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MEETING**

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**Chairman: Sir Claude COREA (Ceylon).**

**AGENDA ITEM 44**

**Budget estimates for the financial year 1959 (A/3825  
and Corr.1, A/3860, A/3939, A/C.5/743, A/C.5/748,  
A/C.5/749) (continued)**

**Working Capital Fund (A/3939, A/C.5/743, A/C.5/  
L.521) (continued)**

1. Mr. AGHNIDES (Chairman of the Advisory Committee on Administrative and Budgetary Questions), replying to a question asked at the previous meeting by the representative of Japan, explained that, according to the recommendation of the Advisory Committee on Administrative and Budgetary Questions, the Working Capital Fund would be increased by \$1.5 million in 1959 and by a further \$1.5 million in 1960, that sum to be made up on each occasion by the transfer of the balance on surplus account still available for credit to Member States and by direct additional cash advances. In regard to the question of determining the amount of the Working Capital Fund for 1959 only, leaving the matter pending for 1960, the Committee was free to do so under financial regulation 6.2.

2. Mr. MAJOLI (Italy) referred to the divergent views expressed in connexion with the Working Capital Fund by the Advisory Committee (A/3939), the Secretary-General (A/C.5/743) and a number of delegations. He could not understand how delegations could oppose any increase in the Working Capital Fund, for if the Organization was to continue to run smoothly it must be given the means to do so. Since the budget of the Organization and the number of Members had increased, it was only natural that the amount of the Fund should be raised. From time to time the Secretary-General found himself in financial difficulties, apparently because certain Member States paid their contributions late and national budgets did not always coincide in their timing, and the difficulties reflected on Member States. The solution was to be realistic and to agree to a reasonable increase in the Working Capital Fund. He recalled what he had said in that connexion at the 662nd meeting of the Committee and suggested that, in order to arrive promptly at a satisfactory solution, it might be best to adopt a formula midway between the proposal of the Advisory Committee and the proposals to reduce its suggested figure still further.

3. He read out a draft resolution (A/C.5/L.521) which he was submitting to the Committee for consideration.

It was just a suggestion, subject to any amendments which the Committee might wish to make to it.

4. Mr. VENKATARAMAN (India) said that he had already made his position clear during the general discussion. The Indian delegation considered that the only sound method of solving the problem once and for all was not to increase the Working Capital Fund--that would be treating only the symptoms--but to induce Member States to pay their contributions regularly and promptly. The Advisory Committee said as much in paragraph 8 of its report, in which it also said that increasing the Fund represented an immobilization of funds, which was clearly not in the interests of Member States, to meet what was essentially a seasonal problem. It would also tend to aggravate the situation by encouraging countries to pay their contributions late. The Working Capital Fund had already been increased in 1957 but the Organization's expenses had increased in a disproportionate degree, and the pressure on resources had been intensified as never before, because Member States had had increasing difficulty in complying with their ever-growing financial obligations. The pattern of payment of contributions had not improved and the amount of arrears in contributions had increased.

5. The Advisory Committee rightly emphasized in paragraph 3 of its report that the most difficult period came during three months of the year and that "during a large part of the rest of the year, a much lower level of the Fund would suffice to meet requirements". That was a good reason for maintaining the *status quo* and trying to see that a larger proportion of contributions was paid during the first part of the year. The effort would have to be made by the countries which paid the largest contributions because the less advanced countries were already very heavily burdened. They had launched development programmes which were immobilizing their resources, and they had great difficulty in procuring foreign currency. The Indian delegation proposed that the question of increasing the Fund should be referred to the next session of the General Assembly and that in the meantime other means of remedying the situation should be sought.

6. Mr. TURNER (Controller) said that the question of the Working Capital Fund was one of the most serious and important questions facing the General Assembly. It was the Secretary-General's duty to present the facts as he saw them; beyond that, responsibility for taking appropriate action in the light of the facts was one which fell squarely on Member States if the financial integrity of the Organization was to be adequately safeguarded.

