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FINANCIAL EMERGENCY OF THE UNITED NATIONS

Note by the Secretary-General

The Secretary-General transmits herewith the text of a statement adopted by the Administrative Committee on Co-ordination (ACC) on problems of cash flow and liquidity in the organizations of the United Nations system.

Statement adopted by the Administrative Committee on Co-ordination

1. For a number of years, shortages of resources to finance approved programme activities have been a subject of growing preoccupation in the organizations of the United Nations system. This problem has stemmed, first, from incomplete payments contributions by some of the States members of the organizations and, second, from delays in the payment of contributions.
2. Instead of improving, the situation has become more serious in a number of organizations. In these circumstances, the executive heads of the organizations, meeting in the Administrative Committee on Co-ordination (ACC), have examined the financial position of the organizations as a whole and are recording their concern in the present collective statement.
3. For organizations which have assessed budgets, the situation can be seen from the figures below, which have been taken at mid-year for the five years from 1978 to 1982.
4. The published accounts of 5 out of the 12 organizations (the United Nations, ILO, WHO, ICAO and WIPO) showed a deficit at the close of their last completed financial period. In the United Nations, the shortfall of current income during the financial period which ended on 31 December 1981 contributed to a short-term deficit of some \$274 million, of which over \$94 million had arisen under the assessed budget, mostly as a result of incomplete payments.

Table 1. Payment of assessed contributions at mid-year, 1978-1982

Organization	Percentage of total annual contributions paid at 30 June				
	1978	1979	1980	1981	1982
United Nations	56.86	38.36	54.15	42.14	29.40
International Labour Organisation (ILO)	76.68	68.29	60.16	38.06	41.21
Food and Agriculture Organization of the United Nations (FAO)	57.69	46.64	61.23	40.08	32.69
United Nations Educational, Scientific and Cultural Organization (UNESCO)	33.24	29.78	57.47	37.40	31.45
World Health Organization (WHO)	57.29	43.32	51.32	45.40	41.12
International Civil Aviation Organization (ICAO)	60.91	49.26	62.77	49.48	51.70
World Meteorological Organization (WMO)	60.26	51.93	61.93	62.07	56.62
International Maritime Organization (IMO)	59.27	58.08	64.03	49.78	53.54
World Intellectual Property Organization (WIPO)	44.25	68.51	55.60	66.75	58.74
International Atomic Energy Agency (IAEA)	48.71	36.82	52.16	45.52	42.20
Universal Postal Union (UPU) a/	52.39	44.06	n.a.	b/ 93.72	93.10
International Telecommunication Union (ITU) a/	92.22	86.23	92.77	94.40	91.33

a/ The position of UPU and ITU is different from that of the other organizations. Since its inception, ITU has levied interest on contributions which remained unpaid at the beginning of the financial year. A similar system was introduced by UPU in 1981.

b/ Contributions for 1980 are payable in instalments over the period from 1986 to 1990.

5. There is now the prospect of an even more serious disturbance in the organizations' cash position. A particularly important element in the outlook is the intention announced by the major contributor to most of the Organizations to postpone the payment of its assessed contributions, as a matter of deliberate legislative policy, until the last quarter of each calendar year. There is also a tendency among a growing number of other Governments to delay their payments. While some major contributors have maintained a consistent record of prompt payment throughout the system, other major contributors have begun to remit their contributions at later dates in several organizations. The table below illustrates these developments. It shows, by country, the percentage of the current year's assessed contributions of large contributors which remained unpaid throughout the system at 30 June in the five years from 1978 to 1982. The contributors concerned are the 15 countries assessed at the highest rates in the scale of assessments of the United Nations in 1982. They accounted for some 83 per cent of total assessments in the United Nations in that year.

6. Having set out these facts, ACC wishes to turn to the question of principle involved. The payment of assessed contributions is an obligation which the organizations' member States have assumed by international treaty. The Charter of the United Nations, for example, provides, in Article 17, paragraph 2, that "the expenses of the Organization shall be borne by the Members as apportioned by the General Assembly". The organizations' financial regulations fix a deadline for the payment of assessed contributions. In most organizations they are due and payable in full within 30 days of receipt of notification from the executive head, or on the first day of the financial period to which they relate, whichever is later. The acceptance of all such provisions is an essential aspect of membership in the organizations, and the obligations resulting from membership are legally binding.

7. It is, therefore, incumbent on each member State to settle its financial commitments to the organizations in full, and to settle them on time. National fiscal years do not always coincide with the financial periods of the organizations, but this is a problem which, as some member States have demonstrated, can be overcome by timely budgeting.

