

PROBLEM OF FINANCING THE UNITED NATIONS

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C H A P T E R - I

INTRODUCTION

CHAPTER - I

INTRODUCTION

The study attempts to examine the problem of financing that the UN has been experiencing in the recent years, and in that process it tries to analyse the constitutional, structural and political dimensions of the question.

Problems of finances, ranging from contribution to expenditures are surely some of the difficult ones with every institution. The UN is no exception to this and infact the problem assumes much more complex proportions, for the UN is not a sovereign state which is empowered to impose and collect taxes on its subjects. An Intergovernmental Organisation such as UN works on the basis of cooperation among members who voluntarily accept certain obligations including financial ones. It must however be noted as a commonplace observation that no International Organisation would be effective unless it is financially sound.

However, the history of various International - Organisations is marked by failure of members to pay due share of budget. The nineteenth century Public International Unions such as Universal Postal Union

International Telegraphic Union, Sugar Union etc. raised their finances by direct contributions from members. In any case these bodies had little difficulties regarding assessment of contributions or control over expenditures as their budgets were small and these Unions were hardly engaged in any politically contentious activity.

When the league of Nations was established in 1919 little thought seemed to have been given over financial arrangements. The cost of the league activities was to be shared amongst the members in the same proportion as the cost of Universal Postal Union. However, this arrangement proved to be unfair and unworkable. The particular system of assessment i.e. sevengrade system which had worked successfully with Universal Postal Union, when applied to the league it became unfair as the latter's annual budget was higher and had lesser number of members than the Universal Postal Union. As a result poorer nations had to pay a large amount. Consequently, the assessment procedure was altered in 1924 and the criteria of capacity to pay was introduced. There was one more problem with league's financing. As a reflection of larger problem of lack of clear distinction of powers between the Assembly and the Council there was a failure to entrust clearly the necessary financial authority

either with the Assembly or with the Council, which led to a competitive claims between the two organs for the control of purse.

These structural and related problems the league faced during its life time influenced the founders of the UN in framing the relevant provisions of the Charter. As for the UN Charter it is the General Assembly which was endowed with the power of financial matters from approval of budget, assessing contributions, to apportionment. Furthermore the Charter abandoned the league's unanimity requirement and laid down 2/3rd majority as a procedural requirement for decisions on budgetary matters (Art. 18). And above all there is provision unlike the case of league of Nations against the defaulters in the UN Charter (Art. 19).

UN budget has increased manifolds in the last forty plus years. From a modest amount of \$ 19.3 million in 1946 it has gone up to \$ 1,463 million for the bienium 1986-87. Which means that the budget grew at an average rate of more than \$200 million a year.

What could be the reasons ?

The budgetary growth can be traced to expanding activity of UN. Established to save the succeeding

generation from the courage of war the UN has taken up several other socio, economic, humanitarian programmes like the problem of refugees, human rights, disaster relief, technical assistance etc. Infact, there is no aspect of human life transcending the national boundaries that does not call for the role of the UN. At the same time membership has increased threefold. Added to this inflation is a constant factor governing the budgetary growth. With the failure to transfer the conception of collective security into reality peacekeeping has increasingly become a important function of UN, especially since mid 1950s. Though this function was not envisaged by UN Charter, expenditure for a number of peacekeeping operations that the UN launched from time to time involved huge proportion of UN budget.

On the one hand budget growth denotes positive trend of increasing UN role in world affairs. On the other it should be noted that this mounting rise in the annual budget has sharpened differences among members, giving rise to an continuous problem of arrears. From an amount of \$ 160 million in 1963 at present the total amount of arrears for various matters stood at more than \$ 400 millions. Infact the more has been the budget growth, the more has been the arrears.

It is in this context some pertinent questions emerge. Is it that the financing the UN has become an acute problem because of ambiguity of charter provisions and budget making procedures ? Or is it that financing problem is caused by questionable, wasteful activities undertaken by UN and its subordinate bodies ? How far the problem is a reflection of conflicting claims, policies and positions of different sections of membership ? How does the question of treaty obligation have a bearing on the problem ? And what is the nature of UN's response to the crisis arising from huge arrears and what is the outcome of any of the UN efforts in weathering the crisis ?

With this brief background of the situation the dissertation seeks to examine in the second chapter the structural and constitutional aspects of the problem. The charter provisions for approval of Organisation's budget, assessment procedure, the bodies involved in the process and related aspects will be discussed.

The first major financial crisis that the UN experienced in the 60s largely due to contentions involving peacekeeping operations in Middle East and the Congo. The causes and consequences of these developments are the focus of the next chapter.

The fourth chapter traces the issues associated with the continuing financial crisis that assumed serious proportion since late 70s. Some of the points dealt with include the alleged politicization of UN bodies, administrative efficiency etc. The chapter also analyses the UN efforts such as committee of High Level Intergovernmental Expert established in 1985 and the follow-up.

The concluding chapter attempts an overall assessment of the problem.

The study basically is descriptive and analytical. UN official publications and scholarly works on the subject constitute source material for the dissertation.

C H A P T E R - I I

FINANCING THE UN : PRINCIPLES AND PROCESS.

CHAPTER - II

FINANCING THE UN : PRINCIPLES AND PROCESS.

Compared to the league relatively more thought seems to have given into the formulation and finalization of the charter provisions with a bearing on financing of the UN.

Control over finances can certainly be an important instrument in influencing decision making of an Organisation. The overlapping jurisdiction, the covenant accorded to the Assembly and the Council created more problems than it solved. This experience underlined the need for entirely one organ entrusted with the budgetary matters. Obviously the league experience had given some guidance to the founders of the UN.

The participants at Dumbarton Oaks Conference (Aug-Oct 1944) agreed that authority in budgetary matters should rest with the General Assembly alone. This understanding was elaborated and concretized at San Francisco in April 1945, There the delegates were in complete agreement over the American proposal which gave the General Assembly the power to approve the budget

and apportion the expenses.¹

In brief, the deliberations at San Francisco while avoiding detailed recommendation set forth certain important and basic principles governing the fiscal process. Article 17 underlined two important points. First the Assembly and no other body would exercise the budgetary power; and second the Assembly itself would determine the basis for apportionment. By Article 18 any possibility of weighted voting based upon the size of members contribution was avoided and was made clear that for the approval of any budgetary question the plenary session would require a two third majority.² In other words unlike the voting procedure of the Security Council no veto power was provided in respect of financial matters of the UN. By adding Article 19 at San Francisco the delegates made an "effort to inhibit the arrearage in payment of contribution".³

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1. Documents of UN Conference on International Organisations, San Francisco (New York, 1945) Vol. II, p. 2.
 2. L. M. Goodrich, Edward Hambro and A. P. Simons, Charter of the UN : Commentary and Documents (London, 1969), revd. edn. 3, p. 149.
 3. David J. Singer, Financing International Organization : The UN budget process (The Hague, 1961), p. 19.

Thus it is remarkable that the framers of the UN charter had successfully avoided three of the pitfalls which had so harmstrong the financial activities of the league; divided fiscal authority, an inflexible basis of apportionment and a requirement of unanimity on budgetary matters. The details were wisely left for a later date.

As Art. 17(1) lays down, "The General Assembly shall consider and approve the budget of the Organisation." Art. 17(2) which empowers the General Assembly to apportion the budget among member states, also makes the members responsible to pay for it. The Article reads, "The expenses of the Organization shall be borne by the members as apportioned by the General Assembly". The very concept of membership automatically entails a financial responsibility. At the same time financial regulation 4:3 asserts that, "The ^oappropriation voted by the General Assembly shall constitute an authorisation to the Secretary General to incur obligation and make payment for the purpose for which appropriations were voted and upto the amounts voted."

These provisions were ^ofurther elaborated by the Preparatory Commission. It was in the Preparatory Commission that the establishment of various committees,

working capital fund, etc. were discussed in great detail and were later adopted by the First General Assembly.⁴ All the difficulties, vagueness of earlier drafts were cleared here and additional details for budgetary arrangements worked out satisfactorily.

BUDGET MAKING AND ADOPTION PROCESS :

The first step in the budget preparation process begins with the policy decisions of the main organs during the fiscal year or years. The work which the Organisation will undertake is initiated and decided by the member governments representing the various organs of the Organisation.

Once the programme decisions are taken the Secretariat comes in to the picture. Now it is its responsibility to review all of the programmes and activities approved by the General Assembly, the Security Council, the Trusteeship Council, and the ECOSOC for the forthcoming fiscal year. It is left to the Secretariat to produce a coherent, orderly document upon the policy decisions produced by the various organs, upon which the Fifth Committee and the Assembly can base their decision

4. Singer, n. 3, p. 39.

on appropriations. It has a complex staff structure to help out in this leg of budget making. Under the charge of Assistant Secretary General for administration and finance there are three bureaus, Administrative Management and Budget, Comptroller, and Personnel. The first is responsible for budget preparation, allotment, control and the preparation of budgetary regulations. The second, Bureau of the Comptroller has four main divisions, separately engaged in examining all financial proposals.⁵

By late winter or early Spring every year all the budget estimates are reviewed within the Secretariat by the examiners from the Comptroller's office. Some time there may, arise differences between the departmental estimates and the examiner and when they are in agreement or have defined their area of disagreement the budget estimates are reviewed by the Budget Division Chief. After all necessary revisions have been made in departmental estimates, last minute increases are incorporated and the requests are formally transmitted to the budget division.

5. Ibid.

Then the detailed estimates are transmitted to the Controller who re-evaluates the budget estimates in line with the Secretary General's overall objectives. If any unresolved difference still exists at this stage the controller tries to resolve it by calling in the Budget Chief, the examiners and the relevant department head and his advisors. At this final juncture the controller always tries to produce a budget which shows the unity of the Secretariat and in parallel with Secretary General's objectives.

When everything is settled within the Secretariat regarding the budget, the budget is presented to the Secretary General. The Secretary General in turn examines it with the assistance from his executive and the senior review group in the economic and social field and makes his assessment over the budget. Normally the help of controller is also taken at this stage. Any errors and omissions are referred back for correction and finally after the budget document being completely approved and accepted by both Secretary General and all departments the controller is asked to prepare the definitive version of the budget to be submitted to the Advisory Committee at least twelve weeks before the opening of the General Assembly Session.⁶

The next stage in the budgetary process is very important as the estimates prepared by the Secretariat and Secretary General are examined by an outside body. What is distinct in this stage is that, "instead of the estimates going directly to the appropriating agency after authorisation and formulation this go through a crucial intermediate stage ~~at~~ the hands of a small and powerful agency, the ACABQ".⁷

Established under Rule 15⁴ of the Rules of procedure of General Assembly the Advisory Committee on Administrative and Budgetary Question (ACABQ)⁸ plays a critical role in nearly all administrative and budgetary decisions taken by the Organisation.

