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BUDGET ESTIMATES FOR THE FINANCIAL YEAR 1973

Revenue-producing activities

Report by the Secretary-General

1. In response to requests from several delegations in the Fifth Committee, the Secretary-General submits this report in order to provide information, additional to that contained in the budget estimates for 1973, on the revenue-producing activities dealt with in income section 4 of the estimates. Further steps to increase revenue accruing to the Organization, which are under consideration at this time, are also discussed in the report. Thus, the report will give Member States some indication of the revenue that is likely to accrue to the Organization, under this heading, over the next four to five years.

Purpose of revenue-producing activities

2. In his report on revenue-producing activities of the United Nations to the General Assembly at its tenth session, 1/ the Secretary-General stated:

"The extent to which the activities under consideration can be justified by the fact that they produce revenue varies, but in no case can it be said that the revenue factor is or should be the sole justification. In all cases, regard must be paid to other, and often overriding, purposes of the activities which are not always consonant with a purely financial approach to management questions."

3. The Secretary-General gave, as examples of non-financial objectives for these activities, the dissemination of information (sale of publications), good public relations (services to visitors) and the provision of essential facilities

1/ Official Records of the General Assembly, Tenth Session, Annexes, agenda items 38 and 47, document A/C.5/623.

to delegations, the staff and the public (catering and garage operations). He went on to propose the following general criteria:

"(a) Where a service is virtually essential for the conduct of business (such as the catering or garage facilities), the Organization should aim at recovering its costs without necessarily aiming at a profit but should recognize that it may be necessary to subsidize the activity by the provision of certain 'free' facilities;

"(b) Where an activity, such as the sale of publications, must be undertaken for reasons of general policy, the extent to which recovery of costs, or even the making of a profit, should be attempted must be determined in the light of the requirements of the policy concerned;

"(c) Where an activity is not absolutely necessary, though a natural one having regard to the objectives of the Organization, such as the Visitors Service or the United Nations Postal Administration, the aim should be to recover full costs and to make a profit in addition if possible."

4. The Secretary-General believes that the policy thus outlined continues in general terms to be applicable to the present revenue-producing activities of the Organization. This policy would derive from two guiding considerations: first, that profit is not the primary consideration in undertaking revenue-producing activities in the United Nations; second, that such activities should be run, as all other activities in the Organization, in as effective and economical a manner as possible. It naturally follows that, where profit is possible, it should be maximized to the extent that it does not conflict with other overriding considerations.

Responsibility

5. The responsibility for activities under income section 4 of the budget is allocated as follows:

Office of General Services

United Nations Postal Administration
Catering services
Commemorative medals
Gift Centre
Souvenir Shop
Garage operations

Office of Public Information

Visitors Service

Office of Conference Services

Sale of publications

Financial results

6. The following table sets out, in summary fashion, the financial results of revenue-producing activities over the period 1968-1972.

	<u>Net revenue</u>				
	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>(estimated)</u>
UNPA	1,948,383	2,278,311	3,830,476	1,935,730	2,874,000
Catering services	(7,585)	(6,264)	(23,429)	(4,144)	(60,000)
Commemorative medals	-	-	389,004	40,000	320,000
Gift Centre	166,109	219,917	213,726	210,910	185,000
Souvenir Shop	302,965	326,035	353,444	359,185	315,000
Garage operations	120,544	121,157	120,663	121,309	135,000
Visitors Service ^{a/}	81,270	(36,914)	(201,419)	(167,192)	(270,000)
Sales of publications	<u>317,117</u>	<u>290,836</u>	<u>105,708</u>	<u>177,888</u>	<u>20,000</u>
	2,928,803	3,193,078	4,788,173	2,673,686	3,519,000
Less: undistributed expenses charged against revenue ^{b/}	<u>(93,678)</u>	<u>(109,867)</u>	<u>(102,569)</u>	<u>(140,017)</u>	<u>(161,600)</u>
Total adjusted net revenue	<u>2,835,125</u>	<u>3,083,211</u>	<u>4,685,604</u>	<u>2,533,669</u>	<u>3,357,400</u>

^{a/} Does not take into account refunds of the Organization's contribution to the United Nations Joint Staff Pension Fund in respect of participant withdrawals, estimated at between \$10,000 and \$20,000 per year.