7. The situation was simple. Assuming that the Working Capital Fund was \$22 million at the beginning of 1959, if the arrears in contributions (say \$7.5 million--an optimistic figure, since the corresponding amount was \$8.8 million at 31 December 1957) and

the amount of 1958 supplementary expenses not yet assessed (\$6.2 million) were deducted, and if the surplus in the current account at the beginning of the year (\$0.5 million), and the estimated amount of unliquidated obligations (\$2 million) were added, cash reserves at the beginning of 1959 would be about \$10-\$11 million. Assuming further that receipt of contributions and normal budgetary disbursements followed the same pattern as in past years, available cash reserves in the General Fund and the Working Capital Fund would be reduced by the end of the first quarter to about \$1 million. By 30 April, the reserves would be virtually exhausted; a \$2.5 million deficit must be expected by 31 May and a \$3-\$4 million deficit by 30 June. Obviously the Secretary-General could not remain passive in the face of such a prospect.

8. Many delegations had said that the only solution would be for Member States—and more particularly those which paid the highest contributions—to pay during the first part of the year. That was true, and if it were done the Secretary-General might even be able to recommend a reduction in the Working Capital Fund, but no delegation had given an assurance that its Government would in fact be able to pay its contribution any earlier than in previous years. In the circumstances, the Secretary-General was entitled to ask what he was expected to do if the situation became as critical as he believed it would become during the first or second quarter of 1959.

9. The Advisory Committee had given a clear picture of the various factors which entered into a determination of the required level of the Working Capital Fund. In the first place, there was the magnitude of budgetary expenditures that had to be incurred before sufficient contributions were received. Experience indicated, however, that the size of the budget was not in itself a decisive factor; it became important only in conjunction with other factors. It was not without relevance, for example, that twelve years before, the Committee had rejected by a margin of six votes a proposal to increase the Working Capital Fund to \$25 million at a time when the total budget had been less than \$28 million. Secondly, there was the pattern of payment of contributions. To take the year 1957 as an example, the seventeen countries whose assessments were 1 per cent or more paid over 86 per cent of the budget, the remaining 13 per cent being shared among the other sixty-four Member States. Of the total of \$34 million (exclusive of payments in non-dollar currencies) due from the seventeen States in question \$1.7 million had been paid in by three States by the end of March and \$3.9 million by seven States by the end of June. The number of Governments which had paid the whole of their contributions was zero for the first quarter, three for the second, four for the third and three for the fourth. Seven of those countries had been in arrears in the payment of their contributions at the end of the year. The situation had been much the same in 1958: by the end of March, three payments only had been received, amounting respectively to 100 per cent, 50 per cent and 25 per cent of the amounts due in dollars; by the end of June six such payments had been made, representing between 50 per cent and 100 per cent of the amounts due. A third factor to be taken into consideration was the amount of unforeseen and extraordinary expenditure to be covered by the Working Capital Fund. Such expenditure had reached a record figure in 1958

as a result of the General Assembly's decisions in regard to events in the Middle East.

10. The Secretary-General was pleased to see that the Advisory Committee shared his view about the facts of the situation; he was at a loss to understand, however, how it could have arrived at such different conclusions.

11. The Advisory Committee in its report, and a number of representatives at the previous meeting, had pointed out that despite the difficult financial situation of the United Nations Emergency Force (UNEF), the Secretary-General had not found it necessary to draw on any of the other Special Funds or Accounts in his custody. That was so only because of the generous voluntary contributions made by two Member States and because several million dollars of claims remained to be paid. Such a situation could not go on indefinitely. Furthermore, since initial advances from the Working Capital Fund to the UNEF Special Account had long since been repaid, the Secretary-General's proposal for an increase in the size of the Working Capital Fund was entirely independent of the financial situation of the Emergency Force.