The Committee now consists of sixteen members at least three of whom should be financial experts of

7. Singer, n. 3, p. 54.

8. The creation of ACABQ was first initiated by the Australian delegation at the San Francisco Conference. Recalling the effectiveness of the Supervisory Commission of the league the Australian delegate at the Conference spoke for such a body under the charter. It was rejected and the question was left for Preparatory Commission which considered the proposal and decided to institute ACABQ.

of recognised standing, and no two of whom belong to same state are selected on the basis of broad geographical representation, personal qualification and experience. The members serve for a three year period corresponding to three financial years.⁹

Some of the functions of the ACABQ as ... endorsed by the second part of the first session of the General Assembly were (1) examine the report on the Secretary General's budget estimates (2) advise the Assembly on any administrative and budgetary matters referred to it (3) examine for the Assembly the administrative budgets of the specialized agencies and (4) consider and report to the Assembly on the auditor's report.¹⁰

The Budget estimates prepared by the controller and Secretary General are transmitted to Secretary of the ACABQ about three months before the convening of the Assembly. The Committee staff makes ~~ay~~ preliminary survey of the budget and prepares a draft report for the Chairman of the Committee, who then calls his other colleagues into closed door sessions. The Committee generally holds two main sessions during the year.

9. Rule 157 of the Rules of Procedure of General Assembly.

10. Report of the Preparatory Commission, p. 107.

In its summer session, usually two months duration in May and June, the Committee goes through the budget proposal of the ensuing year in full details. The budget is examined part by part, section by section and chapter by chapter. Here at this stage the Committee Secretary contacts the various department heads and their executive officers to appear before the Committee to explain and justify those sections relevant to the activities of their particular departments. After getting the details from the departments the Committee once again examines particular estimates and decides whether to retain the figure proposed by the Secretary General or to reduce it. Never since its inception the ACABQ had recommended Secretary General's budget estimates to be increased, rather it has invariably recommended reductions in the budget usually in the order of 2 to 3 per cent a year.¹¹

.. In its second session normally beginning during the week preceding the opening of regular session of the General Assembly the ACABQ examines revised and

11. For instance the Secretary General has proposed a budget of \$ 1742,784,500 for the biennium 1986-87 which was reduced by the ACABQ to \$ 1,726,448,000.

supplementary estimates. Here at this session the Committee also examine the administrative budgets of the specialized agencies.¹² Since General Assembly have no direct authority over the budget of such agencies AVABQ only pass recommendations to the concerning bodies.

Thus the ACABQ plays a key role in the UN's fiscal process. One can find in its two part document a running commentary on almost every aspect of the financial and administrative activities of the Organisation, evaluation of original arrangements, criticism of certain expenditures, defence of others and explanations of proposed decreases.¹³

Then the budget proposal together with ACABQ's report are transmitted to all members at least five weeks before the opening the Assembly.¹⁴

When the Assembly meets the budget is considered by the Fifth or Administrative and Budgetary Committee in light of the ACABQ's report. This Committee has its origin only in the Preparatory Commission's in the

12. Rule 158 of the Rules and Procedure of General Assembly.

13. Singer, n. 3, p. 94.

14. Financial Regulation 3 : 4.

San Fransisco Conference. It was in the discussion of the Preparatory Commission that, it was proposed for such a Committee which would be empowered to, "consider matters pertaining to the budget of the Organisation, changes in the assessment of members, financial and budgetary arrangements with specialized agencies."¹⁵ Further more it was decided there that a simple majority would suffice for passage of any report of the Committee.

After the budget has been cleared by the ACABQ it becomes the Fifth Committee's duty to scrutinize it. At the first step in the Fifth Committee the Chairman of ACABQ introduces his report with an oral statement in the Fifth Committee. The Secretary General justifies his proposal on the budget and states where he accepts ACABQ's recommendation and where he does not. Once Secretary General has concluded his observation the Chairman of ACABQ makes the views of ACABQ clear and responds to the Secretary General's comment. It is followed by a general debate and soon the 'first reading' of the proposed budget would commence, where the budget

15. Report, n. 10, p. 147.

is examined in detail. At this stage, Fifth Committee generally tries to arrive at a consensus on the items concerning which there is disagreement between Secretary General and the ACABQ. Also at its first reading the Fifth Committee considers several other questions like supplementary estimates for the impending year, any alterations in policies made by competent organs etc.

Despite all these, at its second reading the Fifth Committee attempts to reach a conclusive and final budget figure. At this stage the Chairman deals all sections along with Secretary General's estimates, the ACABQ's recommendations, the first reading decision and any revision of supplements approved. This ultimately results in a final figure for each section and generally this becomes the level at which approval is sought.¹⁶

Finally, all these approved estimates of the second reading are put for the vote. Requiring a simple majority the appropriation resolution is submitted to the full Committee for final approval. Once it is approved by the Committee the penultimate phase in the budget process thus comes to an end.

16. Singer, n. 3, p. 71.

The Fifth Committee proposal then goes to the Assembly itself in the form of a resolution embodying the budget authorization. Here, the delegates have the opportunity to debate over the budget, but in practice budget proposals are not attended in the Assembly and the resolution is adopted by a two third majority which is required for decisions on budgetary question.¹⁶ Revised estimates are also prepared and considered in the same process and when approved are incorporated into the annual appropriations resolution.

ASSESSMENT PROCEDURE :

One of the major difficulties that making of UN budget has faced over years is regarding the assessing members contribution to budget, who will pay how much and on what basis. Its importance is obvious since it is a means to exercise influence over substantive policies and activities. Delegations at San Fransisco had looked into the question, but finally decided to avoid the grave error of its predecessor, the league of Nations which had provided a rigid method of apportionment of the expenses in accordance with the procedure followed by International Bureau of the Universal Postal Union.¹⁷

16. Article 18(2) of the UN Charter.

17. J. David Singer, "The Finances of the League of Nations", International Organisation, Vol. XIII (1959), pp.255-73.

As the Art. 17(2) mentions; 'the expenses of the Organisation shall be borne by the members as apportioned by the General Assembly', it becomes the responsibility of the General Assembly to decide about the mode of contribution.

The first session of the General Assembly acting upon the recommendation of Preparatory Commission established a standing expert Committee on Contribution to advise on the matter. According to the Rule 160 of the General Assembly's Rules of procedure this Committee of contribution is composed of eighteen members selected on the basis of broad geographical representation, personal qualifications and experience.

The Committee on Contribution has a broad mandate and hence a delicate job. Its history has been quite stormy. When it was preparing to the budget for the inaugural year of the Organisation it was suggested that the apportionment of expenses should be broadly according to capacity to pay and comparative estimates of national income would be the primary guideline in deciding the

contribution. But to avoid possible anomalies the Committee was instructed by the Advisory Group on Financial questions¹⁹ to take into account comparative percapita income, temporary economic dislocation caused by War and members ability to acquire foreign currencies.

The Committee on contribution tried its best to follow the guidelines prescribed, but statistical information on national income was either inadequate or unavailable. There was uncertainty concerning how much account should be given to each factor. Economic dislocation caused by war was impossible to quantify.

According to the scale prepared by the Committee in 1946 the US was made to pay virtually 50% (49.89)²⁰ of the total budget which was objected to by the United States vigorously. Consequently the US immediately sought a ceiling or upper limit of the contribution to be borne by any particular nation. The share of the US was lowered down by an arbitrary figure of 10% and was fixed at 39.89%²¹ and other countries contributions were

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19. This Group had been established by Preparatory Commission to advise the Committee on Contributions regarding assessment system.
20. Evan Luard, The UN : How it works and what it does, (St. Martin; 1985), p. 196.
21. Ibid.

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adjusted upward accordingly. But US continued to object to the assessment scale particularly to the low contributions assessed to USSR and its allies who were benefited from the provision 'economic dislocation caused by war'.

Thus during its early years the Committee on contribution had a tough time and it failed to provide any basic formula that the General Assembly could follow to contribute the monetary responsibility.

With the passage of time statistical information improved and a formula was codified for the first time in 1956 for a three year period as provided by the Rules of Procedure of General Assembly.²² The United States share was slashed to 1/3rd limit or 33.33 percent of the total, also Soviet Union's share was increased to nearly 14 percent. With the continuing objection from US side in 1957 a theoretical maximum of 30 percent was also adopted. The floor or the lower limit was maintained at 0.04 percent as earlier.²³

22. Rule 161 of the Rules of Procedure of General Assembly says, "The scale of assessments when once fixed by the General Assembly shall not be subject to a general revision for at least three years, unless it is clear that there have been substantial changes in relative capacity to pay.

23. GA Res. 1137 (XII) 14 Oct. 1957.

This basic pattern remained unchanged for quite a long period and only minor changes were introduced in subsequent evaluation. Even with the influx of Third World States in 1960s the assessment scale did not change much as most of them were assessed at the minimum scale of 0.04 percent. But, in the long run, this pattern could not satisfy all the members. Inequalities in payments were great. As per the assessment scale of 1961, fifty Third World States i.e. almost half of the total members at that time together paid less than 3 percent of the total budget, United States 1/3rd, Britain, China, Soviet Union and France another 3rd and other Fifteen industrial states were assessed at some 20 percent.²⁴ Also the ceiling and floor adopted at 30 percent and 0.04 percent respectively were not in accordance with capacity to pay principle. In practice poor nations paid more than they otherwise would have. At the same time paying at its ceiling rate United States paid less than the amount if calculated with the capacity to pay principle.

Some adjustment were tried to relieve the burden of countries with low per capita income and a special

24. John G. Stoessinger, Financing the UN System (Washington DC, 1964), p. 24.

reduction was granted to member states whose per capita income was less than \$ 1,000. However the benefit of this reduction could not be enjoyed by the countries who were already at the floor.²⁵

Serious arguments regarding the disparities in the scale of assessment broke out in 1970s as US sought to reduce its burden through either lowering the maximum rate or denying the upward adjustment that followed from increased income. After constant pressure from the US side the ceiling was again lowered down to a flat 25 percent²⁶ that United States had to pay at a time when calculation according to capacity to pay would have made it to pay 38.4 percent of the budget.²⁷ With the lowering of upper limit the lower limit was also put down to a maximum of 0.02 percent.²⁸

These reductions had the effect of shifting more burden to the states with medium level per capita income. Apprehending their increasing financial burden, in 1971

25. Luard, n. 20, p. 171.

26. GA Res. 2961 (A) XXVII, 14 Dec. 1972.

27. Thomas M. Franck, Nation Against Nation : What happened to the UN Dream and what the US can do about it (New York, 1985), p.