^{b/} Comprises established posts and common staff costs related to the management of catering services, Gift Centre and Souvenir Shop.

Comments on the several revenue-producing activities

United Nations Postal Administration (UNPA)

7. UNPA accounts for the largest share of all revenue accruing to the Organization under income section 4 of the budget. From 1951 (the year in which UNPA was established) until 1971, UNPA has produced a total net income of \$29,921,540. Throughout this period, the over-all pattern has been one of relatively steady increase in net income. The \$1,000,000 level was exceeded for the first time in 1957, and the \$2,000,000 level in 1965. An exceptionally high

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net income of \$3,830,476 was achieved in 1970, principally attributable to the interest in issues related to the twenty-fifth anniversary of the Organization.

8. Measures continue to be undertaken, or are under active consideration, to increase revenue accruing to UNPA in terms of both increased sales and reduced costs. In order to increase sales, efforts to attract additional collectors of United Nations stamps are being made, through general publicity, specific promotion of the use of customer deposit accounts, additional agreements with agencies throughout the world, introduction of new sales items and increased participation in philatelic exhibitions. These efforts appear to be producing the desired effect. Thus, in the first 10 months of 1972 alone, the number of customer deposit accounts has increased by over 10 per cent to a total of 27,283. Also during this period, the number of agencies with which agreements for the sale of stamps have been concluded has increased from 86 to 98. In 1972, UNPA has participated, or is scheduled to participate, in 78 exhibitions in North America, as compared to 60 in 1971. During the same period, UNPA Geneva has participated in 50 exhibitions and has also undertaken mobile stamp exhibits in Europe. A new item, United Nations souvenir cards, was introduced in 1972, with gross sales of \$158,000 for the first issue.

9. As regards reduction in operating costs, the Secretary-General has decided, pursuant to the review of UNPA by the Administrative Management Service (AMS), to undertake the development of a production control system, as well as related measurement standards and a performance reporting system, to enable UNPA to predict, more in advance, the volume of orders that it will be necessary to process and to convert this prediction into more precise manpower requirements. It is planned to develop related measurement and performance standards with the assistance of specialists in this field.

10. Finally, it is considered necessary to integrate both types of measures - those seeking an increase in revenue and those aimed at reducing costs - into a balanced market planning approach, based on an analysis of the needs and wishes of customers, and using the results of this analysis as a basis for further revenue-increasing and cost-reduction efforts. This market planning approach will be based on a study of a number of cost and sales variables and may require the use of mathematical models to determine their optimum relation.

11. Although it is not possible to quantify with precision the results expected from these measures, it is envisaged that net revenue from UNPA over the next five years will maintain a steady rate of growth, increasing to about \$3,500,000 at the end of that period.

Catering services

12. Included in the catering services are the following operations:

- (a) The cafeteria, including the coffee counters on the various floors, the staff café, the press club and the north lounge snack services;
- (b) The dining room;

- (c) Beverage sales;
- (d) The news-stand and sales counter on the fourth floor;
- (e) The coffee shop for the public in the General Assembly building;
- (f) Coin-operated food and drink dispensing machines in various locations.

13. In its report to the General Assembly at its twentieth session, 2/ the Advisory Committee on Administrative and Budgetary Questions defined the policy under which the catering and related services have since been operated; these services "should in principle provide quality food and efficient service at reasonable prices and, at the same time, be financially self-supporting, thereby obviating any possible charge to the regular budget of the Organization". The Secretary-General has been reasonably successful in achieving these several objectives, but it is becoming increasingly difficult to reconcile them. Thus, over the period 1961-1971, gross sales have amounted to \$26,535,835, with a related loss of \$117,353, or less than one half of 1 per cent; however, it is anticipated that the loss in 1972 will be of the order of \$60,000, or 2 per cent of the estimated gross sales of about \$3,000,000.

