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THE FINANCIAL SITUATION OF THE UNITED NATIONS

Report of the Advisory Committee on Administrative  
and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions recalls that in resolution 45/236 entitled "Current financial crisis and financial emergency of the United Nations", the General Assembly had, inter alia, requested the Secretary-General to "submit a report giving his best projections of the financial situation of the Organization", and "a detailed analysis of the financial situation of the Organization, including reimbursements owed to Member States for their participation in peace-keeping operations". In this connection, the Secretary-General has submitted his reports (A/46/600 and A/46/600/Add.1) on the financial situation of the United Nations to the Advisory Committee for its consideration.

2. The Committee notes that the first report (A/46/600) provides a broad outline of the financial situation facing the Organization and reflects the increasingly serious conditions prevailing in 1991, while the second report, (A/46/600/Add.1) in addition to providing supplementary information on the current situation, attempts to address the endemic problem with proposals for the future.

3. The Advisory Committee agrees with the Secretary-General's view that failure by Member States to pay their assessed contributions, in full and on time, whether for the regular budget or for peace-keeping operations, has in large measure been the reason for the present precarious financial situation of the Organization. Moreover, the fact that the Organization has now been called upon more frequently to undertake increasingly complex, diverse tasks, particularly in the areas of peace-keeping and conflict resolution, without the commensurate financial resources, has further exacerbated the situation. In this context, the Advisory Committee believes that it is incumbent upon

Member States to meet their statutory obligations to the Organization to ameliorate the current financial situation and avoid any long-term deleterious effects.

4. In paragraph 5 of A/46/600 the Secretary-General states that throughout all of 1991 it was necessary to draw upon the cash reserves of the Organization (i.e., the Working Capital Fund and the Special Account), totalling approximately \$236 million. From mid-August until mid-October, to meet regular budget obligations as well as requirements of new peace-keeping operations, because the cash reserves were completely exhausted, the Secretary-General was obliged to borrow several times from the peace-keeping funds which had cash in excess of their immediate requirements. The Secretary-General concludes that prompt repayment of the internal borrowings already taken is far from assured and unless substantial contributions are received shortly the cash required to meet regular budget obligations and those of new peace-keeping operations will exceed the funds available from existing peace-keeping accounts.

5. From annex II to document A/46/600/Add.1, the Advisory Committee notes that as at 31 October 1991 unpaid assessed contributions to the regular budget totalled \$524.6 million of which \$138.4 million represented arrears for 1990 and prior years and \$386.2 million is for 1991. At the same date, unpaid assessed contributions for peace-keeping operations totalled \$463.5 million. This information is also detailed in paragraphs 6 to 12 of that document. As stated therein the pattern of payment of these assessed contributions has continued to deteriorate, and as shown in the table in paragraph 7, "the pattern in 1991 was much worse than that of recent years". The relationship of outstanding contributions for the current seven peace-keeping operations to the amounts assessed for each is given in the table following paragraph 11. It is also estimated that as at 31 December 1991 unpaid debts to Member States, which have participated in these peace-keeping operations under agreements that provided for reimbursement for services rendered (mainly provision of troops), will amount to approximately \$205 million.

6. In addition, the accumulated level of credits due to Member States through the continued suspension of the financial regulations is shown in annex III of the Secretary-General's report (A/46/600/Add.1). In part, these are the counterpart of unpaid assessed contributions. However, the balance reflects an additional burden borne by those Member States which have paid in full.

7. In seeking a viable as well as durable solution to the situation the Secretary-General has put forward a set of proposals which are summarized in paragraph 5 of A/46/600/Add.1.

8. The Advisory Committee was also provided with information on cash flow projections which indicate a precarious financial position up to and beyond 31 December 1991. That being said, the Committee believes that the proposals submitted by the Secretary-General in A/46/600/Add.1, including the proposal to adopt a set of measures to deal with the cash flow problems, are geared

towards a long-term solution and do not adequately address the immediate financial situation. The Committee, in considering document A/46/600/Add.1, has borne this in mind and makes its comments accordingly.

9. With regard to proposal No. 1 (a), charging of interest on unpaid assessments, the Advisory Committee believes that the time has come to seriously consider such a proposal, which may well be an effective disincentive to late payment. However, the proposal as outlined by the Secretary-General is not sufficiently explained, nor does it address many of the reasons given by Member States for late or non-payment of assessed contributions despite the requirements of the financial regulations of the United Nations. The Advisory Committee is therefore of the opinion that before such charges can be considered a detailed proposal which would address the various causes of the problem as well as the modalities of the system envisaged would have to be outlined.

10. With regard to proposal No. 1 (b), the continued suspension of financial regulations 4.3, 4.4 and 5.2 as outlined in paragraphs 27 to 36 of the report (A/46/600/Add.1), which permit the retention of budgetary surpluses, the Advisory Committee recalls the Secretary-General's statements in his report (A/C.5/44/27) that "suspension of the provisions of these financial regulations can only be regarded as a temporary palliative for the financial difficulties of the Organization, since the amounts so realized must be returned to Member States at some point, that is, when the financial situation of the Organization permits", and "the intended effect of this arrangement is only realized, however, when assessments are paid in full". The Advisory Committee concurs in this view but emphasizes the need to maintain this as a temporary measure on a case-by-case basis.

11. The Advisory Committee's views regarding a further increase in the Working Capital Fund (proposal No. 1 (c)) have already been expressed in its report on the subject to the forty-fifth session of the General Assembly. (A/45/860).

12. With regard to proposal No. 1 (d), the Advisory Committee agrees with the establishment of a peace-keeping reserve fund. However, the Committee believes that a policy decision by the General Assembly is required on the principle of financing for the fund. Should the General Assembly agree to the proposed transfer of residual fund balances from UNTAG and UNIIMOG to the new fund, the Committee believes that this should be done in a manner which would take into account the interests of those Member States which have fulfilled their financial obligations to the Organization.

13. In paragraph 47 of his report (A/46/600/Add.1) the Secretary-General states that

"Once the United Nations Peace Endowment Fund is established and comes into full operation (see paras. 57 to 63 below), the balance of the Peace-keeping Reserve Fund could be transferred to the Peace Endowment Fund."

However, in the opinion of the Advisory Committee the establishment of the Peace-keeping Reserve Fund and the Peace Endowment Fund (proposal No. 3) should be two different issues. While the Committee is in favour of establishing the former, the Committee believes that the establishment of the Peace Endowment Fund requires a policy decision by the General Assembly before such questions as its level and operational procedures can be reported on by the Advisory Committee.

14. Notwithstanding the reasons given by the Secretary-General in paragraphs 48 to 52 of his report (proposal No. 1 (e)), the Advisory Committee continues to affirm its belief that borrowing in the open market is not prudent. As indicated in its earlier reports (A/36/701 and A/42/861), the Advisory Committee is of the view that such borrowing would involve payment of interest which could be substantial (despite the current availability of relatively low interest rates), and would thus impose additional financial burdens on all Member States.

15. With respect to the Secretary-General's proposal to establish a Humanitarian Revolving Fund, (proposal No. 2), for reasons similar to those mentioned in paragraph 12 above, the Advisory Committee believes that it is not in a position to make recommendations at this stage. When the General Assembly has taken a policy decision, the Advisory Committee will revert to the matter and examine the technical modalities involved.

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