28. GA Res., n. 26.

a group of Third World Countries urged the Committee on Contribution to study and report on the per capita method in considering the capacity to pay.²⁹ The very next year Committee on Contribution advised General Assembly to drop the rule and to adopt the new assessment formula, by which an average of the total and per capita income of each member in recent three years was considered.³⁰ For example the assessment figure in 1975 to be applied in 1976 were to be calculated, considering the per capita and national income from 1972 to 1974. The base period adopted was opposed by OPEC members along with several others which forced the General Assembly to increase it from three to seven years in 1974, which was again extended upto eleven years in 1981.³¹ The poor countries got the floor reduced to 0.01 percent.³²

Even after these adjustments and reductions, arguments and dissatisfaction over the scale of assessment continued. In 1984 the General Assembly adopted a scheme for limiting the amount, and assessment could be increased from one scale to the next, which heavily favoured the

29. Year Book of the United Nations, Vol. 27 (1973), p.973

30. GA Res. 3228 (XXIX), 20 Dec. 1974.

31. Doc. A.38/11, 25th Nov. 1981.

32. GA Res. 34 (XII), 11 Dec. 1981.

developing countries. It also raised the low per capita income allowance to \$ 2,000 and permitted additional relief for developing states assessed above the minimum 0.01 and were burdened by high external debt or other serious economic problem. Another resolution in 1985 further helped the developing states by not asking them to raise their assessment to make up any shortfall in the budget.³³

This assessment pattern with all its advantages and disadvantages remains largely in use of the UN today. The Committee on Contribution reconsiders the assessment scale every three years. The originally laid down principle of economic dislocation caused by war is no longer relevant. Also the principle, ability to acquire foreign currencies is considered flexibly by allowing countries to pay their shares other than US dollar. In sum at present per capita income and national income along with ceiling and floor are considered in assessing the apportionment. The Committee on Contribution still trying to find a formula that could be applied with reasonable objectives and would be accepted by all and it is really a tough task. Neither the Third World

33. GA Res. 34247 (B), 19 Dec. 1985.

countries who are in largest number in the UN would like to burden themselves nor would the developed countries like the US or the UK whose dominance over General Assembly has been reduced like to shoulder much of the financial burden.

EXTRA BUDGETARY FINANCING :

Expenses arising out of operational activities in the social, economic and humanitarian fields are considered as extra budgetary expenses and are met thoughtfully by voluntary contributions. These expenses are administered through special accounts established by General Assembly in accordance with Finance Rules and Regulations,³⁴ which could permit greater flexibility in the establishment and implementation of programs. The total of extra budgetary programmes represent a considerable higher level of annual expenditure than does the regular UN budget and distributed between humanitarian activities (65 percent) and technical cooperation (35 percent).³⁵ Contributions to these special accounts also differs remarkably from those

34. Financial Regulation 6.

35. Maurice Bertrand, The UN in Profit : How ets resources are distributed (New York, N.Y. 1987) p. 2.

made to the regular budget. In most cases substantial contributions are made by non members.

The first of such programme based on voluntary contribution was the UN Childrens Fund. from the very beginning it was financed mainly throught voluntary donations from governments.³⁶ It was soon followed by UNRWA, UNHCR whose administrative budget only is financed from UN's regular budget through assessed contribution.³⁷ The EPTA and UNDP have throughout been financed by voluntary contribution. Except the administrative expenses the programmes like UNCTAD and UNIDO are also managed by same source.³⁸

EXTRAORDINARY/UNFORESEEN EXPENSES:

The budget that is approved by the General Assembly provides the financial basis on which the Secretariat operates for the financial year or years. But put in practice there may arise some unforeseen expenses. To cope with such expenses not incorporated in the annual regular budget separate provisory is made . The General

36. Goodrich, n. 2, pp. 55-57.

37. Ibid.

38. Betrand, n. 35, pp. 32-35.

Assembly is empowered to adopt a resolution on unforeseen and extraordinary expenses which authorizes the Secretary General to incur obligations and expenditures for which no provision in the regular budget has been made.³⁹

Until 1960 the Secretary General with the prior concurrence of ACABQ had practically unlimited authority to incur expenses for duly authorized activities. There was no upper limit for unforeseen and extraordinary expenses. But as a result of the extraordinary financial demands for peacekeeping operation in the Middle East and specially in the Congo, when the Secretary General obtained the concurrence of ACABQ to incur expenses upto an amount of \$ 40 million⁴⁰ things turned sharply and in 1961 the General Assembly adopted a resolution⁴¹

39. As defined by the ICJ, "unforeseen expenses covers additional obligations and expenditures arising in connection with the implementation of approved programme provided for in the budget".

"Extraordinary expenses are those expenditures that arises as a result of the approval by a Council Commission or any other competent UN organ for new activities not contemplated when the budget was approved."

40. Sydney Bailey, General Assembly of UN : A study of procedure and practice (New York, 1964), p. 203.

41. GA Res. 4715 (A) 22 March 1961.

Which put a limit in the Secretary General's authority over unforeseen and extraordinary expenses. Now the Secretary General can incur only an amount not more than \$ 2 million per annum under these heads without prior concurrence of ACABQ. Beyond this limit and upto \$ 10 million, the concurrence of ACABQ is needed. Expenditure exceeding \$ 10 million are granted only in a special session of the General Assembly.⁴²

WORKING CAPITAL FUND :

The working capital fund renders the UN the kind of service that working capital renders to any other enterprise. The Secretary General is authorised to advance "such amounts as may be necessary to finance budgetary appropriations pending receipt of contribution. And as soon as the money is available from its original source the advance taken are reimbursed to the fund."⁴³

Apprehending late payments of assessed contributions and also to provide a reserve for unforeseen and extraordinary expenses the preparatory commission had proposed a Working Capital Fund which should form an essential Organisation in order to ensure smooth means of financing various contingencies.⁴⁴

42. Bailey, n. 40, p. 205.

43. Financial Regulations 6.

44. Report, n. 10, p. 163.

After prolonged discussion about the size and purpose of the Fund it was established by the General Assembly's first session, and details regarding its source, capacity and purpose were laid down in the Financial Regulations.⁴⁵

The Fund's amount are determined from time to time by the Assembly and comprises advances from member states in accordance with the scale of assessment.⁴⁶ Originally the Working Capital Fund had the maximum amount of \$ 25 million and until 1963 the fund fluctuated between \$ 20 to \$ 25 million.⁴⁷ Not only it provided relief from deficits but also it financed minor peacekeeping operations. UN Truce Supervisory Organisation (UNTSO) and UN Military Observer Group in India and Pakistan (UNMOGIP) were all financed by advances from the Working Capital Fund. Until the establishment of ONUC the Working Capital Fund came to rescue in emergencies. But with the UN peacekeeping in the Congo the resources of the fund began to deplete. In 1962, therefore Secretary General requested for an increase of the

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45. Rule 6:1, 6:2 and 6:3 of Financial Rules and Regulation outlines composition of Working Capital Fund.
46. Rule 6 : 2 of Financial Rules and Regulations.
47. Bailey, n. 40, p. 215.

amount of Working Capital Fund. The ACABQ favoured an increase upto \$ 40 million and this was approved by the General Assembly.⁴⁸ This maximum remained intact upto 1981. Ofcourse in 1973 Secretary General had unsuccessfully sought a further increase in the amount upto \$ 80 million.⁴⁹

But the increasing necessity of Working Capital Fund was soon realised with the increasing deficit in the regular budget. So, Secretary General again in 1981 asked the General Assembly to raise the level of the Working Capital Fund upto \$ 100 million. This was approved by the General Assembly⁵⁰ and this amount is maintained now also.

The irregularity in payments to the leagues budget compelled the framers of the UN Charter at San Fransisco to insert an article in the charter that would authorise General Assembly to take some action against the defaulters to the UN regular budget. This is why article 19 of the charter foresees the suspension

48. GA Res. 5331, 4 Dec. 1962.

49. Luard, n. 20, p. 183.

50. GA Res. 36/242, 18 Dec. 1981.

of voting rights of any member state which is in arrears in the payment of its financial contributions to the Organisation.

The League covenant had no such person and its Financial Regulations had only authorised the Secretary General to notify members the sums due and request payment or notify when the payments might be expected.⁵¹

Consequently League had better experience with regard to the payments of contributions regularly.

Bearing in mind the past experience and to avoid hardship over payments necessary provision has been incorporated in the form of Article 19 in the Charter. which says :

"A member of the UN which is in arrears in the payment of its financial contributions to the Organisation shall have no vote in the General Assembly if the amount of its arrears equals or exceeds the amount of the contributions due from it for the preceding two full years. The General Assembly may, nevertheless, permit such a member to vote if it is satisfied that the failure to pay is due to conditions beyond the control of the member".

Though there has been some confusion with regard to the interpretation and applicability of

51. Goodrich, n. 2, p. 176.

Article 19 it has proved as a best measure to save the UN budget from crashing down. It is perhaps the sanctions contained in Article 19 has accounted for the generally good record of the UN members in paying their dues.⁵²

52. So far this Article has not been supplied against any member state. In 1963 Haiti was in arrear and General Assembly had prepared to debar Haiti from voting rights. But before the occasion of the formal voting could arise, payment was made by H Haiti making the Article 19 inapplicable.

C H A P T E R - III

FINANCIAL CRISIS OF EARLY SIXTIES

CHAPTER - III

FINANCIAL CRISIS OF EARLY SIXTIES

It can be observed that, in a way early sixties were extremely critical years to the UN. The young UN encountered a financial crisis of such magnitude that the very existence of the Organisation was threatened. There was never a shortage of cassetras predicting that the Organisation would end with a bang.¹ The reasons for such a critical situation of the world body was simple. Some of its key members had refused to pay for peacekeeping operations undertaken by the world body in Middle East and the Congo. If the specter of bankruptcy hovers over the UN it was because an alarming deficit had appeared in the special accounts established for the sustenance of peacekeeping operations.

"Peacekeeping" as an important function of the UN, within the broad framework of the objective of maintenance of peace and security has evolved over the years, as an adhoc response to different conflict.

1. K. P. Saksena, "Not by Design : Evolution of UN Peacekeeping Operations and Its Implications for the Future", International Studies (New Delhi), Vol. xvi, No. 4, Oct-Dec 1977, pp. 459-81.

Peacekeeping or peace observer is not clearly mentioned in the charter, also there is no official definition of these terms.² Peacekeeping has evolved according to the need of the hour. It is for the Security Council to decide what measures, including military measures has to be undertaken to maintain or restore peace.

