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REPORT OF THE NEGOTIATING COMMITTEE ON THE FINANCIAL
EMERGENCY OF THE UNITED NATIONS

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* This is an advance version of the report of the Negotiating Committee on the Financial Emergency of the United Nations, which will be issued in printed form as Official Records of the General Assembly, Thirty-first Session, Supplement No. 37 (A/31/37).

I. INTRODUCTION

1. The Negotiating Committee on the Financial Emergency of the United Nations was established by General Assembly resolution 3538 (XXX) on 17 December 1975. The Committee was to consist of 54 Member States to be designated by the President of the General Assembly on the basis of equitable geographical balance.

Mandate

2. The mandate of the Committee as set out in paragraphs 4, 5 and 7 of General Assembly resolution 3538 (XXX) was as follows:

"4. ... to bring about a comprehensive settlement of the critical financial situation of the United Nations, taking into account, inter alia:

(a) the need to implement the consensus of the Special Committee on Peace-keeping Operations adopted by the General Assembly at its nineteenth session on 1 September 1965 regarding the financial difficulties of the Organization.

(b) paragraphs 11 and 19 of the report of the Special Committee on the Financial Situation of the United Nations 1/ and the terms of General Assembly resolution 3049 (XXVII) of 19 December 1972;

(c) progress which has been achieved on the basis of paragraph 4 of resolution 3049 (XXVII) and as a result of changes in announced policy.

(d) the elimination of certain differences between Member States as a result of supervening action by the General Assembly at its twenty-eighth session."

1/ Official Records of the General Assembly, Twenty-seventh Session, Supplement No. 29 (A/8729)

"5. ... to examine the appropriate level of the Working Capital Fund as well as the financial regulations governing its operation in the light of the changing requirements of the Organization."

"7. ... to report to the General Assembly at its thirty-first session on the progress achieved, with recommendations on further steps that should be undertaken to solve the financial problems of the United Nations."

Membership

3. In a communication dated 8 April 1976 (A/10508), the President of the General Assembly informed the Secretary-General that, following consultations with the chairmen of the regional groups, he had appointed the following 46 Member States as members of the Negotiating Committee, on the understanding that he would proceed with the appointment of the other members of the Committee as soon as candidates became available:

Argentina, Austria, Bangladesh, Bolivia, Canada, Chad, Colombia, Cuba, Ecuador, Egypt, Finland, France, Gabon, German Democratic Republic, Germany (Federal Republic of), Ghana, Greece, Grenada, India, Indonesia, Iran, Ireland, Italy, Jamaica, Japan, Jordan, Kenya, Kuwait, Libyan Arab Republic, Malawi, Mexico, Morocco, Nigeria, Pakistan, Philippines, Poland, Spain, Sudan, Sweden, Trinidad and Tobago, Turkey, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Upper Volta and Venezuela.

Swaziland and Tunisia joined the membership at a later stage during the Committee's deliberations.

4. The Negotiating Committee unanimously elected Mr. Frank Edmund Boaten, Permanent Representative of Ghana to the United Nations, as Chairman. It also elected Mr. Anwar Kemal (Pakistan) as Vice-Chairman and Mr. Brian Nason (Ireland) as Rapporteur.

Background

5. In the introduction to his annual report on the work of the Organization 2/ to the General Assembly at the thirtieth session, and in a statement before the

2/ Official Records of the General Assembly, Thirtieth Session, Supplement No. 1A (A/10001/Add.1).

Fifth Committee on 25 September 1975, ^{3/} the Secretary-General expressed serious concern over the continuing financial difficulties of the Organization. He stressed the fact that the Organization had no reserves to fall back on; that the Working Capital Fund had been fully depleted; that repeated efforts to eliminate the accumulating deficit had borne no fruit within the past year. Moreover the promptness, or lack thereof, with which Member States paid their assessed contributions was also an important factor in assuring the flow of cash to meet essential requirements from month to month. The Secretary-General appealed to Member States to consider seriously a new approach to the financial problems so as to enhance the Organization's financial viability for the future and to reinforce its ability to discharge its tasks effectively.

6. The decision to establish a Negotiating Committee was in response to this appeal from the Secretary-General. It reflected the concern of Member States as to whether the Organization could continue to carry out its current global programmes in a satisfactory manner, and whether it could fully achieve its complex new tasks, including the development of a new economic order pursuant to resolution 3362 (S-VII) of the seventh special session.

7. In addition to the relevant background documentation furnished by the Secretariat, the Committee requested and received from the Controller two working papers. One of the papers dealt with the technical assistance programme in the regular budget of the United Nations and indicated how it related to the activities of the United Nations Development Programme (UNDP) and other agencies. It also included details on the history and content of the programme, as well as on the related question of the utilization of non-convertible (national) currencies tendered by some Member States in respect of their assessed contributions for the programme. The second document provided background to the issues before the Committee and analysed the latest information regarding the financial situation of the United Nations.