14. The difficulty in reconciling the objectives of catering services is principally due to the nature of the services themselves. As the Advisory Committee noted on an earlier occasion: "Catering and related services, with minor exceptions, represent an activity which is primarily intended for the provision of facilities to delegations and the Secretariat". 3/ An elaboration of this point was made in the report of a consultant who reviewed the operation of the catering and related services at Headquarters over the period 1956-1963:

"The United Nations is not in business as a caterer. It has set up a catering apparatus not for commercial reasons but because it is essential for the smooth and efficient running of the Organization that the staff and members of delegations should be able to obtain meals quickly and at reasonable cost at their place of work. The need for such facilities is specially pronounced in an international organization where the work schedule is so frequently upset by the irregularities of the conference programme. It is pertinent to note, however, that in the congested conditions of central New York many, if not most, big employers find it necessary to provide similar facilities, often subsidized and, in some cases, provided gratis, though never of equal quality."

15. Neither the dining room nor the cafeteria at Headquarters can be judged by purely commercial criteria. Thus, for example, local commercial practice is to offer lunch as a low-price, low-profit meal and to derive profits mainly from the evening trade. The Headquarters dining room, however, is open only for lunch and must maintain a competitive pricing structure during lunch time to retain its

2/ Official Records of the General Assembly, Twentieth Session, Supplement No. 7 (A/6007), para. 390.

3/ Official Records of the General Assembly, Eleventh Session, Supplement No. 7 (A/3160), para. 307

clientèle, whether delegates, staff or public. The Headquarters cafeteria, on the other hand, is required to remain open to serve the staff beyond the hours normally determined by economical employment of labour. Furthermore, in order to cope with demand, small and widely scattered facilities - the staff café, the press bar, the fifth floor snack bar, the UNCA club and the north lounge snack bar - have had to be improvised. All of the food for these scattered facilities must be prepared in and delivered from one central kitchen, requiring substantial transport and resulting in higher labour costs. All of these facilities are provided space, utilities and maintenance free of charge by the Organization. The relative importance of these free services has diminished, however, as labour and food costs have continued to rise.

16. Prices in the staff catering facilities have not been increased since January 1970, and it has been possible to maintain the break-even policy only by introducing various economy measures, such as self-bussing in the cafeteria, reductions in the number of catering staff and the substitution of vending machines for the quick-lunch counter in the press bar. Despite these actions, as indicated above, a deficit of some \$60,000 is now projected for 1972 in the catering services. Measures have therefore been taken to adjust prices in the staff catering facilities with effect from 1 December 1972. As indicated in the budget estimates for 1972, ^{4/} the Secretary-General intends to continue to review the operation of the catering and related facilities. This review may, as with the UNPA, lend itself to a market analysis based on a consumer-type survey. However, although it is the Secretary-General's intention to endeavour to achieve, in these facilities, a financially self-supporting operation, he does not believe that any profit should be expected from it in the long run.

Commemorative medals

17. In 1970, the issuance, for the first time in the history of the Organization, of two medal series - the 25th anniversary commemorative medal and the world youth medal - resulted in a net income of \$389,004. A further income from these medals of \$40,000 was realized in 1971, derived from late sales. In view of these results, a five-year United Nations medal programme, covering the period 1972-1976, has been launched. The programme will comprise five or six medal issues each year, in conjunction with the issue of United Nations commemorative stamps. The results of the programme are, so far, satisfactory, and the initial estimate of income for 1972 of \$200,000 has been revised to \$320,000 in the Secretary-General's supplementary estimates. Although experience with this activity is limited, it appears likely that a minimum net revenue of around \$350,000 per year can be expected over the next five years with a cumulative total for this period in the order of between \$1,750,000 and \$2,100,000.

^{4/} Official Records of the General Assembly, Twenty-Seventh Session, Supplement No. 6 (A/8706), vol. II, para. 4.40.