In the very beginning the Organisation was totally dependent on national support for peacekeepers or observers. The forces available to the Security Council were considered as component of the forces of members. They indeed remained under the exclusive command of the contributing state and the member state was responsible for all necessary equipment and for all supplies and transport. But this posed more than one practical problem of command and control, coordination, finances long duration duties, etc.

Therefore it was tried to shift the reliance from nation governments to that of World Organisation itself. Debates over it continued in late 40s and it was maintained that members of Peacekeeping or Observing

2. David W. Wainhouse, International Peacekeeping at the Crossroads : National Support - Experience and Prospects (London, 1973), p. 1.

group will serve as individuals and not as governmental representatives. Initially the expenses were met by their own government, but the General Assembly agreed to foot the bill - allowances etc. And other measures followed, such as appointment of Chief by the Secretary General.

The military observer group in India and Pakistan (UNMOGIP) and UN Truce Supervisory Organisation in Palestine (UNTSO) were the earliest example of such institutional responsibility. Both were considered as an integral part of the UN. All the administrative expenses of these enterprises was borne by the UN's regular budget. "These two mission set the general pattern for subsequent observer mission and established Organisational concept that were also to influence the configuration of UN peacekeeping forces."³

The most important milestone in the evaluation of peacekeeping was the establishment of Emergency force in Middle East and Congo with regard to size composition mandate etc. These two operations particularly and the financial procedures specified for it brought the

3. Ibid. p. 9.

Organisation to the brink of bankruptcy. The world body had never faced a crisis of that dimension in operating its earlier missions. True protests were made over financing of peacekeeping operations. No doubt controversy over financing was always there with previous operations, but the scale and magnitude of the present operation made it a crisis.

In the pages that follow an attempt will be made to deal with various dimensions of the problem over financing these two peacekeeping operations of late 1950s and early 1960s, and the factors that turned it into a crisis situation.

Before going into the crisis a few points with regard to establishment of the forces and the budgetary system adopted for them may be noted.

U N E F :

The negative votes of France and United Kingdom in the Security Council prevented it to take any action in Suez and the question was transferred to the General Assembly under the 'Uniting for Peace' procedure. After much delicate negotiation in the General Assembly Resolution was passed which was based as a draft submitted

by Canada, Colombia and Norway, establishing a peace force.⁴ Soon 6000 men were ready for action in the Gaza Strip. But it was clear that unless the question of financing the force properly settled it would not go 'beyond paper stage'. Hence the matters regarding the financial arrangement had to be forcefully settled.

Two major question arose on the financing of UNEF, first, would costs be apportioned as between the UN on the one hand and contributing states on the other? Second, how would those costs allotted to the UN be apportioned among its members?⁵

After considering the reports submitted by ACABQ⁶ on how to finance UNEF the Secretary General proposed that a special account outside the regular budget - the set up and that the costs of the Force be shared by the member states on the basis of the scale of assessment to be adopted for the 1957 budget.⁷ Although

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4. General Assembly Resolution, 1000(ES-1) 5 Nov. 1956
 5. Rosalyn Higgins, UN peacekeeping 1946-67 : Documents and Commentary (Vol 1 Middle East) (London, 1970), p. 415.
 6. The General Assembly had based UNEF's financial basis on two reports of ACABQ, UN Doc. A/3402 and A/3456.
 7. GA Res. 1089 (XI) 21 December 1950.

Secretary General proposed for a special account for UNEF he nevertheless considered them as UN expenditure. In an oral statement to the plenary meeting of the Assembly Secretary General made clear that while funds received and payments with respect to the Force are to be considered as coming outside the regular budget of the Organisation, the operation is essentially a UN responsibility and the special account to be established must therefore be considered as coming within the meaning of Art. 17 of the charter.⁸

With this base a further resolution relevant to the apportionment as between the UN and the contributing states was adopted when it was decided that the -

"Expenses of the UNEF other than for such pay equipment, supplies and services as may be furnished without charge by government of member state, shall be borne by the UN and shall be apportioned among the member states, to the extent of \$ 10 million, in accordance with the scale of assessments adopted by the General Assembly for contributions to the annual budget of the Organisation for the financial year 1957"⁹

Thus a special account was established and the system of yearly authorisation for the special account

8. General Assembly Official Records. Session 11 Plenary meet 350, 16 December 1956. (hereafter cited in this dissertation as GAOR).

9. GA Res. n. 7,

was continued throughout the existence of UNEF, though the amount varied from year to year according to the need. While the basic principle to apportion according to the regular budget scale, from 1957 onwards attempts were made for voluntary contributions to alleviate the overall burden. UNEF had been financed by two sources even before the financial crisis of 1960, one through apportionment and the other voluntary contribution.¹⁰

Thus in paper the money for UNEF were ready but thirtynine states did not pay their dues at all to the Organisation for the year 1957 and 1958. On Aug, 1959 as many as sixty states were in arrears and the deficit that year was \$ 7.4 million.¹¹ By 1960 defaults were becoming a major difficulty and the launching of the Congo operation was in hand. "Although the numerous arrears and defaults had put the UN into serious financial strains by 1960, UNEF never threatened the financial structure of the Organisation itself. It was the Congo crisis which was to shake that structure to its very foundation."¹²

10. Higgins, n. 5, p. 523.

11. John G. Stoessinger, The UN and the Superpower : China, Russia and America, (New York, 1977), p. 124.

12. Ibid.

O N U C :

"The financing of Congo operation was peculiarly complex and gave rise to serious political repercussions".¹³ The political crisis which UN faced in the Congo was augmented by a financial one, a financial crisis of such large dimensions that it went beyond the Congo operation and threatened the function of the UN itself.

ONUC was established on the night of July 13, 1960 by a Security Council Resolution.¹⁴ No it is Secretary General to look after the required money for the huge Congo force. On 24 October the Secretary General presented detailed estimates to the Assembly :

"To cover the cost of a force of 20,000 men, headquarters services in Leopoldville, and an international and locally recruited staff to backstop the operation, \$ 66,625,000 would be needed up to the end of 1960."¹⁵

The presentation also suggested ways in which cost might be reduced, money raised and immediate obligation be met. It had also the proposals that were to govern ONUC's finances for the coming two years.

The Secretary General's proposal then went through the vigilant eye of ACABQ where the estimated cost of

13. Higgins, n. 5, p. 274.

14. Security Council Res. S/4387, 14 July, 1960.

\$ 666,625,000 for 1960 was reduced to \$ 60,000,000.¹⁶ The question of financing ONUC was passed to the Fifth Committee and in December 1960 the Committee had an extended debate on it. There it was proposed that the expenses of the operation should be borne by the UN as a whole¹⁷. Where most of Western Countries supporting the proposal held the view that peacekeeping activities in general - and the UN action in the Congo in particular were legitimate functions of the Organisation the cost of this should therefore be borne in the normal way on the UN budget.¹⁸ This was bitterly opposed by Soviet Union and her allies along with France. Soviet Union held the view that UN Belgian aggression supported by NATO powers has caused the previous situation in Congo. Therefore, the financial responsibility instead to be borne by UN as a whole should lie with the aggression. Again, alleging United States, Soviet Union mentioned that Congo operation has been carried out on an unilateral, not an international basis.¹⁹ The representative of France also showed doubts in the UN intervention.

16. GAOR, Session 15 Fifth Committee mtg. 788, 25 July, 1960.

17. Doc. A/ 676, 19 December 1960.

18. Ibid.

19. GAOR, Session 15 Fifth Committee mtg. 960,

Anyhow, draft resolution was adopted by the Fifth Committee. This draft was adopted by the General Assembly on 20 December 1960 and the basic principles on financing ONUC was settled.²⁰ There it was maintained that the

"expenses involved in the UN operations in the Congo for 1960 constitute expenses of the Organisation within the meaning of Art. 17 para 2, of the charter of the UN and that the assessment thereof against member states creates binding legal obligations on such states to pay their assessed shares."²¹

The resolution also established an adhoc amount of \$ 48.5 million for the expenses of ONUC, to be assessed on the basis of the 1960 scale.

Again in the Fifth Committee there arose a tumultuous fight over the 1961 assessment of \$ 100 million. Since the sum under consideration was the largest ever to be assessed for a single operation, undertaken by the UN questions were raised more vibrantly in the Fifth Committee. Moreover, the very solvency of the Organisation depended on the outcome of the discussion.²²

20. GA Res. 1583 (XV) 20 December, 1960.

21. Ibid.

22. Stoessinger, n. 11, p. 129.

While, the United States stressed the principle of collective responsibility the Soviet Union opposed commenting that the operation being constitutionally illegal. It took the position that all matters relating to military operations including their financing, lay exclusively with Security Council.²³ The Soviet representative told in the meeting that ONUC was a Security Council action in the sense of Article 48 of the charter. Hence, ONUC financing should be governed not by Art. 17 but by unanimity principle in the Security Council.²⁴

Most of the Western and Non-aligned Countries did not accept this Soviet view and took the position that Security Council had a primary, but not exclusive, responsibility for the maintenance of peace; that although generally the Assembly could indeed only make recommendations in matters relating finance, it had the power to bind; that peacekeeping though interms not envisaged in the charter, was clearly within the UN's major purpose of maintaining international peace and Security, and could thus be properly financed by the Assembly, under the terms of Art. 17(2).²⁵

23. GAOR, Session 15, Plenary mtg. 973, 21 March 1961.

24. Ibid.

25. N. J. Padelford, "Debt and Dilemma : The United Nations," India Quarterly, vol. 19, 1963, pp. 311-34.

Secretary General as usual took the stand that once the Security Council had taken a decision the implementation cost fell clearly within the meaning of Art. 17. Refuting the Soviet position he argued that if matters of finance will require the consensus of big five only than it would paralise the entire operation in the Congo.²⁶

Finally, on 20th April 1961 the Fifth Committee adopted a draft resolution and on the next day i.e. 21st April it was approved in the General Assembly. The resolution stated that the General Assembly decides to appropriate an amount of \$ 100 million for the operations of the UN in the Congo from 1st Jan. to 31st Oct 1961. Reduction were granted upto 80% to the member states, whose contribution to the regular budget range from 0.04% to 0.25% also who were under EPTA and regular budget range from 0.25% to 1.25%. The Big Five and Belgium were called upon to make substantial voluntary contribution.²⁷

Again discussion over the financing of ONUC reached its peak in the Fifth Committee in December 1961

26. Doc. A/PV, 977, p. 11.

27. GA Res. 1619(XV), 21 April 1961.

over the 1962 ONUC Budget. An eleven power resolution²⁸ would have authorized the secretariat to continue until the end of 1961 to incur commitments for ONUC at a level not to exceed \$ 10 million per month. Again Soviet Union along with France opposed it on the same line as earlier.

