



Fourteenth session
Agenda item 44

BUDGET ESTIMATES FOR THE FINANCIAL YEAR 1960

Working Capital Fund

Thirty-sixth report of the Advisory Committee on Administrative and Budgetary Questions to the General Assembly at its fourteenth session

1. The Advisory Committee on Administrative and Budgetary Questions has considered a report of the Secretary-General (A/C.5/809), in which he states his belief that there is "urgent need, if the financial solvency and integrity of the Organization is to be regarded as of top priority, for an increase in the level of the Working Capital Fund in 1960 of the order of \$3 to \$4 million" from the present amount of \$23.5 million.
2. The Advisory Committee, in its report on the Working Capital Fund to the General Assembly at its eleventh session,^{1/} outlined the basic considerations that are involved in the determination of the appropriate level at which the Fund should be maintained. More recently, in reporting on the question at the thirteenth session,^{2/} the Advisory Committee examined the position of the Fund at that time, in the light of the basic considerations involved.
3. Basing itself generally on the recommendations of the Advisory Committee, the General Assembly, at its thirteenth session, in addition to seeking earlier payment of contributions, decided on two measures to improve the cash resources of the Organization:

(a) To increase the level of the Working Capital Fund from \$22 million to \$23.5 million in 1959; and

1/ Official Records of the General Assembly, Eleventh Session, Annexes, agenda item 43, document A/3455.

2/ Ibid., Thirteenth Session, Annexes, agenda items 43 and 44, document A/3939.

(b) to authorize the Secretary-General, in the event of urgent need in 1959 and subject to certain conditions (A/C.5/743, para. 8), 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.

4. The Advisory Committee would generally agree with the Secretary-General's conclusion that while the above measures have proved useful in meeting cash requirements in 1959, the over-all position has not shown any improvement but has continued to deteriorate. The following would appear to be among the more important factors contributing to such deterioration:

(a) Despite regulation 5.4^{3/} of the Financial Regulations of the United Nations, the pace of receipt of contributions in relation to the pace of expenditure has continued to be unsatisfactory. Thus, while some 45 per cent of total annual budgetary disbursements occur by 30 June, only about 20 per cent of net contributions due are received by that date (A/C.5/809, annex, tables 1 and 4).

(b) The year begins with a sizeable amount of unpaid contributions from previous years. On 1 January 1959, unpaid contributions in respect of the regular budget of prior years amounted to \$7.8 million; at 30 November 1959, an amount of some \$2.7 million was in arrears in respect of 1958 and 1957 and some \$11 million in respect of the current year. The total amount of arrears of contributions in respect of the regular budget at the year-end has remained of the order of between \$7 and \$9 million in the last three years (A/C.5/809, annex, table 2).

(c) There has been a substantial call on the Working Capital Fund in order to meet the cash requirements of the United Nations Emergency Force (UNEF), as a result of the unsatisfactory situation in respect of the payment of UNEF contributions. The situation in this regard could be further aggravated if and when actual payments had to be made from the reserve for compensation in respect of contingent-owned equipment that might be worn out or destroyed.

5. The Advisory Committee would reiterate here that the earlier payment of contributions - and indeed a strict adherence to the provisions of financial regulation 5.4 - is the most logical and economical way of meeting the cash requirements of the Organization, and that all other approaches are at best

^{3/} Regulation 5.4 provides: 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 above, or as of the first day of the financial year to which they relate, whichever is the later. As of 1 January of the following financial year, the unpaid balance of such contributions and advances shall be considered to be one year in arrears. /...

ractical supplementary arrangements. Subject to this consideration, it would still be necessary to take account of some minimum delay, from the beginning of the year, in payment of contributions and also of difficulties of a constitutional or administrative nature, which confront some Members. There would thus be need for a Working Capital Fund of a basic amount which would have a significant relation to the total amount of the budget.

. In addition, the further measure of delay in payment of contributions and the requirements of UNEF and unforeseen expenses accentuate the situation generally and give rise to a particularly acute seasonal shortage of cash during the months of May and June. This problem could be largely met if Member States found it possible to pay at least a substantial portion of their contributions in the first half of the year and preferably before the end of April. To the extent that the acute situation still remained, the basic amount of the Working Capital Fund would need to be increased, although the special seasonal problem might be met through short-term accommodations. This latter approach to the seasonal problem would at best be only an alternative to increasing the Fund by a still greater amount.

. The Advisory Committee notes that generally the pattern of the receipt of contributions by the specialized agencies seems to be substantially more satisfactory than in the case of the United Nations. This has enabled most of the agencies to meet their cash requirements without substantial or regular recourse to advances from their working capital funds.^{4/} The specialized agencies and the International Atomic Energy Agency have among them a total of some \$13 to \$14 million in the nature of working capital. The Advisory Committee recognizes that the possibility of a combined working capital fund for all organizations of the United Nations system is a question which requires careful study and, more important, an effective measure of co-ordination at the national level among governmental delegations to the different organizations. A somewhat more immediate step might be to explore the possibility of the agencies making short-term advances from their cash resources to the United Nations to meet the critical mid-year shortages.

^{4/} For an outline of recent experience in the specialized agencies, see Official Records of the General Assembly, Thirteenth Session, Annexes, agenda item 50, document A/4032, paras. 20-21.

8. As regards the basic situation outlined in paragraph 5, as affected by the continued unsatisfactory position described in paragraph 4, there appears to be a strong case for some increases in the present level of the Working Capital Fund. The Advisory Committee would here recall its recommendation of 1958^{5/} that the Fund should be increased to \$25 million in 1960. While the General Assembly at that time limited its action to the level of the Fund for 1959 and approved the Fund for that year at \$23.5 million, as recommended by the Advisory Committee, the considerations which prompted the Committee's recommendation for a \$25 million Fund in 1960 still remain valid and have indeed become even stronger.

9. The Advisory Committee recognizes that an increase of the order suggested above will still leave unsolved, to some extent, the more acute problem which now arises towards the end of the first half of each year. The Committee notes in this regard that in 1959 it became necessary to seek \$2 million, on a short-term basis, from special funds. The cash situation after April 1960, according to the Secretary-General's report (para. 5), is likely to be precarious; it is also possible that the situation in regard to the special funds and the related programmes as of a particular date when cash is needed may be such as to preclude adequate recourse to those funds under the conditions established in this regard. It would be appropriate in these circumstances to extend the Secretary-General's present authority to seek short-term accommodations to permit also loans from Governments and, exceptionally, from commercial sources.

10. On the basis of the foregoing considerations, the Advisory Committee would recommend that the General Assembly, having regard to financial regulation 5.4, should:

(a) Urge the Member States concerned to give attention to the payment of the outstanding arrears of their contributions;

(b) Request the Secretary-General, in addition to continuing his efforts to obtain earlier payment of contributions, to address a special communication in this regard to Member States and to report on the replies received to the General Assembly at its fifteenth session;

^{5/} Official Records of the General Assembly, Thirteenth Session, Annexes, agenda items 43 and 44, document A/3939, para. 11.

(c) Decide to increase the level of the Working Capital Fund from 23.5 million to \$25 million in 1960, by the transfer to the Fund of the balance in surplus account still available for credit to Members as at 31 December 1958 (\$527,988)^{6/} and by direct additional cash advances in the amount of \$972,012;

(d) Extend the authorization granted to the Secretary-General under paragraph 4 of resolution 1341 (XIII) of 13 December 1958, to cover also short-term loans from Governments and, exceptionally, from commercial sources.

^{6/} Ibid., Fourteenth Session, Supplement No. 6 (A/4116), part I, para.5.