Gift Centre and Souvenir Shop

18. The Gift Centre sells jewellery and handicrafts imported from various parts of the world. As can be seen in the table in paragraph 6, net income reached a high of almost \$220,000 in 1969 but has since declined.

19. The Souvenir Shop sells souvenir items, small flags of Member States and a variety of inexpensively priced items. There was an increase in income in the Souvenir Shop from 1968 to 1971, but it is estimated that 1972 revenue will be some \$44,000 below that of 1971.

20. As indicated in the budget estimates for 1973, 5/ the cost of labour and supplies has steadily increased. Some of these increases have been met by price adjustments, but, the main reason for a relatively stationary gross sales figure appears to be the decrease in the number of visitors to the United Nations, inasmuch as both operations primarily cater to visitors. From 1968 through 1971 the number of visitors decreased by 18 per cent, from 1,066,000 to 874,000.

21. Another factor that hampers an increase in revenue is the inadequate space occupied by both the Gift Centre and the Souvenir Shop. Storage, counter space and shopping areas are inadequate. This problem is under review by the Office of General Services.

22. The level of revenue from these activities depends essentially on the number of visitors. It seems likely, therefore, that unless there is an upsurge in visitors, revenue accruing to the Gift Centre and the Souvenir Shop will not increase over the next five years. A total net revenue for that period in the order of \$2,500,000 would therefore appear realistic.

Garage operations

23. The primary objective of the garage operation is to make available to delegates and staff assured access to the Headquarters building. It provides a service to the Organization, as well as to those who use its facilities, and thus is considered only secondarily as a revenue-producing activity. Even with maximum utilization of capacity, demand exceeds the available supply of 1,105 spaces. Parking authorizations are therefore issued to staff members on a selective basis, in which official function, physical handicaps, place of residence and access to public transportation are taken into consideration.

24. Revenue from the garage operation has remained fairly constant over the period 1968 through 1972 at about \$120,000, after deduction from gross revenue of the salaries and common staff costs of three staff members in the Commercial Management Service. Effective 1 January 1973, the salaries and common staff costs of two security guards in the garage will be charged to this activity; although this will reduce net revenue by some \$35,000, the effect on net expenditure will be nil, as there will be a corresponding decrease in the expenditure sections of the budget.

5/ A/8706, vol. II, pp. 178-179, tables 4-12 and 4-13.

25. As parking rates have remained constant since 1951, a selective increase in the rate schedule will be put into effect on 1 January 1973. This increase will apply to categories of parking other than day parking, which is maintained at \$6.00 per month. It is estimated that, notwithstanding the accounting change referred to in paragraph 24 above, net revenue will be maintained at about \$100,000 per year.

Services to visitors

26. Guided lecture tours are conducted at Headquarters, at the Palais des Nations at Geneva and, on a small scale, at the Economic Commission for Latin America in Santiago. The tours are conceived primarily as a public information service and a means of informing visitors of the aims and activities of the United Nations. At Headquarters, however, a significant part of the income of other revenue-producing activities comes from visitors attracted by the guided tours.

27. The number of visitors at Headquarters grew steadily from 1953 to 1961, the first year in which the 1 million mark was passed. Attendance remained over 1 million through 1969, going over 1.1 million in 1964 and 1967. These two years may well have been exceptional: 1964 was the year of the New York World Fair, 1967 that of the Montreal Exposition. Since the latter year, there has been a sharp decline, the number of visitors dropping below 900,000 in 1971, with an estimated attendance of 800,000 in 1972. This decline has been attributed both to the recession in the tourist industry in New York and to a somewhat reduced public interest in the United Nations itself. The importance of the second factor appears to be confirmed by the experience in Geneva, where attendance has steadily decreased since 1965. Net revenue at Headquarters has reflected both the declining number of visitors and rising salary costs; the service has operated at a loss since 1969, with an anticipated deficit in 1972 of the order of \$250,000. 6/