On the recommendation of the Committee, General Assembly adopted a resolution authorizing the Secretary General to incur \$ 10 million per month for the expenses of ONUC during 1962 and the amount will be apportioned in accordance with the scale of assessment for the regular budget, voluntary contributions were called for and Belgium was requested to pay a larger part.²⁹

By the time differences regarding the payment over ONUC and UNEF was widening. Several countries had withheld their contribution to the special account of these two operations. On the eve of the opening of the Sixteenth Session of the General Assembly, arrears to UNEF account was almost 25 per cent. Almost fortyone members owed all or part of their assessment to the budget. In the case of ONUC Sixtysix members had accumulated a combined shortage of nearly 40 per cent of the total budget.³⁰

28. The Resolution was sponsored by Canada, Ceylone, Ethiopia, Ghana, Ireland, Liberia, Malaya, Nigeria, Pakistan, Sweden and Tunisia.

29. GA Res. 1732 (XVI), 20 December 1961.

30. Stoessinger, n. 11, p. 126.

The financial condition did not improve in 1961 and by the end of that year the accumulated arrear for UNEF and ONUC had exceeded \$ 80 million, which was a sum much larger than the regular budget. Out of Five permanent members who were supposed to contribute a larger portion of the total money, Soviet Union and France had denied to pay and China had defaulted. Consequently the whole burden was under United States and had to pay nearly half of the total amount.³¹

In a statement to the General Assembly the then acting Secretary General drew attention to the progressive deterioration in the financial position of the Organisation as indicated by the widening gap between total unpaid obligations and its total cash resources to cover such obligation. He pointed out that all normal reserves of the Organisation would be shortly exhausted, and the short term borrowing so far used no longer can make up the deficit. Secretary General underlined the fact that UN would be facing imminent bankruptcy if payment of current assessment along with arrears are not made.³²

31. Ibid, p. 127.

32. Doc A/C.5/907.

ISSUE OF BOND :

In an attempt to avoid an immediate breakdown General Assembly took two steps, on the recommendations of the working group of Fifteen.³³

First the General Assembly adopted a nine power resolution³⁴ which authorized the Secretary General to issue \$ 200 million worth of UN bonds at two per cent interest. The principal amount and the interest were to be repaid out of the regular budget in forty five installments. The bonds were to be offered to member states of the UN, specialized agencies and The International Atomic Energy Agency also to non profit institutions or associations if Secretary General feels it necessary. The sale of the bond was to continue till the end of 1963.

The proposal to sell bonds was strongly opposed by France and the Soviet Union. The representative of Soviet Union pointed out that adoption of such a resolution would change the nature of the Organisation. The government and specialized agencies that purchased the bonds would become shareholders in it and thus be in a position

33. Working Group of 15. This Group was established in April 1961 to construct a special scale of assessment for peacekeeping operations. In November 1961 it reported to the Fifth Committee. There it had suggested to seek ICJ's opinion regarding expenses of the Organisation and to issue bonds.

34. GA Res. 1736 (XVI), 20 December 1961.

to influence its policy. The action would tantamount to mortgaging the UN.³⁵

The representative of France expressed serious doubts as to the validity and effectiveness of such a resolution. He pointed out that the draft did not make any distinction between ordinary and extraordinary expenses and the financial crisis was due to the illegal expenditure on UNEF and ONUC. Furthermore, France warned the bond issue would enable the UN to engage in similar illegal peacekeeping in future.³⁶

While the proposal was opposed by some, several countries strongly supported it. Though, it was generally regretted for such an unusual departure from normal methods of meeting the expenses, collective responsibility of all members was stressed. Strong support for the bond issue came from the delegates of US, Canada, Australia, Ireland, Ethiopia and Netherlands.³⁷ Showing solidarity with the Secretary General these members supported the proposal as a one-time emergency arrangement to keep the Organisation alive.

35. Soviet Argument in Fifth Committee cited in year Book of United Nations, 1962, p.17.

36. Ibid. p. 17.

37. Year Book of UN, 1961. p. 22.

By August 1962 forty seven countries purchased UN bonds and many more announced their willingness to purchase. The United Kingdom pledged to purchase bonds worth \$ 12 million, the US \$ 100 million even a non member state, Federal Republic of Germany pledged to purchase bonds worth \$ 10 million.³⁸

ADVISORY OPINION OF THE ICJ :

The second step taken by the General Assembly in regard to the financial crisis was to seek the advisory opinion of the ICJ on whether the expenses of the two peacekeeping operations (ONUC & UNEF) were expenses of the Organisation within the meaning of Art. 17(2) of the charter.³⁹

The ICJ reviewed the different points of view and gave a decision affirmatively to the constitutionality of the applicability of General Assembly Resolution 1731 (xvi) by a majority of nine votes to five.

38. Stoessinger, n. 11, p. 128.

39. GA Res. 1231 (XVI), 20 December 1961.

The majority opinion first discussed the question whether the phrase "expenses of the Organisation" in Art. 17(2) is impliedly qualified by the words regular or administrative.⁴⁰ The court held that the word 'expenses' is linked with the word budget of the Article 17(1) and it covered all kinds of expenses whether administrative or operational. Therefore, there is no need for putting any qualification before the word budget. By Article 17(1) the Assembly is empowered not only to consider the budget of the Organisation but also to approve it.⁴¹

Turning to paragraph 2 of Article 17, the court observed that the phrase "expenses of the Organisation" means all the expenses and not just certain types of expenses which might be referred to as regular expenses.⁴²

The court then examined other articles of the charter which were alleged to imply limitations to article 17(2). The majority first cited article 24 by which the Security Council has been given the primary role in maintaining peace and security. The court observed that the

40. Certain expenses of the UN (Art. 17 para 2 of the charter), Advisory opinion of ICJ, 20 July, 1962, p. 159.

41. Ibid. p. 161.

42. Ibid. p. 165.

primary responsibility is conferred upon the Security Council in order to ensure prompt and effective action. The responsibility is primary but not an exclusive that should preclude the Assembly from recommending measures on action. The Council has exclusive power to obligate members to take action but the Assembly has the power to recommend action without binding force.⁴³ Art. 14 authorised the General Assembly to 'recommend measure' and thus it has a wide mandate in the area of maintenance of peace. The only limitation to General Assembly authority is clearly stated in Article 17 of the charter which prohibits the Assembly to make any recommendation to any dispute or problem which is under the consideration of Security Council. Reviewing the other prohibiting article 11(2) of the charter which required the Assembly to refer question 'on which action is necessary' to the Security Council, the Court opined that the word action means such a 'action as is solely within the province of the Security Council is that which is indicated by the title of Chapter VII of the charter.'⁴⁴

43. Ibid. p. 166.

44. Ibid. p. 172.

Accordingly, having established the meaning of the phrase expenses of the Organisation also the General Assembly's power and limitations the majority concluded that the cost of ONUC and UNEF operations were expenses under article 17(2) which the General Assembly is entitled to apportion among the member states.

To make the majority opinion more effective and valid judges Spinopoulos, Percy Spender, Gerald Fitzmaurice and Morelli added concurring opinions. These 'jurists' observed that the financing of the UNEF and ONUC was based on resolutions of the General Assembly by two-third majority and were in conformity with the purposes of charter. Thus it automatically entailed obligation for member states to pay their shares of the expenses of ONUC and UNEF.⁴⁵ Judge Fitzmaurice and Percy Spender further likened the UN to a club where members had an obligation to pay for such activities as decided by the executive of the club and later confirmed by the General body likewise, the member of the UN had a duty to pay for all the activities of the Organisation that had

45. Concurring Opinions, cited in J.F. Hogg, "Peace keeping cost and charter obligation:-Implication of ICJ Decision on certain expenses of the UN", Columbia Law Review, Vol. 62, 1962, pp. 1239-40.

been voted by the Security Council and approved by General Assembly.⁴⁶

Dissenting from the majority opinion, judge Wincarski President of the Court concluded that no resolution of the General Assembly was binding and that those resolutions apportioning expenses were therefore only a recommendation.⁴⁷ Judge Koretsky considered the resolutions enabling finances of ONUC and UNEF to be invalid and therefore not apportionable under Art. 17(2).⁴⁸ Judge Basdevant dissented on the ground that the Assembly had precluded the court from considering the validity of the resolutions authorizing the expenditures, and the question put, could not be answered without considering such validity.⁴⁹ The view held by Judge Bustamante Y Rivero who also dissented was that the enormous increase in the UN budget was beyond the bounds originally anticipated by members and hence they doubted whether there was a contractual obligation to pay for these costs.

46. Ibid.

47. Dissenting opinion cited in Hogg, n. 45, pp. 1240-41.

48. Ibid.

49. Ibid.

He further mentioned that the obligations involved were the responsibility of those states that had explicitly or implicitly accepted the resolutions under consideration.⁵⁰

Any how the majority opinion had made it clear that UNEF and ONUC were legally established and the costs increased were indeed expenses of the Organisation under article 17. It affirmed specifically that the General Assembly could and did validly and with legally binding force authorize expenditures for the purpose of effectuating resolutions of either the General Assembly or the Security Council. It further noted that financial resolutions were presumptively not ultra-vires the Organisation if they were geared to one of the purposes stated in the charter.⁵¹

Now, when the opinion was put before the Fifth Committee opposition came notably from France and the Soviet Union. France opposed the acceptance of the opinion on the ground that the opinion of the court was not unanimous and the dissenting opinion was no less important than majority opinion. Again, pointing out the opinion as only advisory and not legally binding the French

50. Leo Gross "Expenses of UN peacekeeping operations: Advisory opinion of ICJ, International Organisation, Vol. 17, 1963, p. 4.

51. Certain Expenses, n. 40, p. 172.

representative asserted, "if the Assembly's acceptance of the courts interpretation becomes legally binding on all members, including those which had voted against it, the jurisdiction of the court would be admitted as binding in a matter in which its competence had been denied by the charter."⁵²

The Soviet representative opposing the acceptance declared that the court did not have the power to modify the charter and if there was any differences regarding the scope and interpretation of any provisions of the charter, it should be resolved through negotiation.⁵³

Anyhow, after prolonged debate and negotiation in both the Fifth Committee and Plenary of the Seventeenth Session, the ICJ opinion was accepted by the Assembly on 19th December 1962.⁵⁴ On the same day in a separate part of the same resolution the General Assembly re-established the working Group increasing its membership from 15 to 21. The Working Group was asked to consider (a) the special financial responsibility of the Security Council (b) special factors which might be relevant in a particular case, (c) the degree of economic development of each member, and whether or not it was

52. Year Book of UN, 1964, p. 18.

53. Ibid. p. 19.

54. GA Res. 1854 A(XVII), 19 December, 1962.

receiving technical assistance from the UN; and
(d) the collective financial responsibility of UN
members.⁵⁵

By the time UN's financial position did not improve and the acceptance of the advisory opinion had the effect that as many as 18 countries will come under the purview of Art 19 if the situation continues.⁵⁶ The Secretary General was asked to explore all possible avenues to secure the liquidation of arrears. But neither the UN Bond which was virtually exhausted by early 1963, nor voluntary contribution could help the problem. Hence the Assembly had to call for a special session in May 1963. There it assessed 42.5 million dollar for the two peacekeeping operations (\$33 million for ONUC and \$ 9.5 million for UNEF) for the period 1st July to 31st December 1963.⁵⁷ Again the General Assembly stressed the principles of collective Security, the needs of developing countries and the special responsibility of the permanent members towards the finances of the Organisation.

