



Secretariat

ST/SGB/217
20 March 1986

SECRETARY-GENERAL'S BULLETIN

To: Members of the staff

Subject: THE FINANCIAL SITUATION OF THE ORGANIZATION

1. I wish to write to you personally and directly on the subject which I know bears most heavily on your minds these days as it does on mine. This is the extremely serious financial crisis confronting the United Nations. We face a shortfall of as much as \$100 million in funds needed this year to meet the operating expenses of the Organization. This is largely the result of projected large-scale withholdings in 1986 of assessed contributions to the regular budget. The reserves which might have been used to alleviate this situation have been exhausted because of previous withholdings and late payments by a number of Member States.
2. This critical situation must be dealt with both in its immediate and longer-term dimensions. The restoration of a firm and stable financial basis for the United Nations requires far broader agreement among Member States than presently exists on key budgetary issues and a universal willingness to respect the financial obligations that flow from the Charter.
3. The Group of High-level Intergovernmental Experts, established by the General Assembly to review the financial and administrative functioning of the United Nations, is now at work. I expect that the Group will identify measures for adoption by the forty-first session of the General Assembly, which will facilitate the co-operation and broad agreement on budgetary matters that are essential for the long-range financial viability and operational effectiveness of the United Nations. I believe, and have so suggested to the Group, that these measures will need to cover the manner in which expenditures are agreed upon, the means of defining priorities and of assuring the utilization of resources in accordance with them, and any structural adjustments which can improve the effectiveness and efficiency of our operations. I will offer such further advice to the Group as may be appropriate and useful.

/...

4. Meanwhile, we face an emergency which demands immediate actions that are bound to be painful for all of us and which will require very difficult decisions by Member States. I have been in continuing contact with Governments at the most senior levels, urging those which are in arrears to make early payment, stressing the importance of compliance with the provisions of the Charter on the financing of the Organization, and appealing for voluntary contributions to avoid a drastic interruption in our work this year. As you know, I have also introduced a series of economy measures relating to travel, overtime, temporary assistance, consultants and maintenance which should result in a savings of some \$15 million in 1986. It is evident that further economy measures are needed, and needed urgently; delays will only result in deeper cuts over a shorter period of time. Money saved now will reduce the need to cut jobs in the future; each million dollars economized is the equivalent of some 20 posts.

5. Bearing this in mind, I have decided that the only viable course of action is to implement immediately the following measures:

- (a) A freeze in recruitment;
- (b) Non-extension of staff beyond the age of 60;
- (c) Suspension of the payment of the second half of the representation allowance for staff at levels D-2 and above;
- (d) A further reduction of 10 per cent in the use of budgeted funds for overtime payment;
- (e) Suspension of the promotion process for six months;
- (f) Deferment of the implementation of cost-of-living adjustments in the salaries of staff in the General Service and related categories at the eight main duty stations;
- (g) A number of house-keeping economies and adjustments.

I am fully aware of how unwelcome some of these steps will be. I realize, in particular, that the deferment of cost-of-living adjustments affects the lowest-paid categories of staff, and I wish to state that it is my intention to lift this deferment as soon as practicable. However, I am persuaded that these measures are in the best, longer-range interest of the Organization and of each staff member. I trust that you also will be of that view.

6. The foregoing steps should result in savings of more than \$15 million, producing a total of approximately \$30 million in savings through measures introduced this year. It is a necessary beginning, and yet evidently not enough; given an overall cash shortage of some \$100 million, extensive measures will still have to be agreed upon by Member States to cope with the situation, either by

/...

providing supplementary funds, or by deferring programmes, or a combination of the two. I have asked that the fortieth session of the General Assembly reconvene on 28 April 1986 to consider the urgent steps that are required. In view of the gravity of the situation, all Departments and Offices have been asked to indicate how a reduction of 10 per cent in their budgeted expenditures could best be achieved. Account will be taken of the responses received in the suggestions I expect to make to the Assembly.

7. Seventy-five per cent of the United Nations budget is devoted to personnel costs. Any substantial drop in income is therefore bound to have immediate negative consequences for the staff. There is simply no way that this can be avoided. It is my objective to keep to a minimum any hardship and dislocation for individuals and any interference with the essential work for which the United Nations was established. But the immediate road ahead will be difficult and sacrifices will be required. I must ask each and every one of you for your continued loyalty and support. This Organization depends on its staff. Your continued dedication and hard work will be a major element in overcoming the present crisis and preserving and enhancing the role of the United Nations as a constructive force in world affairs.

Javier PEREZ DE CUELLAR
Secretary-General