8. The Committee held seven meetings during its first session from 14 April to 20 May 1976, and five meetings during its second session from 22 September to 15 December 1976.

Statement of the Secretary-General before the Committee

9. On 14 April 1976, the Secretary-General convened the first meeting of the Negotiating Committee. In so doing he expressed the hope that it would be possible to transcend political differences and to work towards more permanent and adequate solutions of the Organization's financial difficulties that would be satisfactory to all. He stated that there was a real need to achieve an agreed formula which, on the one hand would ensure prompt and full payment of assessed contributions by all Member States thereby providing the cash flow that was vital to the operation of the Organization, and on the other hand would provide for the elimination of the accumulated deficit.

^{3/} Ibid., Annexes, agenda item 96, document A/C.5/1685.

10. The Secretary-General paid tribute to the efforts theretofore made to resolve the Organization's financial problems by the Special Committee on Peace-keeping Operations, the Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies and the Special Committee on the Financial Situation of the United Nations which, although not completely successful, formed a working basis upon which the Negotiating Committee could build.

General debate

11. Comments and observations made by those Members who took part in the general debate, as well as in the later discussion, are reflected under each of the headings in paragraphs 19 through 52 below. Background material has been included in certain instances for information purposes.

12. At the conclusion of the general debate it was generally agreed that, in conducting its negotiations, the Committee would organize its work under the same three general headings as did the Special Committee on the Financial Situation of the United Nations, i.e. the financial problem as it relates to the past, present and future. It was recognized that this did not necessarily imply that separate agreements would be sought under each of the three broad headings. The issues involved were interrelated and any settlement would need to embrace all aspects of the problem. This however, did not preclude any partial or interim solution of various parts of the problem which might facilitate the achievement of further progress toward a definite comprehensive settlement. Most of the delegations participating in the general debate stressed the need for reaching solutions by consensus in an atmosphere of compromise and conciliation rather than confrontation.

13. Certain members expressed the view that it was misleading to consider the financial situation of the Organization as an "emergency". The Secretary-General himself had, at the beginning of the current year, described the United Nations budgetary difficulties as being similar to those of any national Government at that time. In spite of the problems of inflation and currency fluctuation the Organization had been able to carry on with its work, and although it was faced with cash short-falls and similar difficulties at times, Governments had usually made the necessary contributions in order to overcome the immediate financial difficulties. It was pointed out by one Member, however, that the financial emergency had been acknowledged as such by the General Assembly in resolution 3538 (XXX). Another Member observed that the Organization could probably struggle along by inappropriately borrowing from different funds, by cutting programmes and by distorting priorities all of which would serve to defeat the objectives of the Organization.

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Organization of work

14. The Committee agreed to start its discussion with the problems relating to the future and, after some exchange of views, agreed to include under this heading the question of prompt payment of assessed contributions, the responsibility of Member States to pay their assessments in full, their right to object to any item of the budget for reasons of principle, the financing of the United Nations bond issue and the inclusion in the regular budget of expenditure relating to the Regular Programme of Technical Assistance.

15. There were differences of opinion as to whether the Committee should deal with the subject of budget growth. The view was expressed that the level of the budget was a subject for other bodies to discuss and was not a part of the mandate of the Negotiating Committee. Other Members took the view that the rapid growth of the budget was an important aspect of the financial difficulties of the United Nations and, as such, constituted part of the comprehensive solution called for under the Committee's mandate.

16. The Committee agreed to discuss under the heading relating to problems of the past the question of the liquidation of the short-term deficit attributable to the regular budget of the United Nations including the deficit amounting to \$16.6 million resulting from the unpaid assessed contributions which were transferred to a special account pursuant to General Assembly resolution 3049 C (XXVII) of 19 December 1972.

17. It was generally agreed that the question of the level of the Working Capital Fund was closely related to the cash-flow problem, but that any action on this question would not in itself solve the basic problem of the accumulated deficit. The question could therefore be examined at a later stage in the Committee's negotiations (see paras. 50 and 51 below).

