/ Estimated cumulative withholdings from inception of UNIFIL on 19 March 1978 to 18 December 1981.

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Annex IV

UNITED NATIONS SPECIAL ACCOUNT

VOLUNTARY CONTRIBUTIONS AS AT 31 DECEMBER 1981 (ESTIMATED) AND 1980
 (United States dollars)

	Received pursuant to resolution <u>2053 A (XX)</u>	Received pursuant to resolution <u>3049 A (XXVII)</u>	1981 <u>Total</u>	1980 <u>Total</u>
Member States voluntary contributions:				
Canada	3 871 769	-	3 871 769	3 871 769
Denmark	987 766	-	987 766	987 766
Egypt	50 000	-	50 000	50 000
Finland	507 865	-	507 865	507 865
France	3 900 000	-	3 900 000	3 900 000
Ghana	20 000	-	20 000	20 000
Greece	50 000	-	50 000	50 000
Iceland	80 000	-	80 000	80 000
Italy	1 499 755	-	1 499 755	1 499 755
Jamaica	10 000	-	10 000	10 000
Japan	2 500 000	10 000 000 a/	12 500 000	12 500 000
Kuwait	250 000	-	250 000	250 000
Liberia	8 000	-	8 000	8 000
Mali	4 990	-	4 990	4 990
Malta	9 000	-	9 000	9 000
Nigeria	20 000	-	20 000	20 000
Norway	678 136	-	678 136	678 136
Saudi Arabia	-	250 000	250 000	250 000
Sudan	100 000	-	100 000 b/	100 000 b/
Sweden	2 000 000	-	2 000 000	2 000 000
Tunisia	5 000	-	5 000	5 000
Uganda	19 000	-	19 000	19 000
United Arab Emirates	-	1 000 000	1 000 000	1 000 000
United Kingdom of Great Britain and Northern Ireland	9 527 943	-	9 527 943	9 527 943
Yugoslavia	100 000	-	100 000	100 000
Zaire	100 000	-	100 000	100 000
Zambia	14 000	-	14 000	14 000
Amount received pursuant to General Assembly resolutions 2053 A (XX) and 3049 A (XXVII)	<u>26 313 224</u>	<u>11 250 000</u>	<u>37 563 224</u>	<u>37 563 224</u>
Less: Contributions received from Japan pursuant to resolution 3049 A (XXVII) a/ Amount appropriated for UNEF pursuant to resolution 2115, section II (XX)		10 000 000 <u>3 911 000</u>	<u>13 911 000</u>	<u>13 911 000</u>
Total			<u>23 652 224</u>	<u>23 652 224</u>
Add: Interest earned, public contributions and other income			<u>32 350 329 c/</u>	<u>28 786 036 c/</u>
Balance of United Nations Special Account applied to the short-term deficit (see annex I, item 7)			<u>56 002 553</u>	<u>52 438 260</u>

a/ This \$10 million was received for the purposes of General Assembly resolution 3049 A (XXVII) which was contributed with the expectation of inducing other Member States to make voluntary contributions.

b/ Represents pledges made in 1965 still outstanding.

c/ Excludes interest earned with effect from 1978 in respect of the \$10 million Japanese contribution received pursuant to General Assembly resolution 3049 A (XXVII). However, included in this figure is interest earned on investments being retained herein pending a final disposition at the end of the biennium. The total of \$32,350,329 interest at 31 December 1981 is estimated.

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Annex V

UNITED NATIONS REGULAR BUDGET

RELATIONSHIP BETWEEN RECEIPT OF CONTRIBUTIONS AND CASH DISBURSEMENTS a/

	Percentage (annual net assessments = 100)		Difference
	1	2	(1-2)
	<u>Estimated receipt of assessed contributions</u>	<u>Estimated net disbursements</u>	
<u>1981</u>			
30 April	33.6	33.4	(21.1)
31 August	56.5	65.8	(9.3)
31 December	98.6	100.0	(1.4)
<u>1982</u>			
30 April	29.9	33.4	(3.5)
31 August	52.8	65.8	(13.0)
31 December	98.6	100.0	(1.4)
<u>1983</u>			
30 April	26.0	33.4	(7.4)
31 August	48.9	65.8	(16.9)
31 December	98.6	100.0	(1.4)
<u>1984</u>			
30 April	22.0	33.4	(11.4)
31 August	44.9	65.8	(20.9)
31 December	98.6	100.0	(1.4)
<u>1985</u>			
30 April	21.8	33.4	(11.6)
31 August	44.7	65.8	(21.1)
31 December	98.6	100.0	(1.4)

a/ April and August 1981 figures are actual; other figures receipt of contributions are based on the 1981 collection pattern and on available information regarding payment schedules for these years. Disbursement figures assume the continuation of the 1981 pattern.

Annex VI
 WORKING CAPITAL FUND
 (United States dollars)

<u>Year</u>	<u>General Assembly resolution</u>	<u>Working Capital Fund</u>	<u>Authorized appropriations a/</u>	<u>Percentage</u>
1946	A/64 XII 14 (I)	25 000 000	19 390 000	128.9
1947	Resolution 68 (I)	20 000 000	28 616 568	69.9
1954	Resolution 788 (VIII)	21 500 000	48 528 980	44.3
1956	Resolution 981 (X)	20 000 000	50 683 350	39.5
1957	Resolution 1085 (XI)	22 000 000	53 174 700	41.4
1959	Resolution 1341 (XIII)	23 500 000	61 657 100	38.1
1960	Resolution 1445 (XIV)	25 000 000	65 734 900	38.0
1963	Resolution 1863 (XVII)	40 000 000	92 876 550	43.1
1981	Resolution 34/232	40 000 000	669 575 600	6.0

a/ The amounts shown are the revised appropriations as approved by the General Assembly.
