



Thirteenth session

BUDGET ESTIMATES FOR THE FINANCIAL YEAR 1959

The Working Capital FundReport of the Secretary-General

1. In the report on the accounts for the financial year 1957 and in the foreword to the budget estimates for 1959, the Secretary-General expressed concern at the dangerously low cash position of the Organization which occurs particularly during the second quarter of the year.
2. This problem was also the subject of a report^{1/} in 1956 to the General Assembly in which the Secretary-General pointed out that in order to prevent a situation in which the Organization could not meet its financial obligations, there were the possibilities of (a) increasing the amount of the Working Capital Fund through direct cash advances from Member States; and (b) obtaining payment of arrear contributions and securing payment of current assessments earlier in the financial year. Given the experience on the payment of contributions, the Secretary-General recommended that the level of the Working Capital Fund be increased from \$20 million to \$25 million. The General Assembly approved an increase of the Fund to \$22 million. In the course of discussion in the Fifth Committee the need for prompt payment of contributions was particularly stressed.
3. During the period since 1956:
 - (a) there has been no improvement in the pattern of payment of contributions;
 - (b) the amount of arrears in contributions has increased;
 - (c) the level of the budgetary requirements of the Organization has increased.

^{1/} Official Records of the General Assembly, Eleventh Session, Annexes, Agenda item 43, document A/C.5/685.

Further, the experience of the past two years has underlined the necessity for the United Nations to be in a position to carry out unforeseen tasks of importance and urgency which require substantial financial resources.

4. Factors which govern the cash position of the Organization are given in the annex to this report as well as a statement of the cash balances on hand at specific dates. On the basis of these factors and taking into account, on the one hand, the level of anticipated supplementary expenses in 1958 not yet assessed, and arrears in contributions, and, on the other, prior budgetary surpluses and unliquidated obligations, the cash balance on hand at 31 December 1958 may be some \$11 million. On 31 December 1957, the cash resources on hand in the General Account and the Working Capital Fund were \$15 million, and on 30 June 1958, \$4.6 million. Assuming the same pattern of receipt of contributions and expenditures in 1959, the position could arise during the second quarter of the year when cash resources to finance current expenditures would be virtually depleted. Any need for advancing funds to the Special Account for UNEF would increase the difficulties since no such requirements are reflected in the above forecast of the position at 31 December 1958.

5. Accordingly, the Secretary-General believes that, while present trends and recent experience indicate the need for an increase in the level of the Working Capital Fund, a serious attempt should also be made by Members to alleviate the situation by other means. He will continue his efforts to obtain earlier payment of contributions as well as the liquidation of arrears relating to prior years. The General Assembly may wish to reinforce these efforts by appropriate measures. But it would not be realistic to rely on this course alone; other means of safeguarding the cash position of the Organization should be adopted.

6. In 1956, the Secretary-General stated "the Fund should be of sufficient amount to ensure that at no time during the financial year will the available resources in the Fund fall below the amount required to meet the normal expenditure for one month, plus a reserve of not less than \$1 million for purposes relating to peace and security" (A/C.5/685). The nature and scope of the activities of the Organization in the maintenance of peace and security have significantly expanded since that time so that the \$1 million reserve suggested in 1956 must now be considered inadequate. In order to provide \$4.5 million for the average

budgetary disbursements for one month and an adequate margin for unforeseen and extraordinary expenses the Secretary-General believes that there is a demonstrated need for a Working Capital Fund at a level of some \$30 million.

7. An increase in the Fund from its present level of \$22 million to \$30 million might be affected in one of the following ways:

- (a) Direct additional advances to the Working Capital Fund of \$4 million to be fully paid by Members in cash in each of the years 1959 and 1960;
- (b) Transfers to the Working Capital Fund of the balance on surplus account for 1957 and 1958 together with direct additional cash advances to provide the amounts indicated in (a) above. The balance on surplus account for 1957 available for application against 1959 assessments in \$551,170;
- (c) Assessment of members' contributions for 1959 and 1960 on a "gross" basis - balances on surplus account and miscellaneous income received being transferred to the Working Capital Fund and credited to Members in accordance with the scale of contributions approved for those years, sufficient in amount to bring the Fund up to a level of \$30 million.

The Secretary-General would report developments to the fourteenth session of the General Assembly. In the light of the situation then prevailing, the Assembly would have the opportunity of either confirming or modifying its decision on the matter.