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II. GUIDELINES FOR A FINANCIAL ACCORD

18. It had become clear at the end of the general debate that there had been no basis established on which the Committee could conduct its negotiations. After a number of informal consultations, the Chairman of the Committee prepared and presented to the Committee a working paper on guidelines for a Financial Accord, containing possible elements of a comprehensive "package" solution to be used as a basis for discussion. The guidelines, which appeared in the form of a Committee working paper and was revised at later stages of the negotiations, read as follows:

"Guidelines submitted by the Chairman for discussion and negotiation

"I. STRATEGY: A FINANCIAL ACCORD BASED ON A PACKAGE SOLUTION

"Resolution 3538 (XXX) states the determination of Member States to arrive at a lasting solution to the financial problems of the Organization; the Negotiating Committee can best translate this determination into reality by promoting a "Financial Accord" which can be incorporated, in an appropriate form, into a resolution at the thirty-first session of the General Assembly. It is envisaged that a comprehensive package solution, entailing genuine concessions by all parties, would form the basis of such a Financial Accord.

"II. POSSIBLE ELEMENTS OF A PACKAGE SOLUTION

"A. Basic principles to guide the Negotiating Committee's work

"1. The collective responsibility of Member States for the financial security of the United Nations in accordance with relevant Charter provisions;

"2. The determination of Member States to arrive at a lasting solution of the financial problems of the Organization in order to enable it to play its rightful role in safeguarding international peace and security and in promoting the economic and social development of developing countries and other Charter objectives; and

"3. Implementation of the consensus of the Special Committee on Peace-keeping Operations adopted by the General Assembly on 1 September 1965.

"B. The future

"1. The necessity of a solemn undertaking by all Member States to make full and prompt payments of their assessed contributions to the regular budget of the United Nations in observance of regulations 5.4 and 5.5 of the Financial Regulations of the United Nations. At present, partial and tardy payments by Member States is one of the causes of the United Nations liquidity crisis (withholding is another). If Member States, particularly the major donors, were to pay their assessed contributions in full early in February, the

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United Nations could earn substantial amounts of interest which cannot be earned at present. It follows that it might be useful to explore whether the Organization should be compensated for any shortfall in potential income from this source if Member States were to be required to pay interest in respect of contributions overdue. The interest earned could contribute significantly to the solution of financial problems of the Organization.

"2. Recognition of the responsibility of each Member State to pay its full assessed share of contributions to the regular budget and, at the same time, mention of the right of each Member State to register its objection to any item of the budget on grounds of high principle and in accordance with normal and accepted practice.

"3. Removal of the item entitled 'United Nations bonds' from the expenditure sections of the programme budget as from 1 January 1977, on the understanding that the payment of interest and the repayment of principal on outstanding bonds shall be financed to the largest possible extent from such unspent balances of appropriations as may be surrendered under Financial Regulations 4.3 and 4.4 and from income under Income Section 2 (General income), including, in particular, the increased interest earnings referred to in paragraph 1 above, and Income Section 3 (Revenue-producing activities) of the budget. Instead of distributing the amounts to Member States in proportion to the scale of assessments, they would be used to defray United Nations bond costs at a rate of about \$8.7 million per annum. To this end it would be necessary for the General Assembly to suspend the operation of certain of the Financial Regulations until such time as the Bond Issue has been fully amortized. Income and savings beyond the amount utilized for the repayment of the bonds would continue to be returned to Member States, unless Member States decide that this excess should be used to make bond payments at a faster rate. On the other hand, should any shortfall from the above-mentioned sources occur in any given year, it would be met by additional appropriations within the same financial year. The system outlined above is considered to be one of the key elements of the Financial Accord.

"4. Assessed contributions for financing of the Regular Programme of Technical Assistance to be paid in a form acceptable to the Secretary-General, in accordance with relevant Financial Regulations and decisions of the General Assembly.

"C. Budget

"1. Enforcement by Member States, through the Secretary-General, of rigorous discipline on budgetary expenditure of the United Nations.

"2. The obligation of the Secretary-General, in order to ensure optimum use of available financial resources, to do his utmost to curb waste, inefficiency and duplication of activities within the Secretariat.

"3. In order to enhance the effectiveness of the Organization and to make it

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more responsive to the concerns and priorities of its Members, obligation of the Secretary-General, in accordance with resolution 3534 (XXX), to intensify his efforts to identify programmes, projects or activities within the United Nations which are already completed, nearly complete, or which have been considered by appropriate intergovernmental bodies - in particular when they examine the medium-term plan - as obsolete, of marginal usefulness or ineffective. Obligation to undertake steps towards reorganization, merging and eliminating, if necessary, units within the Secretariat established for the foregoing programmes, projects or activities.

"4. Determination by the General Assembly at its current session, of the appropriate level of the programme budget for 1978-1979. This could take the form of a decision to the effect that the appropriations to be proposed for the biennium 1978-1979 should be maintained at the revised level for continuing requirements which might be approved by the General Assembly at its current session for the biennium 1976-1977, except that additional appropriations might be requested for 1978-1979 to cover the additional cost on a biennial basis of the new posts approved for the current biennium with an appropriate deduction for recruitment delay; unforeseen and extraordinary expenses, cost increases resulting from factors such as subsequent variations in price levels and rates of exchange; and the financial implications of decisions which might be taken by the appropriate intergovernmental organs, and approved by the General Assembly, during the period 1977-1979.