55, GA Res. 1854 B (XVII), 19 December 1962.

56. At the beginning of 4th Special session the arrears to the peacekeeping accounts totalled \$ 99,700,000.

57. Year Book of UN 1964, p. 3.

Though the Congo operation came to an end by June 1964 and very less amount was allotted to the UNEF the 'deficit that UN had accumulated over the years seriously threatened the work of the Organisation. By the beginning of the nineteenth session on 30th September 1964 the arrears for the two peacekeeping operation totalled \$ 112,300,000 the Organisation cash sources totalled \$24,800,000 and the deficit was \$ 113,300,000.⁵⁸ The Soviet Union and East European Countries who had accumulated more than two years of arrears were liable to be deprived of their vote under the terms of Article 19.

Thus, the financial crisis reached a very critical situation in 1964. The opening of the Session was delayed with the hope that compromise could be reached behind the scene between the Soviet Union and the United States who were holding divergent positions on the question.

In its stand on the applicability of article 19 of the charter the Soviet Union quoted the records of the San Francisco Conference. At San Francisco it stated,

58. P. M. Sharma, Politics of Peace and UN General Assembly (New Delhi, 1978), p. 215.

Articles 17 and 19 of the charter had been regarded as parts of one whole, and the Committee dealing with them having first approved provisions which became Article 17 and then adopted supplementary provisions and constituting article 19. It was quite clear, the USSR contended, article 19 applied only to financial obligations arising under article 17 of the charter and not to the cost of armed forces to be dealt with under chapter VII of the charter. Thus the Soviet position was that article 19 had no application with respect to states allegedly in arrears in defraying the expenses of the UNEF and ONUC.⁵⁹

At the other end of the issue was the United States. It agreed with Soviet Union that the arrears referred to in article 19 were arrears in the payment of expenses and article 17, However United States denied the Soviet position that the expenses of UNEF and ONUC were not the expenses of the Organisation under article 17(2). Reminding the majority opinion of the ICJ which had found that UNEF and ONUC expenses were expenses of the

59. Memorandum of 11 September 1964 by Soviet Union cited in Year Book of United Nations, 1964, p. 13-17.

Organisation under article 17 and were properly apportioned by the General Assembly. Expressing collective responsibility with regard to UN operations the United States "appealed to member states in arrears on the UNEF and ONUC accounts, without prejudice to their respective positions to pay such arrears and thus make a special effort towards solving the financial difficulties of the Organisation."⁶⁰ If payments were not made it further noted, there would be no alternative to the application of article 19. Failure to apply it would be a violation of the charter, a breach of faith with the overwhelming majority of members which had met their peacekeeping assessments as a binding obligation and a repudiation of ICJ advisory opinion and rule of international law. Failure to apply it would also mean discarding the only sanction of the Organisation in collecting its debts. It would undermine the only existing mandatory power of the Assembly under article 17 to assess the expenses of the Organisation. Finally, failure to apply article 19 to a great power, would undermine the constitutional integrity of the Organisation and could adversely effect

60. Memorandum of 8 October 1964 by the United States cited in Year Book of United Nations, 1964. p. 9-11.

the attitude of other members in their support of the Organisation and its operations and programmes in the peacekeeping, economic and social spheres.⁶¹

The United States further stated that the penalty should go into effect automatically and was pressing to enforce it against the soviet Union of the latter does not clear its arrears. The United States declared a week before the opening of the 19th session that it would withhold pledges to the special fund until the Soviet Union has cleared its arrears and if General Assembly fails to impose article 19 upon Soviet Union it would leave the UN.

Soviet Union on the other hand argued against the American move and said that only a two thirds majority of the General Assembly can decide to suspend a member from voting, as required by article 19 of the charter. It also threatened to walkout of UN if deprived of its voting rights.

In between these two giants remained the smaller powers. They certainly did not want a showdown of the

61. Ibid.

great powers which can uproot the UN itself. The small states observed that as the expenses of the ONUC and UNEF were different in nature from the other expenses there was no basis for including the unpaid contributions in the regular budget and article 19 was therefore not applicable. They considered that crisis was political rather than financial and only a political compromise should be evolved instead of applying article 19.⁶²

Thus, UN was facing a serious confrontation over financing at the eve of the opening of 19th session. The Assembly had been postponed until December 1964 in a hope that a solution would be found. However, no compromise could be reached, rather the gulf widened. What ultimately arranged to avoid a sudden collision between the two powers was that the Assembly proceeded on a no objection with its business. Without taking formal votes on valuable agenda items some compromise on the debt issue resulted in.⁶³

This established as a short time truce between Soviet Union and America. The Afro Asian nations proposed

62. Sharma, n. 58, p. 216.

63. Higgins, n. 5, 417.

'a rescue fund' to which all members were requested to make voluntary contributions including those who are in arrears. After prolonged negotiation Soviet Union agreed for an unspecified voluntary contribution but refused to name the amount and date of payment. The United States refused to accept this Soviet Union proposal and insisted that the latter should pay first and vote later.

By the time France and ten other states had also accumulated arrears to come under the jurisdiction of article 19. Thus, the crisis turned from bad to worse. The no vote procedure which was still continuing barely saved the situation, but no important agenda could be discussed under it. Shortly, before the Assembly was to adjourn, the Albanian representative made the motion that the Assembly should return to its normal voting procedure.⁶⁴ Return to voting procedure meant again the crisis over article 19 will also resume. At this juncture Adlai Stevenson of United States declared that the 'United States would not insist on involving of article 19 that would deny any member its right.'⁶⁵ The Soviet representative also

64. Doc. A/PV, 1329,

65. Doc. A/PV, 1330.

assured to make voluntary contribution to solve the problem if the question of article 19 ^{was not} was not raised. Thereupon, the Assembly registered the defeat of the Albanian demand, both the super powers voting against it. The United States without giving up its stand of article 19 acquired in the Soviet Union's voting on the Albanian proposal.

Thus, the controversial nineteenth session of the General Assembly limped into recess on February 18th until September 1st 1965 without any substantial solution. The main problem on applicability of article 19 still remained unsolved.

By the time the Committee of 33 which had been established by the special session on 27th June 1963⁶⁶ had proceeded towards a solution over the financial crisis. In the course of its proceedings the group had consulted all the concerning members and their memorandums.

66. GA. Res. 1880 (S-IV), 27 June, 1963.

Starting from the question of competence of UN organise, to undertake and finance peacekeeping operations.⁷ ICJ opinion, special scale of assessment the committee also discussed alternative procedures for financing peacekeeping operations.⁷ In a memorandum United States suggested for the establishment of a special finance committee similar is composition to the working group, which would recommend to the Assembly by two third votes the possible means of financing and apportioning the expenses of any future peacekeeping operations.⁶⁷

This Committee was established by the General Assembly without objection on 18th February 1965 and soon it took the job to sortout a possible solution to the financial crisis. At the same time pressure was mounting over the crisis but shortly before the opening of the 20th General Assembly session things took a dramatic turn. After profound negotiation, US Amabassador Arthur J. Goldberg, who had been assigned newly to the Organisation after sudden death of Adlai Stevenson announced before the Committee of 33 on August 16, 1965 ✓

67. United States Memorandum to Working Group, cited in Year Book of United Nations, 1964, p. 24.

a. change in US policy towards the crisis. There he declared that, 'our views on these matters have not represented a bargaining position, nor have they changed. They have not been based on narrow national interest but on clear language of the charter and what seemed to us the clear interest of the Organisation'.⁶⁸ He further announced that his government regretfully concluded that the Assembly was not prepared to carry out the relevant provisions of the charter. in the context of the present situation and the United States would not seek to frustrate the consensus against. applying that article and is in favour that the Assembly should proceed normally.⁶⁹

Soon after the declaration by the US the Committee of 33 reached consensus on some of their discussion and submitted it to the General Assembly. Among other things in the Committee of 33 it was agreed that (a) the General Assembly should resume its normal working procedures; (b) the applicability of article 19 with regard to financing the special accounts of UNEF and ONUC was to be dropped in the Assembly; (c) the financial difficulties of the Organisation should be solved through voluntary

68. Higgins, n. 5, p. 294.

69. Wainhouse, n. 2, p. 17.

contributions by members states, industrially developed countries making substantial contributions; (d) the General Assembly and Security Council should cooperate in carrying out the peace keeping operations in conformity with the charter.⁷⁰

The report of the Committee was adopted in the General Assembly and it resumed its work normally reintroducing voting as article 19 was avoided. Substantial voluntary contributions were also made^{of} to the rescue fund.

Thus, at the 20th session the threat posed to the very existence of the Organisation in the form of a financial crisis was overcome.

Several reformative steps were also taken at the same Assembly. Attention was diverted towards voluntary contributions for peacekeeping operations, also enough care was given for future peacekeeping operations to be established by the Security Council only. Above all the establishment of an adhoc Committee of Experts to examine the Finances of UN and Specialized Agencies was of greater

70. Doc. A/5915.

importance. Known as 'Committee of 14' the body was invited to examine the entire range of budgetary problems of UN, notably their budgetary procedures, standardizing their budgets and the financial aspect of their expansion, with a view to avoid needless expenditure.⁷¹

Thus came to end one phase of the financial crisis of UN. No doubt the immediate cause of the crisis was over the financing of two peacekeeping operation in Middle East and the long. But if it would have been a financial crisis in a truer sense it would not have assumed such dimension. The question of constitutionality would not have come to forefront. As H. G. Nicholas observes "It is, of course, obvious that the crisis is only in the most superficial sense a financial one. The UN finds itself short of money only because rich and powerful states have decided that it is in their interest to reduce it to such pecuniary embarrassment. And the reasons for their decisions have very little to do with pressure from national treasuries; they reflect in all cases reasons of state elaborated in foreign ministries".⁷²

71. GA Res. 2049 (XX), 13 December 1965.

72. H. G. Nicholas, "The UN in Crisis", International Affairs (London) Vol. 41, no. 3 July 1965, p. 442.

In the context of the financial crisis of the Organisation discussed above, the observation made by H. G. Nicholas fits in. The crisis had emerged as great powers wished to control the peacekeeping activities of the UN in accordance with their respective national interest.