8. A decision by the General Assembly to increase the level of the Fund as proposed cannot in itself be expected to yield cash resources sufficient to avoid difficulties in the first half of 1959. Accordingly, the Secretary-General believes it would be prudent that he should be authorized in the event of urgent need during that period, to have recourse to the use of cash in Special Funds and Accounts in the custody of the Secretary-General. Authority of this nature has been given in respect of the financial arrangement for the United Nations Emergency Force (General Assembly resolution 1090 (XI), paragraph 3(b)), and the Secretary-General is prepared to give the same assurances that preceded the granting of it:

- (a) that special accounts would be drawn on only as a last resort;
- (b) that such funds would be used only if they were not immediately required for the normal programmes for which they were designed and without prejudice to those programmes; and

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(c) that repayment of any such advances would be a first charge on contributions received.

9. Proposals on the above lines are made in order to safeguard the cash position of the Organization. There is need for this to be done and the need is urgent. The Secretary-General has consulted the Advisory Committee both on the problem as a whole and the proposals made above aimed at its solution. He understands that the Committee will report separately on these matters to the General Assembly.

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ANNEX

Factors bearing on the cash position of the United Nations

1. Pattern of payment of contributions

There has been no basic improvement in the pattern of payment of contributions over the past few years. The following table shows, at specified dates, the cash receipts from Members against current year assessments as a percentage of net^{1/} contributions due.

	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>
	%	%	%	%
31 March	6.41	5.83	5.51	6.54
30 April	13.27	7.73	10.81	12.30
31 May	16.61	12.92	15.23	15.19
30 June	28.55	19.61	18.36	21.69
30 September	74.97	76.22	66.09	
31 December	90.31	88.89	85.83	

2. Arrears in contributions

The total amount of contributions outstanding at the end of the financial year has risen over the past few years. The outstanding balance at the end of a year constitutes an automatic reduction in the cash available in the Working Capital Fund for the next year.

	Unpaid contributions		
	<u>Current</u>	<u>Prior</u>	<u>Total</u>
	<u>year</u>	<u>years</u>	
	\$	\$	\$
	(amounts in millions)		
31 December 1955	3.7	2.4	6.1
31 December 1956	4.9	2.2	7.1
31 December 1957	6.1	2.7	8.8

The outstanding balances at the end of 1957 may be higher than would otherwise have been the case in that a portion relates to contributions of certain Members admitted in 1955 but first assessed in 1957.

^{1/} Contributions due after distribution of credits at time of assessment.

3. Cash and investments in the General Fund and the Working Capital Fund^{2/}

The following table shows, at specified dates, the cash balances of the Organization available for regular budgetary purposes.

	Amounts in millions			
	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>
	\$	\$	\$	\$
31 March	11.9	7.7	8.7	7.7
30 April	11.3	4.6	7.4	6.7
31 May	9.2	4.2	7.1	5.5
30 June	11.1	4.9	5.7	4.6
30 September	19.0	17.8	16.0	-
31 December	16.0	16.9	15.0	-

Despite a \$2 million increase in the level of the Working Capital Fund, the cash balances on 30 June 1958 were lower than those at the same date in 1956.

4. Budgetary disbursements

The following table shows the disbursements to the end of each month specified as a percentage of the year's total budgetary disbursements. The pattern of disbursement remains fairly constant.

	<u>1955</u>	<u>1956</u>	<u>1957</u>
	%	%	%
31 March	22.03	22.61	23.52
30 April	31.95	32.80	31.10
31 May	39.47	40.88	39.28
30 June	47.00	48.23	46.41
30 September	<u>73.41</u>	<u>74.88</u>	<u>74.39</u>
Total of annual budgetary disbursements (\$US millions)	\$49.8	\$51.6	\$53.6

^{2/} Approved level of the Working Capital Fund: 1955, \$21.5 million; 1956, \$20 million; 1957-1958, \$22 million.

5. Contributions due and received as at 31 August 1958

(Excluding the 1956 and 1957 assessments for newly admitted Member States)

	<u>Total amount assessed</u>	<u>Amount received (including credits)</u>	<u>Balance due</u>
	(Figures in US dollars)		
Working Capital Fund	\$22,000,000	\$21,925,600	\$ 74,400
1955 Contributions	39,640,000	39,624,078	15,922
1956 Contributions	48,330,000	47,854,159	475,841
1957 Contributions	49,088,050	44,926,560	4,161,490
1958 Contributions	<u>51,500,000</u>	<u>34,129,180</u>	<u>17,370,820</u>
UNEF assessments 1957	15,028,988	9,899,468	5,129,520
UNEF assessments 1958	25,000,000	10,476,624	14,523,376