"D. Past deficit

"1. Liquidation of the short-term deficit attributable to the regular budget by means of a pledging conference to be convened by the Secretary-General as soon as possible and which would be open to all Member States and non-Member States. The aim of the pledging conference would be to enable Member States and non-Member States to make voluntary contributions in cash and/or through cancellation of debts owed to them by the United Nations. An appropriate mechanism for such a Conference would be a matter for further negotiations, bearing in mind the various elements of the deficit.

"E. Implementation and review

"Set forth the role of the Secretary-General and Member States in the follow-up on the implementation of the Financial Accord of 1976 and call for a progress report to be submitted to the General Assembly at its thirty-second session."

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The Future

Prompt payment of assessed contributions

19. One of the factors dealt with under this heading in the guidelines submitted by the Chairman of the Committee was the necessity for all Member States to make full and prompt payment of their assessed contributions to the regular budget of the United Nations in order to ease the liquidity crisis. Full and prompt payment, particularly by the major contributors, could enable the Organization to earn a substantial amount of interest income which at present was not possible.

20. In this connexion, the representative of the United States announced that his Government expected to advance the date of full payment of its 1976 assessment, and expected also to be able to pay subsequent assessments within 30 days of its being informed by the Secretary-General of the amount of its assessment for that year.

21. One Member could not agree that late payment of assessed contributions itself constituted one of the main causes of the Organization's financial difficulties. He maintained that the basic causes for these difficulties were (a) the inclusion in the regular budget of the United Nations of expenditure in respect of actions taken in contravention of the Charter, (b) the unpaid assessments which were transferred to a special account pursuant to General Assembly resolution 3049 C (XXVII) of 19 December 1972, (c) the unjustifiably rapid rate of growth in the United Nations budget. In the early years of the United Nations, the timing of payment of assessments was never a significant factor and only became relevant to the financial situation of the Organization with the inclusion of expenditure in the regular budget which was in contravention of the Charter.

Full payment of assessed contributions

22. The Committee recognized that the most important and politically sensitive issue in its negotiations with respect to reducing the continuing and cumulative deficit was the question of eliminating the withholding by certain Member States, for stated reasons of principle, of their shares of certain of the expenses provided for under the United Nations regular budget.

23. As at 31 December 1975, it was estimated that of a total of \$60.7 million in assessed contributions which remained outstanding, an estimated \$48.9 million represented cumulative withholdings stated to be for reasons of principle.

24. Some members of the Committee stressed that the collective responsibility of Member States as stated in Article 17.2 of the United Nations Charter which provides that 'the expenses of the Organization shall be borne by the Members as apportioned by the General Assembly' was essential to the financial well-being of the Organization.

25. It was recalled that, in order to ease the financial difficulties of the Organization and reduce the continuing and cumulative deficit, two Member States, France in 1972 and Albania in 1974, began payments towards certain expenses to which they had previously objected on grounds of principle.

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26. The view was expressed that although no useful purpose would be served by recriminations over past positions it would not be ignored that the deficit came into being and continued to increase because of withholdings of assessed contributions for appropriated expenses. If a collective effort to find ways of stopping such withholding was not possible, it might be necessary to adjust expenditure to whatever could be financed collectively.

27. Certain members of the Committee reiterated their long-standing position that the "so-called" deficit existed only because certain items of expenditure were included in the regular budget in flagrant violation of the United Nations Charter.

United Nations Bond Issue

(i) Background

28. At its sixteenth session, in 1961, the General Assembly adopted resolution 1739 (XVI) under the terms of which it inter alia recognized that extraordinary financial measures were required in order to allow the United Nations to discharge its responsibilities and to implement the activities and programmes approved by the Assembly and decided to:

(a) authorize the Acting Secretary-General to issue United Nations bonds, limited to the equivalent of \$200 million, in accordance with certain terms and conditions set forth in an annex to the resolution;

(b) further authorize him, subject to such decisions as the General Assembly might later adopt, to utilize the proceeds from the sale of such bonds for purposes normally related to the Working Capital Fund;

(c) include in the regular budget of the Organization annually, beginning with the budget for the year 1963, an amount sufficient to pay the interest charges on such bonds and instalments of principal due on such bonds.