The Soviet Union knew that it would not be possible to dominate in the General Assembly. And it was apprehensive of the growing responsibility of General Assembly in respect of peacekeeping which would have undermined the position of Security Council, simultaneously that of Soviet Union which is a permanent member of that Organ. It therefore opposed the peacekeeping by withholding its assessed share to it, mentioning the operations being contrary to the charter provisions.

France which paid for UNEF opposed ONUC as a part of general resentment with UN which had been fostered by the Suez Expenditures. The French position was that only a decision by Security Council to assess all members can legally base them to pay for UN peacekeeping operations. Since France was paying for UNEF then position was that France need only to pay for operations which it specifically agreed to do.

The US which had incomplete agreement with UN decisions and was virtually paying half of the expenses, apparently wished to avoid a head on clash with Soviet Union by checking the growing Soviet influence in Middle East and Congo. A veto in the Security Council would not have materialized the operations undertaken by UN. Hence, US looked to the General Assembly where it enjoyed better influence than the Soviet Union.

CHAPTER - IV

CONTINUING CRISIS

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CONTINUING CRISIS

As it may be noted, that the focus of the financial problems of early 1960s covered primarily the question of financing of some highly contentious peacekeeping activities such as UNEF and ONUC. Not much attention was paid to the aspects of staffing, wasteful expenditure, duplication of programmes etc. Once the UN had beathered the crisis over threatned application of Article 19, the member state seemed to have turned their attention to the aspects of budgeting administrative efficiency and so on. In a way these can be considered as more basic to the financing procedures of any institution including the UN. In other words, Art. 19 crisis with reference to expenses on peacekeeping subsided shortcoming of the gamut of processes and procedures of financing system of the UN have emerged as important issues. The present chapter attempts an analysis of the factors that contributed to the continuation of the financial crisis in 1970s and early 1980s, its ramifications and implications for the welfare and effectiveness of the UN.

First how did financing assumed the status of a continuing crisis ?

In the last 40 years of its existence UN has witnessed unprecedented changes in the Socio-Economic and Political situation of the world. The pattern of world affairs has shifted in unexpected and ominous ways. Creating fresh strains in international relations and aggravating many existing problems. However the biggest and certainly most important change which has directly affected the stability of UN have been the completed process of decolonization. With the end of colonialism , new independent states have stepped into the world stage and what is remarkable here is that all these newly emerged states grouped as third world have joined the world community on equal status. Thus the influx of third world countries has resulted in nearly three fold growth of UN membership. The membership of the UN which was just 51 in 1946 has almost trippled with 159 member covering throughout the world in last 40 years. However this mamooth growth in membership is more then just to be numerical. At the same time while it reflects faith in support the world body, at the same time it presented new challenges to the world body. With the new problems in while old one exists, the

complexities inside the Organisation has grown simultaneously and several remarkable changes are visible within and outside the Organisation.

A remarkable reflection of this membership explosion was seen in the shifting balance of forces within the UN. Over the years the UN had been dominated and influenced by the Western power. They had assured two third majority, in the General Assembly. Initiative were taken by them and new programmes originated according to the priorities and interests of Western countries mainly led by the USA. These leaders designed and formulated the programmes according to their national policies. Thus in the early 50s and 60s UN had been transformed as a foreign policy instrument of group of countries, particularly the USA.

But with the winds of change the power balance gradually tilted infavour of third world, Who gained two third majority in the UN General Assembly. With the overwhelming majority in the world body third world member's expectation grew high. They now looked towards the Organisation to help them in every respect including Trade, Technology, Industrial development etc.(It was adequately reflected in the bulky agenda). They hoped

to bring about a new economic order by redistributing the resources of the world properly and to facilitate this UN was perceived as the best instrument of negotiations.¹

With this expectation third world countries initiated myriad new programmes basically orienting according to their needs.² And to push through in the hardly need any western help in the General Assembly. Even the western opposition became meaningless for them. Grouped together the third world countries on their own constituted two third majority.

Thus with the shift in influence the programmes of UN also changed remarkably. Several new programmes were added to the activities of UN which expanded rapidly encompassing every aspect, Socio Economic and Humanitarian problems. Consequently the world body was burdened to take action with regard to Technical Assistance, Disaster relief, Industrial development, Population problem, Pollution control, Human Rights,

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1. Peter Fromuth, The UN at 40 : The problems and the opportunities (New York, 1986), p. 5.
 2. Thomas Franek, Nation Against Nation : What happened to the UN dream and what the US can do about it (New York, 1984), p. 255.

Refugees shelter, Food and many other developmental questions to name a few.

The increased membership together expanding UN activities have direct impact on the world body's budget which has registered frequent growth at rapid proportions. Since 1963 the budget has increased by nearly 700 percent.³

With the expanding humanitarian activities and peacekeeping operation which had already added millions to the UN budget came the period of inflation in early 70s and recession of late 70s.

It was the time also when the dollar value which is the exchange currency of UN sharply fall against the hard European Currencies. It was so severe in 1971 that \$ 232,000 was worth only one million Swiss Francs.⁴

Inflation and fall in exchange rate caused, for the UN, cash shortfall of about \$ 60 million in 1974 and added over 20 percent in 1976-77 budget.⁵

3. Thomas Franck, Nation Against Nation: What happened to the UN dream and what the US can do about it (New York, 1984), p. 255.

4. UN Monthly Chronicle, January 1977, p. 14.

5. Ibid.

Though dollar may get stability or regain its value there was no sign for the check of inflation rates it, continued to add the budget every year \$ 30 to \$ 40 millions which is more then the total budget of the Organisation in its initial years.

MAJOR DONOR'S DISSATISFACTION WITH REGARD TO UN BUDGET :

The budget growth has sharply brought out a serious anomaly which lies at the root of the present crisis. Presently, eight members (France, Japan, Italy, UK, USSR, Germany, USA and China) are contributing money then 70 percent of the UN budget, while the share of the industrial countries of Europe is nearly is 15 percent. And the rest of the members pay nominal percentage of the total amount.

While, incure sense, the money paid by the developed countries these amounts are in comparison with their overall budget, nevertheless these contributions can make a decisive difference to the UN's ability to carry on most of its programmes. Without the Western nations fiscal compliance, it is impossible for UN to make a balance between the few who pay bills and those who run them up.⁶ The analysis of this relationship

6. "The UN's Own Crisis", Asiaweek, (Hongkong), 5 April, 1985.pp. 27-33.

brings out the limits where the fundamental principle of collective responsibility stops and where the financial veto or individual responsibility begins.

"The power of purse serves to delimit the exact point of demarcation between the ideal virtues of constitutional principles and the constraints of political activities."⁷

US which was totally dissatisfied with the contribution pattern since its inception pressurised through General Assembly from the early days to reduce its individual contribution from 49.89 percent to an arbitrary figure of 39.89 percent in 1946.⁸ In 1954 under insistent prodding by the American delegation the Assembly reluctantly limited the top contribution this time to 33.33 percent.⁹ And finally in 1972 US succeeded in bargaining the ceiling down to 25 percent. That year, the US contribution ought to have been 38.4 percent had it been based strictly as capacity to pay determined by national income.¹⁰

Not only ceiling but also the floor was lowered over time. From 0.04 percent to 0.02 percent in 1972 and again to 0.01 percent finally in 1976. In addition, several

7. Mahdi Elmandjra, The UN System : An analysis (London, 1973), p. 213

8. GA Res. 1/69, 14 Dec. 1946.

9. GA Res. 9/876, 4 Dec. 1954.

10. Franck, n. 2, p. 256.

other measures allowing concession to poor countries were adopted. A proposal gave the Assembly's Committee on Contribution "discretion to consider all data relevant to capacity to pay and all other pertinent factors arriving at its recommendation. This gave relief particularly to those countries whose gross national income were large due only to size of their population, but which had low per capita income. Accordingly a low per capita income allowance was awarded by making a reduction up to 40 percent in the assessment of any country having per capita income of less than \$ 1,000.¹¹

Subsequently, upper limit of the low per capita income allowance was further raised to \$ 2100 and the relief also to 85 percent.¹² This was added by a further resolution which stretched the base period i.e. range of years over which the national income is averaged in order to arrive at an assessment. Previously assessment was calculated taking that last three years' national income figure. In 1983 it was the third world able to stretch it for Ten years.¹³ by which the countries who have become rich recently were assessed less than what would have been otherwise.

11. Ibid., p. 257.

12. Ibid.

13. Ibid.

When the new assessment scale was adopted on these lines for 1983-85 major donors bitterly criticised it. US stated it as glaringly unfair, artificial and discriminatory and also pointed out that it is the third world playing the game along with others. Japan who was assessed more than Soviet Union to replace the second place assailed the contribution pattern as totally distorted from the capacity to pay principle.¹⁴

Echoing these sentiments other developed countries pointed out that 93 members were being assessed at a level between 0.01 percent and 0.03 percent of the total budget which meant 60 percent of the members would be paying a sum representing little more than one percent of the Organisation's expenses.¹⁵

Forced to bear the brunt of the burden it is but natural for the major contributor to check the budgetary growth by cutting the excess/wasteful expenditures. A few instances of wasteful or unnecessary expenditures cited were the project worth 73.5 million dollar conference facility in Addis Ababa capital of drought stricken Ethiopia, and the expansion of conference

14. UN Monthly Chronicle, Vol. XXII, no. 3 (April, 1985), p. 17.

15. Doc. A/C 5/37/SR 8.

facility for (ESCAP) in Bangkok costing the UN over 44 million dollar.¹⁶ Though both these projects were opposed by the western countries including US and Soviet Union, the third world majority went ahead.

In a way, the major contributing countries left in a helpless minority were enable to prevent adoption of the budget they did not fully share, but were constitutionally obliged to pay the assessments without having voted for it. This dichotomy between voting power and financial contributions remained unresolved, and it led to the phenomenon of unprecedented withholding by a number of members countries.