8. ACC considers that it would be inconsistent with the commitment of member States to the purposes and aims of the organizations for national treasuries to delay payments of assessed contributions on the basis of domestic policies. Such delays, which may reflect considerations of national budget policy, of interest charges to be saved on governmental borrowings, or of interest earnings to be gained on governmental credit balances, result in an unfair burden on those member States which continue to meet their obligations promptly and in full.

9. When the organizations' current income is not sufficient to cover their current expenditures, they have to finance the difference by the means at their disposal. This involves drawing on available credit balances in the first instance and, after the exhaustion of such balances, borrowing. The costs involved, in the form of funds diverted from their original purpose, of interest earnings forgone, or of interest charges incurred, are a burden on all member States in the long run, whatever their individual record in paying their assessed contributions.

Table 2. Unpaid assessed contributions of large contributors to the organizations of the United Nations system at mid-year, 1978-1982 a/

Contributors	Percentage of annual contributions unpaid at 30 June				
	1978	1979	1980	1981	1982
Australia	39.92	38.97	41.41	46.35	49.99
Canada	1.42	0.66	1.11	0.31	0
China	92.26	79.23	81.38	55.48	58.96
France	10.50	12.27	7.11	93.72	16.01
German Democratic Republic	63.46	29.05	74.49	69.92	77.37
Germany, Federal Republic of	14.90	25.32	39.50	50.67	58.24
Italy	70.17	17.07	17.70	34.24	36.64
Japan	5.60	34.82	6.00	74.13	67.21
Netherlands	0	0	0.05	0.86	0
Spain	47.70	55.05	43.74	55.31	90.33
Sweden	12.42	17.28	16.97	18.68	16.43
Ukrainian SSR	76.54	96.49	84.64	81.39	85.56
USSR	84.91	95.04	84.12	81.13	84.58
United Kingdom	24.41	17.32	11.28	18.65	18.34
United States	49.31	96.75	54.96	57.60	98.85

a/ Contributions of the 15 member States assessed at the highest rates in the scale of assessments of the United Nations in 1982. The figures cover all organizations of the United Nations system which have assessed budgets.

10. When member States approve the organizations' budgets in their governing bodies, they authorize the executive heads of the organizations to incur expenditures and to make payments for the purposes and up to the full amounts approved. It is an obligation of the executive heads to ensure that the programmes provided for in the budgets are actually delivered. They are not in a position to defer or cut approved programmes to take account of delays or shortfalls in the receipt of assessed resources.

11. For organizations and funds which are financed by voluntary contributions, the increasing difficulties with the predictability of pledges, their late announcement and the gap between the time of pledging and the time of actual payments lead to a climate of uncertainty, which in turn hampers effective planning, programming and assured delivery. Thus, the overall efficient functioning of such organizations and funds is seriously affected. For instance, the experience of the United Nations Development Programme, which is by far the largest recipient of the voluntary governmental contributions in cash, parallels that of organizations financed by assessed contributions. As is illustrated by the figures below relating to the five major recipients of such contributions, the collection of governmental contributions announced by mid-year has also been less than satisfactory in the last five years.

Table 3. Payment of voluntary contributions at mid-year, 1978-1982

Organization	Percentage of annual pledges paid at 30 June				
	1978	1979	1980	1981	1982
United Nations Environment Programme	73.8	50.4	55.6	48.2	55.9
United Nations Children's Fund	32.8	62.0	38.7	27.1	42.1
United Nations Development Programme	59.0	50.2	29.0	30.7	36.3
United Nations Relief and Works Agency for Palestine Refugees in the Near East	39.4	36.2	53.5	46.9	53.8
United Nations Fund for Population Activities	24.5	24.0	21.3	44.4	46.1

12. In respect of these organizations and funds, the implications of delayed or incomplete payments of pledged contributions are no less serious than under-assessed budgets. The operational effects are particularly severe, in that the organizations and funds concerned have no borrowing authority and must finance most of their current operations out of current receipts of pledges. Where cash availabilities are insufficient or uncertain, postponements, reductions or cancellations of programme deliveries have to follow sooner or later. The ultimate victims of this situation are the beneficiaries of the programmes.

13. ACC is convinced that full and timely payment of both assessed and voluntary contributions is essential for the continued operation of the organizations of the system. Failure to abide by these obligations adversely affects sound financial management and involves additional cost. It accordingly draws the earnest attention of the organizations' member States to the problem and appeals to them to take all necessary steps to pay their assessed and voluntary contributions in the full amount and on time, in a consistent manner.