29. The total proceeds of the bonds sold under this resolution, and under subsequent resolutions which extended the period up to which the bonds could be sold to 31 December 1964, amounted to \$169,905,678. In addition, interest in the amount of \$3,188,418 has been earned thereon making a total of \$173,094,096. The bonds are due to be fully amortized in 1989. As of the date of this report bond principal in the amount of \$86,214,047 remains to be amortized.

30. The proceeds of the bond sale were used to finance expenditures arising from the United Nations Emergency Force (UNEF) in 1956 and the United Nations Operations in the Congo (ONUC). From these proceeds an amount of \$129,046,072 was used to finance the operations during the period 1 July 1962 to 30 June 1963 for which no assessment had been made on Member States in respect of the expenditures authorized by the General Assembly.

31. Certain Member States maintained that utilization of the proceeds from the sale of the bonds for purposes normally related to the Working Capital Fund and for financing operations such as the UNEF (1956) and ONUC was in contravention of the provisions of the United Nations Charter. On principle, therefore, they did not participate in financing the principal and interest in

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respect of the bonds assessed as part of the United Nations regular budget. As at 31 December 1975 such withholdings amounted to \$28.8 million.

32. In 1972, France, one of the Members which had been withholding its share of the assessment for financing the bond expenditure, decided, in order to assist in restoring the financial viability of the Organization and while still maintaining its position of principle, to undertake to pay its full share of that expenditure for 1972 and thereafter.

(ii) Discussion in the Committee

33. One of the key elements of the guidelines for a financial accord suggested by the Chairman of the Negotiating Committee was the proposal that the costs relating to the United Nations bonds be removed from the expenditure side of the United Nations regular budget as from 1 January 1977 on the understanding that such expenditure would be financed to the largest extent possible from such unspent balances of appropriations as might be surrendered under Financial Regulations 4.3 and 4.4 and from income under Income Section 2 of the budget (General income) (including in particular increased interest earnings which would result from earlier payment of assessed contributions) and from Income Section 3 (Revenue-producing activities). Instead of crediting such amounts proportionately to the assessments of Member States they would be used to defray the United Nations bond expenditure at a rate of about \$8.7 million per annum. To this end, it would be necessary to suspend the operation of the relevant Financial Regulations until such time as the bond issue would be fully amortized. If, however, any short-fall from the above-mentioned sources occurred in any given year, it would be met by additional appropriations within the same financial year.

34. Some members of the Committee stated their readiness to consider the removal of the costs relating to the bond issue from the expenditure side of the budget and to have these costs financed from miscellaneous income provided that such action would assure that the obligation to repay the holders of the bonds would be met.

35. The view was expressed that it would be contrary to the Financial Regulations of the United Nations to use the interest earned as a result of early payment of contributions to solve other problems: this interest would normally be deducted from the appropriations for purposes of assessments. Moreover, it would be illogical to use budgetary savings for financing the bond issue.

36. Certain members of the Committee while not objecting to the removal of the costs relating to the bond issue from the expenditure side of the budget could not agree that they should be financed from the miscellaneous income of the Organization. They believed that expenditure related to the United Nations bond issue should be met through voluntary contributions. The view was expressed that the developed countries which held United Nations bonds should forfeit repayment, while voluntary contributions might be used to repay the developing countries holding such bonds.

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Technical Assistance

(i) Background

37. Certain Member States maintained that inclusion of provision for the financing of the Regular Programme of Technical Assistance in the regular budget of the United Nations was incompatible with the administrative function of the budget, and were offering payment of their assessed share for the programme in their national currencies instead of United States dollars: a portion of the national currencies so offered has been accepted by the Secretary-General. They maintained that expenditure in respect of the programme should be met entirely by voluntary contributions, and that the currency of payment should be left to the discretion of those Member States making such contributions.

38. In 1974, Albania changed its position of principle and began paying, in United States dollars, its assessment, including arrears in respect of the programme.

39. According to the Financial Regulations of the United Nations, contributions to the regular budget are assessed and payable in United States dollars, except to the extent that the General Assembly authorizes the Secretary-General to accept, at his discretion and in consultation with the Committee on Contributions, a portion of the assessed contributions in other currencies which he believes he will be able to utilize. The Secretary-General has not been able to accept the non-convertible national currencies tendered in respect of assessments for the Regular Programme and has had limited success in utilizing them. As a result a total of \$15.2 million remained unaccepted as at 31 December 1975.

(ii) Discussion in the Committee

40. One of the elements in the plan submitted by the Chairman of the Committee proposed that the assessed contributions used for financing the Regular Programme of Technical Assistance should be paid in a form acceptable to the Secretary-General in accordance with the relevant Financial Regulations and decisions of the General Assembly.