12. Again, the Advisory Committee had pointed out that the Organization's financial position had been preserved through two of the most difficult years, with a Working Capital Fund of \$22 million. That was true, but he could give the Committee no assurance that the same would hold good for the years to come.

13. Finally, the Advisory Committee stated that the greater the financial burden on Member States the slower the payment of contributions was likely to be; and that in turn would mean increasing the size of the Working Capital Fund. So long as the Secretary-General was uncertain that the pattern of payment of contributions would improve (the representative of the United States had indicated that his Government was studying the possibility of paying a part of its contribution during the first half of the year, but no State had given any assurance in that respect), it would be impossible for him to meet the Organization's obligations with a fund of \$22 million or even \$23 million without drawing upon the other Special Funds or Accounts in his custody. If he were denied authority to do so he would then have no option but to seek loans from private financial institutions.

14. He could not but agree that that would be most regrettable and shared the views that had been expressed by a number of representatives to the effect that it should not be beyond the collective resources and ingenuity of eighty-one sovereign Governments to find a reasonable and effective way out of the serious difficulties confronting the Organization. He would again stress, in conclusion, that those difficulties would be largely, if not completely, dissipated if Member States were able to pay all or a substantial part of their contributions during the first half of the financial year.

15. Mr. GANEM (France) appreciated Mr. Turner's clear and impressive statement, but regretted its rather academic slant. All in all, the Secretariat would do well to be more frank and specific in its statements. For instance, in the documents sent to delegations monthly on the subject of the payment of contributions, States were not mentioned by name; and he would suggest that the Secretary-General should

distribute officially, two or three times a year, and especially before the opening of the General Assembly, round about 15 August, a detailed statement of the contributions paid by the different Governments, perhaps arranged in categories according to the pace at which they had made their payments. Consideration could perhaps be given to the strict application of Article 19 of the Charter which provided that a Member in arrears in the payment of its financial contributions should have no vote in the General Assembly if the amount of its arrears equalled or exceeded the amount of contributions due from it for the preceding two full years. Furthermore, the major Power which paid the second largest contribution could perhaps make an effort to pay the entire sum rather earlier.

16. With regard to measures to be taken in the immediate future, his delegation did not agree with the United Kingdom representative on the question of the authorization sought by the Secretary-General to draw upon the Special Accounts and Funds in his custody, although it understood how he felt. The urgency of the situation called for an exceptional procedure and the French delegation would vote for that proposal.

17. Finally, on the question of the increase in the size of the Working Capital Fund, he supported the Italian proposal. It was clear, however, that the various measures proposed were only palliatives and the Secretary-General must try to secure the earlier payment of contributions.

18. Mr. KWEEDJIEHOO (Indonesia) said that his delegation was not surprised to find the Secretary-General asking for an increase in the size of the Working Capital Fund. The Committee must bear the consequences of its decisions and the increase in question was but the corollary of the increase, regrettable though that might be, in budgetary expenditure. In 1955 the Working Capital Fund had been \$20 million when the budget was \$50 million. The 1959 budget would be \$65 million, 30 per cent higher. It appeared, moreover, from the figures given in the Secretary-General's report (A/C.5/743, annex, para. 4), that the pattern of disbursement had hardly varied since 1955. That being so, the increase of \$3 million recommended by the Advisory Committee appeared perfectly reasonable.

19. The Advisory Committee, in paragraph 8 of its report, said that the early payment of contributions was the most logical and economical way of overcoming the Organization's financial difficulties. No one would deny that; but the slowness with which money came in was nothing new, and so long as that problem remained unsolved it would be necessary to resort to expedients. The increase in the size of the Working Capital Fund was therefore a necessary evil. It must be recognized, however, that it might prove to be too heavy a burden for many States, which had difficulty in meeting their financial obligations. The Indonesian delegation would therefore like to know what the Chairman of the Advisory Committee felt about the possibility of calling for voluntary contributions in the form of cash advances.

