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CURRENT FINANCIAL, CRISIS OF THE UNITED NATIONS

FINANCIAL EMERGENCY OF THE UNITED NATIONS

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered two reports of the Secretary-General: one on the current financial crisis of the United Nations (A/44/857), and the other on the financial emergency of the United Nations (A/C.5/44/27).
2. In paragraphs 2 and 4 of his report on the current financial crisis of the United Nations (A/44/857), the Secretary-General states that as at 8 December 1989, \$261.9 million or 33.7 per cent of this year's total regular budget assessments of \$777 million remained unpaid. Arrears from prior years totalled \$267.3 million: hence, total assessed contributions outstanding as at 8 December 1989 amounted to \$529.2 million. Of the total outstanding regular budget assessed contributions of \$529.2 million, \$430.1 million, including almost \$213.9 million of arrears in respect of prior years, is owed by one Member State.
3. As shown in the General Fund cash flow table contained in paragraph 5 of the report of the Secretary-General (A/44/857), cash reserves comprising the Working Capital Fund and the Special Account, totalling \$214.5 million, were replenished once during the first quarter of 1989 and have since been drawn down. (The cash flow projections contained in that table supersede information provided in annex VII of the report of the Secretary-General (A/C.5/44/27) on the financial emergency of the United Nations.) In this connection, it is stated in paragraph 7 of the report of the Secretary-General on the current financial crisis of the United Nations (A/44/857) that this 1989 cash flow projection makes no allowance for any additional unforeseen and extraordinary expenses for peace-keeping operations before the end of 1989: moreover, if actual receipts follow the projected pattern, at the end of 1989 the Organisation's reserves will be

replenished only by \$48.1 million. In paragraph 7, the Secretary-General also estimates that unpaid assessed contributions will total \$456.1 million by the end of 1989.

4. The Secretary-General's projections regarding income and disbursements in 1990 are contained in **the** annex to his report on the current financial crisis of the United Nations (A/44/857). As indicated in paragraph 9, those projections assume that the payment of assessed contributions will parallel the 1989 experience as to both the timing and amount of payments, including that of the major contributor. Similarly, it is assumed that the disbursement pattern in 1990 will follow that of 1989. Furthermore, in order to avoid insolvency through the better part of 1990, those assumptions are predicated upon the utilization of the Organization's reserves to meet its cash requirements during the year. None the less, the Secretary-General projects, on the basis **of** those assumptions, that all reserves will be exhausted **and** cash depletion will occur in the last quarter of 1990. In paragraphs 10 to 14 of that same report, the Secretary-General concludes, inter alia, that the financial situation of the United Nations could deteriorate even more rapidly and dramatically than foreseen should any additional demands be placed upon **those** depleted reserves to meet the cash requirements for existing or new peace-keeping operations, or the negative impact **of** acute currency fluctuations or inflation.

5. The composition **of** the **short-term** deficit is defined in paragraphs 3 to 5 of the Secretary-General's report on the financial emergency of the United Nations (A/C.5/44/27). In paragraphs 6 to 10 and annexes I and II, information is provided on the extent and rate of increase **of** the short-term deficit. As defined, the short-term deficit, projected to 31 December '89, is estimated at \$315 million, as compared with the corresponding estimate of \$326.4 million in 1988, showing a decrease from 1988 to 1989 that is explained in paragraph 6.

6. Information on unpaid debts to those Member States which have participated in peace-keeping operations under agreements with the United Nations that provided for reimbursement for the services rendered, and on withholdings by Member States from peace-keeping activities, projected to 31 December 1989, is provided in paragraphs 9 and 24 respectively of the same report.

7. Paragraphs 11 to 14 of the report contain information on the payment of assessed contributions to the regular budget in 1989 as compared with 1988. Experience with regard to the payment of assessed contributions to peace-keeping operations is discussed in paragraphs 15 to 17.

8. The effects of the General Assembly's parallel suspension of the provisions of financial regulations 4.3, 4.4 and 5.2 (d) in respect of surpluses under the regular budget (arising at the end of 1972 and at the end of the 1980-1981, 1982-1983, 1984-1985 and 1986-1987 bienniums), and in respect of unencumbered balances and/or surpluses in the special accounts of UNEF/UNDOF and UNIFIL, are described in paragraphs 18 to 21 and annex IV A and in paragraph 22 and annex IV B, respectively.

9. The status of the United Nations Special Account established by the General Assembly is discussed in paragraphs 5 and 26 and in annex VI.

10. In view of the chronic cash-flow difficulties reported and taking into account considerations outlined in paragraphs 28 to 33 of his report **on the financial emergency of the United Nations (A/C.5/44/27)**, the Secretary-General proposes that the Working Capital Fund be increased from its present level of \$100 million to a level of not less than \$200 million for the biennium 1990-1991. In that connection, the Secretary-General makes reference to observations and recommendations raised by the Advisory Committee on Administrative and Budgetary Questions in its report (A/44/725), which addressed, among other things, the administrative and budgetary aspects of the financing of United Nations peace-keeping operations. In paragraph 25 of that report, the Advisory Committee, stated as follows:

“Taken together, the existing level of the Working Capital Fund as a percentage of the combined regular budget and peace-keeping appropriations for 1985 amounts to 10.7 per cent: the comparable figure for 1989 is 6.0 per cent. Under the circumstances, the Advisory Committee believes that the time has come to consider an increase of the Working Capital Fund. The Advisory Committee understands that the Secretary-General will reiterate and substantiate his proposal to increase the level of the Working Capital Fund in the context of his forthcoming report on the financial emergency. The Advisory Committee is of the opinion that the report should also contain an indication of options for financing this increase. The Advisory Committee, after receiving the report of the Secretary-General, will submit definitive recommendations on an increase in the Working Capital Fund, the actual level of such an increase and the means of financing.”

11. In paragraphs 34 to 39 of his report on the financial emergency of the United Nations (A/C.5/44/27), the Secretary-General lists four options for financing his proposal to increase the Working Capital Fund, namely: (a) apportioning the amount of the increase among all Member States as part of their assessments; (b) assessing the increase over several years rather than at one time; (c) financing the increase through voluntary contributions; and (d) increasing the Working Capital Fund by crediting to it part or all of the amounts realized from the suspension of the provisions of financial regulations 4.3, 4.4 and 5.2 (d) in respect of surpluses under the regular budget.

12. In the opinion of the Advisory Committee, the analysis submitted in the report of the Secretary-General on the financial emergency of the United Nations does not provide sufficient basis for the Advisory Committee to formulate and submit definitive recommendations concerning increasing the level of the Working Capital Fund and modalities for financing such an increase (see para. 10 above). In the circumstances, and taking into account the time and work constraints being faced by the Fifth Committee at this juncture, the Advisory Committee recommends that consideration of the Secretary-General's proposal that the level of the Working Capital Fund be increased be deferred to the forty-fifth session of the General Assembly. The Advisory Committee would then return to this matter on a priority basis at its session to be held in spring 1990 with a view to preparing a comprehensive report that would attempt to address all major aspects of the issue and submit definitive recommendations on the subject.