41. One member of the Committee, in expressing his disagreement with the above-mentioned proposal noted that it presupposed the continued financing of technical assistance activities from the regular budget and reiterated his delegation's long-standing position that in accordance with the Charter the regular budget of the United Nations was intended to cover only administrative costs. Moreover, he would not agree to the inclusion in the deficit of the Organization of those amounts of unutilized national currencies offered by some Member States.

42. Some Members were ready to consider the removal of technical assistance expenditure from the regular budget provided that agreement could be reached ensuring that voluntary contributions to the United Nations Development Programme (UNDP) would be increased in amounts equal to or exceeding what would have been the share of each Member's assessed contribution to the Regular Programme of Technical Assistance under the regular budget. The view was also expressed that if such an agreement were to be reached these voluntary contributions should not exceed each Member's share.

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Budget (The Present)

43. The proposals included under this heading in the guidelines submitted by the Chairman of the Committee as a basis for discussion (para. 18 above) reflected the views regarding budgetary discipline which a number of Members expressed in relation to finding a solution to the financial difficulties of the United Nations.

44. These Members stressed (a) the importance of controlled budgetary growth, bearing in mind the views of all Member States; (b) the need for rigorous discipline with regard to budgetary expenditure; (c) the need to economize and ensure optimum use of available financial resources and to curb waste, inefficiency, duplication of activities within the Secretariat and (d) the need for the Secretary-General to intensify his efforts with regard to identifying programmes, projects or activities already completed, about to be completed or considered by appropriate intergovernmental bodies to be obsolete, and accordingly to take the necessary steps toward reorganizing, merging or if necessary eliminating, units of the Secretariat.

45. One Member observed that although waste of available resources was an important matter to be dealt with, it was not part of the question of the deficit of the Organization.

Past Deficit

(i) Background

46. The "short-term" deficit of the United Nations ^{4/} is comprised of (a) amounts outstanding as a result of withholdings by some Member States for stated reasons of principle, of their shares of assessed contributions in respect of certain items of the regular budget (b) amounts equivalent to the unused national currencies tendered in respect of financing technical assistance under the regular budget (c) unpaid assessments which were transferred to a special account pursuant to General Assembly resolution 3049 C (XXVII) of 19 December 1972 (d) assessments in respect of UNEF (1973), including UNDOF, to which certain Member States have announced they would not contribute for reasons of stated principle (e) net obligations incurred in excess of available funds in respect of UNEF (1956) and UNOC and (f) amounts due to certain Member States for reimbursable costs in connexion with peace-keeping operations. A projection of the short-term deficit as at 31 December 1976 is analysed in Annex I.

(ii) Discussion in the Committee

47. It was recalled that as a result of appeals made by the General Assembly in resolutions 2053 (XX) of 15 December 1965 and 3049 A (XXVII) of 19 December 1972 for voluntary contributions to help resolve the continuing financial difficulties of the Organization, 27 Member States had contributed a total of approximately \$38 million to the special account established for that purpose. The view was expressed that all Member States should consider making substantial voluntary contributions in a collective effort to put the Organization on a sound financial basis.

^{4/} As at December 1975 the 'A' deficit amounted to \$86.4 million and the 'B' deficit amounted to \$103.1 million, the difference representing amounts to be repaid or credited to Member States from surplus accounts for contributions to UNEF (1956) and UNOC. /...

48. In the guidelines submitted by the Chairman of the Committee, it was proposed that the short-term deficit might be liquidated by means of a pledging conference, to be convened at the earliest possible date, and open to all Member and non-Member States. The aim of the conference would be to enable Member States and non-Member States to make voluntary contributions in cash and/or through cancellation of debts owed to them by the United Nations. The proposal suggested that an appropriate mechanism for such a conference would have to be a matter for further negotiations bearing in mind the various elements of the deficit.

49. Some Members stated that they could support the suggested pledging conference provided appropriate steps were taken to ensure a proper climate for achieving the objective sought.

50. One Member stated that his Government would not be interested in attending any pledging conference without prior valid assurances that those Member States responsible for the deficit would make sufficiently substantial voluntary contributions or other payment of arrears, would discontinue withholdings and would make all future payments in "usable currencies".

Working Capital Fund

51. Some Members recalled that the level of budget expenditure had increased considerably since the present level of the Fund was set at \$40 million in 1963, and they would have preferred a percentage relationship between the Fund and the budget. It was also recalled that the stated purpose of the Working Capital Fund was the financing of appropriations pending the receipt of assessed contributions; some Members could not agree to the use of the Fund for other reasons such as for the financing of the over-all deficit in the regular budget which was the main reason for its "depletion". The view was expressed that it would be more appropriate to discuss how the present level of the Working Capital Fund could be restored and the Fund reconstituted for its intended use. One Member stated that he could not support any increase in the Fund since it would solve nothing and would probably delay the time when the total membership would be compelled to face up to the Organization's financial problems.