28. Measures have already been taken both to increase income and to reduce expenditure. Guided tour fees will be increased from \$1.50 to \$2.00 for adults and from \$0.50 to \$0.75 for students and children, effective 1 January 1973. At the same time, the number of guides employed has been reduced. It is the intention of the Secretary-General to continue the efforts to achieve optimum utilization of the guides employed, as well as to review the number of posts charged to revenue for the provision of policy guidance, operational supervision and administrative support. The possibility of a more aggressive promotional campaign is also under review. Finally, the Secretary-General has commenced a market planning study of this activity, jointly conducted by the Office of Public Information and the Administrative and Management Service to permit a more accurate forecasting of manpower requirements in relation to the estimated number of visitors.

6/ See para. 6, note a/ of table.

29. The guided tours at the Palais des Nations have operated at a small but increasing deficit since 1966. As noted in the budget estimates for 1973, efforts are being made to make the programme more interesting by extending the itinerary to the new wing and by showing films. The fee will be raised from Sw. f.2.50 to Sw. f.350 per visitor on 1 July 1973.

30. The Secretary-General expects that the measures described in paragraphs 28 and 29 above will reduce the deficit in the Visitors Service. His objective is that this activity become financially self-supporting over the next five-year period.

Sale of publications

31. In his report on revenue-producing activities, referred to in paragraph 2 above, the Secretary-General indicated that "as regards the sale of publications, the decisions on what to print are affected by a number of factors unrelated to, and often inconsistent with, any idea of making the publications programme as a whole (that is, including costs of production) commercially profitable". The subsidiary character of the profit motive in this activity was referred to by the Advisory Committee in its report to the General Assembly at the twenty-fifth session, 7/ which stated that the revenue-producing activities could be divided into activities where "the profit motive is subsidiary and those where it plays a more prominent role. The former category covers the sales of publications".

32. Nevertheless, in order to give greater attention to the commercial aspects of the sales activity, the Sales Section was transferred, in 1959, from the Office of Public Information to the Publishing Service in the Office of Conference Services. In 1971, the Sales Section disseminated United Nations material, either by direct sale or through commercial intermediaries, in excess of 1.3 million items, to which must be added a further 870,000 through the United Nations bookshops in New York and Geneva. Individual items varied from 10-cent post-cards (of which 650,000 were sold by the bookshops) and OPI pamphlets sold at specially favourable bulk rates to non-governmental organizations, through all ranges of price and size up to such major publications as the Yearbook of the United Nations, the Statistical Yearbook and the Yearbook of National Accounts Statistics, the most recent editions of which are priced at between \$24.00 and \$28.00. It should perhaps be emphasized that all this material, bearing on the United Nations and its work in one way or another, was sold because of the existence of a latent public demand, which was stimulated as a consequence of the employment by the United Nations of commercial means of promotion and dissemination, including commercial agents and distributors, both in the public and private sectors. Furthermore, much of this material is purchased by libraries world-wide thus affording substantial additional readership leverage.

7/ Official Records of the General Assembly, Twenty-fifth Session, Supplement No. 8 (A/8008), para. 394.

33. The financial results from the sale of United Nations publications in recent years reflect the change from the accrual to the cash basis for recording revenue, which took place in 1968, as well as the implementation of the policy, adopted in the same year, of charging to revenue-producing activities all clearly identifiable related expenses. ^{8/} The gradual implementation of this latter policy makes it difficult to compare actual and projected financial results for 1968 with those for 1971 and later years, in that the latter include certain major items of expenditure, such as "rental of premises", which were not included in earlier years; furthermore, the 1968 income includes a non-recurring item of \$84,235.15 in consequence of the switch in that year from the accrual to the cash basis for recording revenue. Adjusting for these and other variations would have yielded credits to income of \$190,000 in 1968, \$236,000 in 1969 and \$51,000 in 1970, on a basis of strict comparability with the \$117,888 reached in 1971.