20. Mr. MARTIN (Union of South Africa) said that the main cause of the difficult cash situation faced by the United Nations was the delay in the payment of contributions. The Advisory Committee had rightly said that earlier payment was the most logical solution to the problem. It was essential that the Members

of the United Nations should apply financial regulation 5.4 more strictly. Increasing the amount of the Working Capital Fund once again would operate as a penalty on those States which paid their contributions punctually. For that reason, his delegation found it difficult to accept the figure of \$25 million recommended by the Advisory Committee.

21. It had been pleased, however, to hear the representative of the United States announce that his Government was considering the possibility of paying part of its contribution during the first half of the year. He hoped that the statement would lead other Governments to make efforts in the same direction.

22. Though reluctant to do so, his delegation might accept the Japanese representative's suggestion to increase the amount of the Working Capital Fund for 1959 by \$1 million and to review the position in regard to the payment of contributions at the next session.

23. Finally, he supported the French representative's proposal that the Secretary-General should publish officially and bring pertinently to the attention of Governments during the course of the year detailed statements of payments of contributions. The documents received at present by delegations were merely releases intended for the Press.

24. Mr. HSIA (China) said that the Controller's statement left no doubt as to the United Nations alarming cash situation and its causes. Obviously, if Members paid their contributions more promptly the question would no longer arise. However, inasmuch as spectacular progress could not be counted on in the immediate future, other means of overcoming the difficulty must be found. The two solutions put forward were, respectively, to increase the amount of the Working Capital Fund, and to authorize the Secretary-General, in case of emergency, to draw on the Special Funds and Accounts in his custody.

25. With regard to increasing the Working Capital Fund, his delegation was prepared to support the recommendation of the Advisory Committee, which had explained very clearly in its report why it would be unwise to increase the amount of the Fund beyond \$25 million over a two-year period. However, if the majority of the members of the Committee preferred the proposal contained in the Italian draft resolution, he would vote in favour of that text.

26. As to the possibility of authorizing the Secretary-General to draw on the Special Funds and Accounts, he felt that the Advisory Committee's position was not made very clear in paragraph 9 of its report. He agreed with the representative of France that, if a substantial and rapid improvement in the payment of contributions could not be counted upon, and if it was decided to increase the Working Capital Fund to \$25 million only, it would be necessary to give the Secretary-General the authorization he requested to enable him to meet cash requirements. Little risk was involved, first, because the withdrawals would be only temporary, allowing time for contributions to come in and, secondly, because he was sure that the Secretary-General would, in all cases, obtain the prior consent of the Advisory Committee.

27. Mr. HILLIS (United Kingdom) recalled that his delegation had at the previous meeting suggested increasing the Working Capital Fund, to \$24 million

only, over a two-year period; in view of the circumstances it might be desirable for the greater part of the increase to apply to the financial year 1959. He would therefore now like to propose certain amendments to operative paragraph 3 of the Italian draft resolution: the phrase "to \$25 million over the three-year period 1959-1961" would be replaced by "to \$24 million over the two-year period 1959-1960"; sub-paragraph (a) would be reworded as follows: "to \$23,500,000 in 1959 by the transfer to the Fund of the balance on surplus account still available for credit to Members at 31 December 1957 and by direct additional cash advances if necessary;" and finally, in sub-paragraph (b), the words "and to \$25 million in 1961" would be deleted.

28. Mr. TREMBLAY (Canada) said that the Secretary-General had suggested two measures to safeguard the cash position of the Organization: the first, which consisted in authorizing the Secretary-General to draw on the Special Funds and Accounts, was designed to obviate any difficulty during the first half of 1959 and raised an important question of principle; the second—an increase in the Working Capital Fund—was designed to ensure an adequate cash balance over a longer term and imposed an additional burden on Member States.