52. In submitting the plan which he proposed as a basis for discussion, the Chairman of the Committee pointed out that the question of the Working Capital Fund had not been included. During informal consultations which he had held, many Members had expressed the view that replenishment of the Fund would not in itself solve the financial problem and that, in any event, if agreement could be reached on a package solution the reasons for replenishing or increasing the Fund would need to be further examined.

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Conclusion of the Discussion on the Guidelines
for a Financial Accord

53. One Member stated that although some of the elements in the guidelines submitted by the Chairman as a basis for discussion represented a step forward, on the whole, his delegation could not support them. In particular, he could not agree that late payment of contributions or the non-payment of a portion of contributions were causes of the financial difficulties of the United Nations. It was general knowledge that the real causes of those difficulties were (a) inclusion in the regular budget of expenditure for the financing of actions taken in contravention of the Charter, (b) the unpaid assessments which were transferred to a special account pursuant to General Assembly resolution 3049 C (XXVII) of 19 December 1972, (c) the lack of proper control over the growth of the United Nations budget and the lack of efficient and economical management of available resources. While advocating the exclusion of expenditure on United Nations bonds from the expenditure side of the regular budget, his delegation could not in any way agree to that expenditure being financed from the income side of the budget. The Member States responsible for carrying out actions that were in contravention of the Charter should bear the responsibility for the consequences. His delegation also objected to technical assistance expenditure being included in the United Nations regular budget, since it maintained that it was contrary to the administrative function of the budget.

54. Another Member concurred in the above comments and stated that although the guidelines represented a step forward in respect of some important elements, his delegation could not accept them fully as a basis for a financial accord.

55. The Chairman of the Negotiating Committee observed that he had believed the Committee to have been proceeding on the assumption that all Members were interested in finding a solution to the financial problems of the Organization. While giving due recognition to the positions held on various issues, the primary objective had been to forget the past and to seek a comprehensive solution to the financial emergency. While the guidelines he had suggested did not seek to satisfy all Members, he had hoped that they would provide a basis for discussion and that the Committee would accept as its primary responsibility the effort to restore financial strength to the United Nations.

56. One Member observed that the late payment of contributions had not been described in the guidelines as the main cause of the financial emergency but rather as a cause of the cash-flow problem. He could accept deletion of the relevant reference to the cause of the problem in the plan if a certain other Member would accept the substance of the plan. In this context he noted that if each Member State did pay their assessed contribution on time, the Organization could earn up to \$10 million a year in interest which could be used to help finance the United Nations Bond Issue. The use of interest payments to finance the repayment of bonds could hardly be considered contrary to the position of principle of any Member State. As to the provision for technical assistance activities, he expressed the opinion that developing countries would not as a matter of principle agree to its removal from the regular budget. Finally, he pointed out that important concessions had been offered to a certain Member in the revised guidelines with regard to the level of the budget for the 1978-1979 biennium.

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57. Some Members stated that they could not agree with some elements in the guidelines but that they remained open to discussion.

58. One Member declared that his delegation had some difficulties with the guidelines but believed that they should go forward in the report of the Committee to the General Assembly to serve as a basis for further discussion.

59. Other Members endorsed the guidelines as a basis for further negotiation in the Committee.

60. The Committee, at the suggestion of some of the Members, agreed to submit a report to the General Assembly which would not seek to apportion blame and would include the guidelines submitted by its Chairman as a basis for discussion.

III. RECOMMENDATIONS

61. The Negotiating Committee was unable to reach a consensus on a solution to the financial difficulties of the Organization. Some Members, while not fully in agreement with elements of the Chairman's guidelines cited above, were willing to accept the guidelines in order to promote efforts in the Committee to reach a financial accord. However, because of the fundamental objections of certain Member States to the guidelines, such an accord was unattainable. Accordingly, the Committee is not able to put forward recommendations to the General Assembly for an agreed solution to the financial difficulties facing the Organization.