34. Total cash income in 1971 reached a record total of \$1,524,626, showing an increase of 17 1/2 per cent over 1970. These results reflected not only higher prices established for United Nations publications but the impact of an intensified promotional campaign designed to offset the erosive effect on sales of these higher prices. Cash income for 1972 seems likely to reach approximately the 1971 level. However, notwithstanding intensified promotional efforts, there is evidence of some decrease in sales volume, attributable especially to cutbacks in library purchases in the United States, the most remunerative market, consequent upon reductions of governmental expenditure for educational purposes. As a result of this decrease in sales volume and of other factors, ^{9/} net income from the sale of publications is expected to reach allow of \$20,000 in 1972, as against the 1971 figure of \$177,888.

35. As regards the future, the Sales Section has now undertaken responsibility for the sale of United Nations documentation on microfiche and microfilm, and additional revenue is expected to accrue from these activities in 1973 and beyond; it is not however possible to give any realistic estimate of revenue until more information is available regarding the response to these new initiatives. Consideration is also being given to a variety of measures with a view to increasing income without prejudice to the primary purpose of disseminating United Nations materials. These include the possibility of broadening the criteria for the acceptance for sale by the Bookshop of outside consignment items and a possible broadening of the use of outside publishers for the distribution of

^{8/} Official Records of the General Assembly, Twenty-second Session, Supplement No. 5 (A/6705), income section 4, para. 4.3.

^{9/} These include the transfer of three General Service posts from the expenditure sections of the budget to revenue, and a sharp increase in Swiss postal rates.

United Nations material, with a view to increasing royalty income without prejudice to direct sales revenue. In any event, given the nature of this activity, increases in revenue are not likely to be significant, and the Secretary-General considers it prudent to estimate related revenue over the next five years in the vicinity of between \$100,000 and \$150,000 per year.

Summary of present revenue-producing activities

36. It therefore appears reasonable to assume, over the next five-year period, a relatively small increase in revenue over the 1972 level under income section 4 of the budget, with net proceeds climbing steadily towards, but not exceeding, the \$5 million level. As the lion's share of this figure is expected to continue to accrue from UNPA, it is the Secretary-General's intention to conduct market analysis and productivity studies in this area from time to time in order to maximize the profit resulting from this activity.

Possible new revenue-producing activities

37. Three possible new revenue-producing activities have been suggested, or formally proposed, by representatives of various delegations. These are, in chronological order of the proposals made, a world-wide lottery, a special trust fund and the issuance of United Nations coins.

Lottery

38. A United Nations world-wide lottery was suggested at the twenty-sixth session of the General Assembly by the representative of Ghana, and the same representative has made a formal proposal to the Fifth Committee at the current session. Under the terms of this proposal, the Secretary-General would be requested to undertake an evaluation of a world-wide lottery as a potential source of revenue. Such a study would include the political, cultural, legal and administrative problems involved.

39. The Secretary-General had given preliminary consideration to this proposal. It is his understanding that lotteries now exist in 57 countries - in most of them as a nation-wide lottery run by the Government, but in some cases operated on a more restricted basis. Lottery is specifically prohibited by law in one country, and the laws of most countries do not permit the sale of foreign lottery tickets. Accordingly, a United Nations lottery would probably require enabling legislation, which would have to be sought through the constitutional process of each of the countries concerned. It is also probable, in this regard, that countries holding lotteries would have some feeling of concern at what would in effect amount to competition with the revenue producing activities of the countries involved.

40. It would appear from the above that a fairly world-wide United Nations lottery might be difficult to achieve and would take considerable time. However, if authorization were received from at least a substantial number of Member States, especially those which themselves operate or permit lotteries, it might be possible to develop a United Nations lottery, provided it proved to be otherwise feasible and were carefully scheduled with regard to the existing lottery pattern in each country.

41. A possible variant of a United Nations world-wide lottery might be an agreement, entered into with as many Governments as possible, to hold a special lottery drawing for United Nations purposes, organized in each case by the national lottery organization on a fixed date each year, to be announced well in advance and to take place at the time of the year when maximum proceeds are likely. This variant would seem to have some advantage in terms of legal and administrative simplicity.