29. Obviously, the main reason for the present situation was not the increase in the budget, but the delay in the payment of contributions and the increasing volume of arrears. The Canadian delegation fully appreciated the difficulties encountered by many Member States but was nevertheless surprised at the distinct deterioration in the situation over the past three years. If, on the basis of the experience over those three years, the amount of the contributions received during the first half of 1959 was approximately 20 per cent of the net amount of contributions due from Member States, that would mean approximately \$11.2 million on a net budget of \$56 million. However, if the proportion could be 28.5 per cent, as in 1955, the corresponding amount would be \$15.7 million. The difference would thus be \$4.5 million, or 50 per cent more than the increase in the Working Capital Fund recommended by the Advisory Committee. That example showed clearly that if the pattern of contributions improved, it might be unnecessary to consider increasing the Working Capital Fund. Specifically, there was no doubt that if the United States and the USSR could pay their contributions earlier in the year, the situation would be substantially more satisfactory. The measures announced by the Government of the United States should therefore be welcomed, and it was to be hoped that the Soviet Government would consider taking similar measures.

30. The Working Capital Fund could not on any account be used to cope with the difficulties due to the arrears in contributions invariably outstanding at the beginning of each year, since it had not been established for that purpose. The only solution was to ensure earlier payment of contributions. If, as was to be feared, appeals did not suffice, it might perhaps be necessary to consider applying the measures under which a Member State which did not fulfil its financial obligations could be temporarily deprived of voting power; or, payment of interest on arrears in contributions might even be envisaged.

31. His delegation was prepared to vote in favour of a slight increase in the Working Capital Fund, but it would oppose any increase designed to make good the

deficit arising out of delay in the payment of contributions, on the grounds that such a measure would be liable to encourage Member States in their present attitude and ultimately create a vicious circle. He felt inclined to vote in favour of the Advisory Committee's recommendation, but before deciding he wished to study the Italian draft resolution and the United Kingdom amendments.

32. His delegation could not agree to the Secretary-General being authorized to draw on the Special Funds and Accounts in case of emergency. That procedure, applied in quite exceptional circumstances in the case of UNEF, should not become the normal practice, since it would prevent Member States from exercising proper budgetary control and would be liable to encourage tardiness in the payment of contributions. The United Nations would certainly be better advised to negotiate loans from private financial institutions, and the Controller's comment on that point raised possibilities which were worth considering.

33. U TIN MAUNG (Burma) said that his delegation was somewhat surprised at the divergent points of view held by the Secretary-General and the Advisory Committee on the amount by which the Working Capital Fund should be increased and the best means of improving the cash position of the Organization. Like other delegations, it believed that an increase in the Working Capital Fund would be no more than a palliative and that the only real way to solve the problem was to ensure that Member States complied to the greatest possible extent with financial regulation 5.4.

34. In that connexion, it had been said that the slowness of some States in paying their contributions did not justify asking those which had met their financial obligations more promptly to make contributions to the Working Capital Fund. It was no doubt because of circumstances beyond their control that certain countries were late in paying their contributions, and, as a country which had always fulfilled its financial obligations promptly, Burma did not consider it proper to make adverse remarks about Member States which were not able to do likewise.

35. As some delegations had already observed, it was necessary to avoid being caught up in a vicious circle and taking measures which would mean heavier burdens for smaller and less developed countries. The first of the three measures proposed by the Secretary-General would surely commend itself generally. In order to support the Secretary-General's efforts to ensure earlier payment of contributions, it might be desirable to appeal to those countries with greater resources to consider paying all or a large part of their contribution early in the year.

36. On the question of increasing the Working Capital Fund, his delegation would have liked to see the Fund maintained at its present level but, in view of the situation, it would support any proposal for an increase which would not impose too heavy a burden on smaller and less developed countries. It agreed with the Advisory Committee that the Secretary-General should be authorized to draw on the Special Funds and Accounts only as a very exceptional measure.

37. He wished to reserve the right to speak again later, should he find it necessary to comment on the Italian draft resolution and the United Kingdom amendments.

The meeting rose at 1.5 p.m.