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ANNEX I

ANALYSIS OF THE ESTIMATED SHORT-TERM DEFICIT OF THE UNITED NATIONS
AS AT 31 DECEMBER 1976
(EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS)

	<u>"A" deficit</u>	<u>"B" deficit</u>
1. <u>Regular budget and Working Capital Fund</u>		
a. Amounts withheld by Member States which, because of positions of principal have not participated in the financing of certain regular budget items	50.2	50.2
b. Special account for assessed contributions unpaid pursuant to General Assembly resolution 3049 C (XXVII)	<u>16.6</u>	<u>16.6</u>
Subtotal	<u>66.8</u>	<u>66.8</u>
2. <u>United Nations Emergency Force (UNEF) (1973) and UNDOF</u> Amount Member States have stated is being withheld	<u>18.4</u> ^{a/}	<u>18.4</u> ^{a/}
3. <u>United Nations Emergency Force (UNEF) (1956)</u> Conditional voluntary contributions received; repayable to Governments Obligations incurred in excess of assessed contributions, voluntary contributions and miscellaneous income available	0.6	0.6
Less: Financed from the United Nations bonds	39.0 ^{bc/}	39.0 ^{bc/}
Financed from the United Nations Special Account, General Assembly resolution 2115 (XX)	(8.1)	(8.1)
Net obligations incurred in excess of available funds	<u>(3.9)</u>	<u>(3.9)</u>
	<u>27.6</u>	<u>27.6</u>
4. <u>United Nations Operation in the Congo (ONUC)</u> Conditional voluntary contributions received; repayable to Governments Obligations incurred in excess of assessed contributions, voluntary contributions and miscellaneous income available	1.6	1.6
Less: Financed from the United Nations bonds	48.4 ^{bd/}	48.4 ^{bd/}
Net obligations incurred in excess of available funds	(35.9)	(35.9)
	<u>14.1</u>	<u>14.1</u>
5. <u>Total gross deficit</u>	126.9	126.9
6. <u>Less: Voluntary contributions and pledges to the United Nations</u> United Nations Special Account	<u>34.5</u> ^{ef/}	<u>34.5</u> ^{ef/}
7. <u>Net "A" deficit</u>	<u>92.4</u>	<u>92.4</u>
8. <u>Add: Amounts to be repaid or credited to Member States from surplus accounts</u> for contributions to: UNEF (1956)		1.1
ONUC		<u>15.6</u>
9. <u>Net "B" deficit</u>		<u>109.1</u>

^{a/} Assessed contributions for the Force, pro-rated through 31 December 1976, which five Member States have stated they do not intend to pay.

^{b/} The amounts shown above include an allowance of \$2.8 million for currency translations.

^{c/} The above amounts for UNEF (1956) have taken into consideration the claims received from Governments but not yet accepted by the United Nations and estimates for provisions in respect of reimbursable costs for which no claims have yet been received from Governments.

^{d/} Provision has been made in the above table for reimbursable costs for which claims have been received but not accepted and for the estimated claims for services supplied by Governments to ONUC.

^{e/} Excludes \$10 million received for the purposes of General Assembly resolution 3049 A (XXVII), which was contributed with the expectation of inducing other Member States to make voluntary contributions of sufficient amount to arrive at a total solution of the financial problems of the Organization.

^{f/} Includes \$0.4 million pledged by three Member States for which payments have not yet been received.

ANNEX II

United Nations General Fund, Working Capital Fund and Special Account:

Statement of cash position for 1976 a/

(Expressed in United States dollars)

	31 January 1976 (actual)	29 February 1976 (actual)	31 March 1976 (actual)	30 April 1976 (actual)	31 May 1976 (actual)	30 June 1976 (actual)	31 July 1976 (actual)	31 August 1976 (actual)	30 September 1976 (actual)	31 October 1976 (actual)	30 November 1976 (actual)	31 December 1976 (estimated)
Net cash at banks, on hand and invested at 1 January 1976....	(7.4)	(7.4)	(7.4)	(7.4)	(7.4)	(7.4)	(7.4)	(7.4)	(7.4)	(7.4)	(7.4)	(7.4)
Income, regular budget:												
Assessed contributions.....	25.6	42.2	76.2	108.1	125.0	159.3	248.4	255.5	261.4	285.2	290.1	313.4
Miscellaneous income.....	0.4	0.8	1.2	2.1	3.0	3.9	4.4	4.9	5.4	6.2	6.9	8.4
Total income, regular budget.....	26.0	43.0	77.4	110.2	128.0	163.2	252.8	260.4	266.8	291.4	297.0	321.8
Total cash available.....	18.6	35.6	70.0	102.8	120.6	155.8	245.4	253.0	259.4	284.0	289.6	314.4
Less. Disbursements in settlement of 1976 and prior year obligations.....	30.8	54.8	78.8	105.4	128.9	154.3	181.6	207.1	233.4	260.4	290.4	324.3
Net cash at banks, on hand and invested end of period.....	(12.2)	(19.2)	(8.8)	(2.6)	(8.3)	1.5	63.8	45.9	26.0	23.6	(0.8)	(9.9)

a/ Excludes \$10.0 million received for the purposes of General Assembly resolution 3049 A (XXVII), which was contributed with the expectation of inducing other Member States to make voluntary contributions of sufficient amount to arrive at a total solution of the financial problems of the Organization.