42. The above preliminary considerations refer, of course, to only some of the issues involved. Therefore, should the General Assembly so decide, the Secretary-General would undertake an evaluation of the feasibility of a lottery in all its aspects and report to the General Assembly at its twenty-eighth session. Since the expertise required for this purpose does not exist in the United Nations, this evaluation would in all likelihood have to be carried out by a consultant. The estimated cost is \$8,000.

Special trust fund

43. At the 2051st plenary session of the General Assembly, the representative of Liberia proposed the establishment of a special United Nations fund, to which financial contributions from non-governmental sources could be made.

44. The Secretary-General sees promise in this suggestion, but certain conditions would have to be fulfilled. Thus, unless an imaginative, forceful and urgent message is devised, and unless the full co-operation of Governments is provided in both the organization of the campaigns and collection of the proceeds, it is unlikely that a world-wide appeal for funds would result in significant long-term contributions. In a campaign of a somewhat similar nature, the United Nations appeal for children, a total of almost \$14,000,000 was obtained between 1948 and 1957. Net proceeds of the campaigns during this period were as follows:

1948	\$ 5,872,200
1949	4,917,100
1950	1,481,169
1951	168,148
1952	44,834
1953	651,247
1954	192,000
1955	357,497
1956	91,679
1957	158,472
Total	<u>\$13,934,346</u>

45. The above figures would suggest that the full impact of such a campaign can be relatively short-lived, since it may not be possible to maintain for a long term the forcefulness and, especially, the urgency of the campaign. The Secretary-General would therefore suggest that the General Assembly may wish to consider the possibility of a fund to which not only individuals but Governments could make contributions on a voluntary basis.

Coins

46. The Secretary-General has also given preliminary consideration to the suggestion made by the representative of Italy that the United Nations issue its own coins. The alternative possibilities in this connexion are, first, the issuance of coins that would supposedly have the status of legal tender or, second, the issuance of souvenir coins, which would not in any manner constitute legal tender.

47. The first alternative would imply the establishment of a United Nations currency with which goods and services could be purchased only at United Nations Headquarters, and which would be exchangeable, also at United Nations Headquarters only for United States currency. Since the issuance of currency is generally considered as requiring reserve backing, this question would have to be studied with great care. Negotiations with, and the approval of, the host country would, as was the case with postage stamps, be required. Detailed rules would have to be developed and protection sought against counterfeiting and fraud.

48. The second alternative would not, of course, require any such detailed consideration, and it is entirely possible for souvenir coins to be issued in the same manner as commemorative medals are issued at present. Indeed, the coin programme would then, in effect, be an extension of the commemorative medal programme, and the coins could be issued from time to time as "proof sets". However, in the opinion of numismatic experts who have been consulted, a coinage that does not have the status of legal tender is not attractive to coin collectors.

Treatment of the proceeds of revenue-producing activities

49. Though the proposal for a special United Nations fund has been dealt with above for the sake of completeness, there is an essential difference between it and the rest of the activities to which this report refers. This difference is in the treatment of the respective proceeds. Under financial regulations 6.6, 6.7 and 7.3, the Secretary-General can establish trust funds or special accounts, clearly defining their purpose, and accept voluntary contributions to them. The Secretary-General sees the proposed special United Nations fund as falling under the provisions of these regulations, and the contributions thereto could be allotted for specific purposes, such as the restoration of the financial solvency of the Organization. On the other hand, the remaining activities dealt with in this report come under the purview of financial regulation 7.1, which provides that "All other income ... shall be classed as miscellaneous income, for credit to the General Fund". Therefore, revenue derived from these activities

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accrues to Member States. The Secretary-General notes, in this connexion, that from the statements of some of the delegations that have suggested new revenue producing activities there could be inferred a link between these new activities and the financial situation of the Organization. In view, however, of the specific wording of financial regulation 7.1, specific authority from the General Assembly would be required to utilize present or future miscellaneous income, including that generated from revenue-producing activities, for purposes other than as a credit to the General Fund.
