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## THE FINANCIAL SITUATION OF THE UNITED NATIONS

Report of the Secretary-General

1. It is a matter of profound concern to me that, at a time the world community has entrusted to the United Nations new and unprecedented responsibilities, the Organization should continue to find itself on the brink of insolvency. I therefore feel compelled, once again, to draw to the attention of the General Assembly the stark reality that faces us today.
2. For the past six years, I have repeatedly warned Member States that failure to pay their assessed contributions, in full and on time, made bankruptcy a very real possibility. Notwithstanding my appeals, only a small fraction of the membership of the Organization have fulfilled their obligations in this regard.
3. As Chief Administrative Officer, it is evident to me that only prompt and decisive action by Member States can change the situation.

## THE SITUATION IN 1991

4. As of 30 September 1991, unpaid assessed contributions to the regular budget **totalled** \$723.5 million. Of this amount, \$389.9 million was owed for the current year, and \$333.6 million represented arrears for 1990 and prior years. At the same date, unpaid assessed contributions for peace-keeping operations **totalled** \$518.2 million.
5. Throughout all of 1991 it was necessary to draw upon the cash reserves of the Organization (i.e., the Working Capital Fund and the Special Account), totalling some \$236 million, to meet current operating requirements. By mid-August of this year, these cash reserves were completely exhausted. Consequently, from mid-August until mid-October, I was obliged to borrow from

the few peace-keeping funds which had cash in excess of their immediate requirements in order to meet both regular budget obligations and the cash requirements of other new peace-keeping operations.

6. In this connection, it should be noted ~~that~~ since 1957, the General Assembly, in its resolutions on the Working Capital Fund, has confirmed the authority of the Secretary-General to borrow, upon payment of interest, from other available funds in his custody. Such other funds have, however, been established for specific purposes separate from those of the regular budget. Thus, my predecessors and I have only been authorized to borrow from those other funds to the extent that they have cash not immediately required for the purposes for which they were established. Moreover, in the exercise of his fiduciary responsibility, the Secretary-General may only borrow on a temporary, i.e., day-to-day, basis and if reasonably prompt payment can be seen foreseen.

7. When I, albeit reluctantly, initiated the borrowing from available peace-keeping funds in mid-August, I had reason to believe that such borrowing would be limited in amount and duration, as a number of Member States had given me assurances that they would shortly make substantial payments against their outstanding contributions. Unfortunately, only a few of those assurances have been translated into action.

8. In mid-September 1991 I addressed urgent communications to the Foreign Minister of every Member State, describing the precarious financial situation of the Organization. In the case of the 51 Member States which had paid their regular budget contributions in full by that time, I expressed my appreciation for the steps they had taken. At the same time I appealed to the 108 Member States which still owed regular budget assessments to take urgent action to pay their outstanding debts in full by the end of September. Only six Member States complied with that request.

9. Since I sent this appeal, a number of Member States have made payments against their outstanding contributions to the regular budget and to peace-keeping operations. Although the funds which have been received were most welcome and urgently required, they have only been sufficient to allow me to repay the amounts borrowed from peace-keeping accounts for the regular budget and to meet regular budget requirements until the end of November. Unfortunately, however, the contributions received to date for some of the new peace-keeping operations are not sufficient to meet their daily operational requirements. Accordingly, it will continue to be necessary to borrow from other peace-keeping accounts to cover the needs of these operations.

#### CONCLUSION

10. It is clear from the foregoing that in the present circumstances, prompt repayment of the internal borrowings already undertaken is far from assured. Moreover, unless substantial contributions are received shortly, the cash required to meet regular budget obligations and those of certain new

peace-keeping operations will exceed the funds available from peace-keeping accounts.

11. At that point, **my** capacity to resort to internal borrowing will be exhausted. The Organization will be insolvent and unable to meet **its** commitments to **Member** States and to staff.

12. We should all be fully aware of the political, substantive and managerial impact of such a state of affairs. Even more important, **however, is** the impact in human **terms** - on the staff of this Organization and equally, on **the** untold number of human beings around the world whose lives **are** directly and significantly affected by many of the important activities being carried out by the United Nations today,

13. The obvious step that would make **it** possible to avoid this situation would be the payment, by the **Member** States concerned, of substantial amounts of their outstanding contributions to the regular budget and to peace-keeping operations.

14. Another means of providing the necessary funds would be advance **payments** against future assessments by those **Member** States which are in a position to do so. **Some** Member States did this at the end of 1987 and again at the end of 1988. **Such** steps, **however**, only postpone the problem for **a short** while; they do not solve it. **Moreover**, the Organization would be placed in the position of **relying** yet again on those **Member** States which meet their legal obligations to mitigate the damage caused by those Member States which fail to do so.

15. My predecessors and I have, on **more** than one occasion, requested the authority to borrow commercially. These requests **have** been consistently rejected by the General Assembly, most recently in 1987, and for **that reason**, I have not persisted in that proposal. I must point out, however, that several of the specialized agencies of the United Nations, which have comparable memberships, have been given that authority and have, indeed, been obliged to resort to commercial borrowing over the past two years.

16. Even if the state of insolvency can be avoided by one **or more** of the options outlined above, such a result must be recognized as, at best, **a** short-term solution. It would still require Member States to **work** together earnestly to find a viable, durable, long-term solution to this perennial problem.

17. In the light of the new tasks entrusted to the United Nations, I consider it incumbent upon the membership to provide the Organization with the means to **meet** these challenges. Talk of a new era of cooperation and commitment to the goals of the Charter will remain ill-founded as long as the ability of the Organization to fulfil its growing responsibilities is undermined by the financial crisis. In the present favourable international climate, I urge the Member States **not** to deprive the United Nations of its chance to flourish and to serve the great purposes for which it was founded.