References may be made here to the unilateral decision by the US to withhold from the overall budget. In 1978 US reduced its overall contribution to the UN by over \$ 27 million.¹⁷ Though the underlying reasons for this act were so many US specifically pointed out about the other members failure to pay for the regular budget as the reason. The Carter administration in 1979 succeeded in eliminating the amendment from the foreign

16. Asiaweek, n. 6, p. 28.

17. Year Book of UN, Vol. 32, (1978), p. 39.

aid bill that would have prevented the US from paying part of the UN assest for Technical Assistance Programme.¹⁸ The conservative group in US insisted on the reduction in payments for such programme where US don't have a say and the funds were used in third world.¹⁹

Developmental programmes like UNRWA, UNHCR, Human Rights, DTCD, UNCTAD, Human Settlement, Disaster Relief etc. whose administrative budget is paid out of regular UN budget are also being threatened by the largest contributors. Withholding its payment for UNRWA in 1982 US government stated that it would pay no more for this programme "except on condition that it take all possible measures to assures that no part of the US contribution shall be used to furnish assistance to any refugees receiveing training from PLA".²⁰

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18. Foreign Assistance Act of 1969, Pl 91-175. S.108(a) 83 stat 819, Dec. 30 1969, Cited in Frank, n. 2, p. 261.
19. US Participation in the UN: Report by the President to the Congress for the year 1979, (Washington, 1979), pp. 356-63.
20. Ibid.

Now turning to the UN itself, several aspects have attracted criticism. UN has been increasingly criticised in the western countries, on account of overstaffing, inefficiency, wasteful expenditure, duplication of programmes, mismanagement of funds etc. A great deal of negative publicity has been given to the huge sums unnecessarily spent in lavishly organised conferences, duplications and stretched sessions, and publication of documents.²¹

At the first instance comes the huge amount spent under the head of administrative expenses. These activities are concerned with matters of personnel, finance and General services. Nearly 30 percent of the regular budget goes under this head again of which 90 percent is required to pay for the staff, whose member has increased from 1,546 in 1946 to 11,423 in 1986.²² The posts in the higher echelons like Under Secretary General and Assistant Secretary General have reached a phenomenal figure of 87.²³ The adjacent table shows the salary scale of

21. Asiaweek, n. 6, p. 29.

22. Maurice Bertrand, The UN in Profile : How its resources are distributed (New York, N.Y 1987), p.16.

23. Report of the Group of High Level Intergovernmental Experts to review the efficiency of Administrative and Financial functioning of UN, Doc. A/41/49, 15 Aug. 1986.

Annual Gross Salaries of the Professional
and Higher Officers at UN Secretariat
 (US dollar) in 1985

Level	Gross Amount
Under Secretary General - USG	121,046.00
Assistant Secretary General - ASG	107,089.00
Director D-2 at Step IV	90,606.00
Principal Officer D-1 at step VII	82,986.00
Senior Officer P-5 at step X	76,266.00
First Officer P-4 at step XII	65,151.00
Second Officer P-3 at step XIII	53,997.00
Associate Officer P-2 at step XI	40,868.00
Assistant Officer P-1 at step X	31,098.00

Source: UNDGC.A/39/51, p.261.

the professionals and higher category officers of the Secretariat as in 1985, which is stated to be 40 /percent above the their counterparts in United States²⁴.

The other section which is also allocated nearly 30 percent of the regular budget comes under the head of forum of discussion and negotiation along with public information service. Increasing activities and institutional growth has led to a significant growth in the number of conferences meetings held annually under the auspices of UN. Its intergovernmental machinery has grown very complicated through the creation of new subsidiary bodies of the main organs mandated by the charter and of subsidiary bodies of the main organs mandated by the charter. Special International Conferences are also convened every year. These meetings and conferences are sometime stretched hour long and all its expenditures including food and drink are paid out of UN's pocket. Though these constitutes an integral part of multilateral diplomacy and is required by an Organisation like UN which is a major forum for discussion and the exchange of views and negotiations among diplomats, the number frequency and duration of these conferences has reached a level that the considerable amount allotted to them are not put to maximum productive value.

24. Asiaweek, n. 6. p. 29.

The increasing number of conferences and meetings intrun transforms the UN into a massive factory of paper production. Very often these paper produced contains duplicated information. Many delegates frequently complain they can not cope with the huge quantity of paper they receive. Thus new reports are ordered almost regularly to replace the unused originals. This not only resulted over duplication to work but also creates a flood of paper. As an interesting statistics goes on UN and its agencies combinedly produce more than 1.5 billion of pages a year which if laid end to end would encircle the globe more then ten times.²⁵ The result of this documentation explosion is that the cost for writing, editing, translating, reproducing and distributing has grown enromously and the work of secretariat are overstrained at its peak.

However, the Organisation in this period could not bring out any reformation within it to change this kind of attitude of Western power, rather it increasingly became disorganised and third world influence continued to dominate in its policy making organs. Consequently the growing dissatisfaction brewelding over the year

25. Asiaweek, n. 6, p. 30.

further concentrated along with the deficit, the Organisation has accumulated since 60s.

In this situation western powers constantly trying to regain their hold over the General Assembly played hard and particularly the United States which had paid only \$ 30 millions out of its \$ 180 million contribution further decided to withheld its payment to an amount of over \$ 100 million in 1985.²⁶ Three United States Acts made the member to behave like this. First, the Kassebaum Amendment which intended to reduce the American share from 25 percent to 20 percent a cut of \$ 42 million for 1985, in case the worldbody fails to adopt weighted voting instead of one man one vote being followed in budgetary matters.²⁷ in UN and its specialized agencies. The United States which shoulders one fourth of the budget in a measure to establish the proverbial principle that 'he who pays the piper calls the tune' had tried another way in 1970 by proposing a form of non-voting membership in the Organisation.²⁸ But the proposal fail through as even the tiniest and most remote new nation knew that full membership almost certainly going to be worth more than it must spend on the minimum annual fee. And now it had pressed for it through the budget.

26. International Herald Tribune (Paris), 8 April 1986.

27. Yves Beigbeder, Management Problem in UN Organisation: Reform or decline (London, 1987), pp. 148-49-

28. Interem Report Committee of Experts Doc S/9836, 15 June, 1970.

The second legislation was the sundguest amendment which obliged the United States to withheld its share of the cost towards salaries of secretriare staff who were found to hand over part of their pay to their respective governments.²⁹

Yet another cut to UN budget from United States came through Budget Deficit Reducing Act or the Gramm-Rudmans - Hollings Law, which sought a balanced federal budget for the UN by 1991.³⁰

The overall shortfall resulting from these acts in the payment of American assessed contribution for 1985 - 1986 was estimated to be in a range of \$ 90.5 to \$ 102.5 million.³¹ Now it rests upon the General Assembly members and particularly on the Secretary General to suitably respond and devise ways and means for tiding over the crisis.

The General Assembly attempts to devise acceptable workable ways and means in order to weather financial problem have largely proved infructious, at least in late 70s. Only when the crisis worsened to uproot the very foundation of the UN, an earnest effort remains to have been made in 1985. Some details follow.

29. Hindustan Times (New Delhi), 15 Dec. 1986.

30. Beigbeder, n. 37, p.43

31. Ibid.

Evolution of Short Term Deficit of UN in Million US Dollar

	Upto 1974	1975 to 1978	1979 to 1982	In 1983	1984	1985	1986	1987
Opening Balance short term deficit	45.1	71.7	168.1	306.6	343.1	370.6	407.6	390.6
Closing Balance short term deficit	71.7	168.1	306.1	343.1	370.6	407.6	390.6	351.6

Source: DOC A/C. 5/42/31, p.21.

Major Withholdings by Member States From
Assessed Contribution to UN as
on 31 December 1987

<u>Member State</u>	<u>Total Withholdings</u> <u>(in thousand US dollar)</u>
United States	139,000.0
South Africa	30,759.4
Soviet Union	8,494.5
France	4,357.1
German Democratic Republic	3,617.3
Poland	2,902.5
Ukrainian SSR	1,617.5
Hungary	1,219.6

Source: A/C.5/42/31

a) Committee of 14 : Soon after the 20th session of the General Assembly which had survived the financial crisis over the question of peacekeeping, the General Assembly in a measure to study the entire range of budgetary problem established in 1965 a Adhoc Committee or Committee of 14 as popularly known upon the initiative of French delegation. The Committee with the Assistance of ACABQ was asked to "examine the budgetary problems of UN and specialized agencies notably their budgetary procedure, with a view to avoid needless expenditure, particularly resulting from duplication."³²

The Committee produced two reports : The first one³³ devoted to financial situation and the second³⁴ an 80 page document covering the vast array of problems, including budget preparation and presentation, programme planning and expenditure, audit and inspection etc was adopted by the General Assembly. The recommendation of this Committee in its second report helped the General Assembly in improving its administrative and budgetary practices, giving more coherence to its procedures. One of the important recommendation the committee had made for the better coordination between its policies and

32. GA Res. 2049 (XX), 13 Dec. 1965.

33. Doc. A/6289.

34. Doc. A/6343.

machinery was that 'the need is not for the creation of new bodies to ensure better and greater co-ordination, but for the streamlining and refurbishing of the machinery which already exists'. The accrued role of the ACABQ and the creation of joint inspection unit were also the recommendation of Committee of 14.

Though the Committee had worked hard and made some valuable suggestions, they could not be implemented by the Organisation.

Therefore the deficit kept piling up and in 1970 it further worsened as the secretary General noted, the Organisations financial situation was worse then ever before and was steadily deteriorating. The main cause at that period was certain members' non-payment to the regular budget for the cost of servicing UN bonds and to certain other activities, which they considered to be improperly included in the regular budget.³⁵ It is evident from these facts that the stop gap measure General Assembly had tried in 1962 by issuing bonds has created more problem.

It was just the beginning, and with the expansion of its activities mor had to come. The budget increased and the world wide inflation made the UN to record a

35. Doc. A/800/Aid 1, 14 Sept. 1970.

deficit of \$ 108 million in 1975.³⁶ The reasons were members withholding on one or the other and external factors like inflation.

Realizing the critical situation the General Assembly established two Committees. One in 1973³⁷ to bring about a check on inflation and the other in 1975³⁸ to bring about a possible solution to the financial crisis.

Inflation which had longer impact on the budget growth the exchange rates compelled the General Assembly to establish a working group in currency instability to consider possible alternative situation to the difficulties arising from the effect of continuing currency instability and inflation.

The Group observed that inflation was likely to continue. Therefore it was not possible in their part to suggest any Generally agreed alternative to policies already being followed. However the Group recommended some saving measures by observing additional costs as far as possible by reassessment of priorities, redeployment of resources and where necessary by adjustment within the budget. The Group further suggested to establish

36. Doc. A/c. 5/42/31.

37. Working Group on Currency instability. 18 Dec. 1973.

38. Negotiating Committee on Financial Emergency of the UN. GA Res. 3538 (XXX), 17 Dec. 1975.

a special reserve fund to meet the crisis, high inflation, inclusion of contingency in the budget and increase in the Working Capital Fund. For assessment of contribution it gave two alternative currencies (1) US Dollar or (2) Several other currencies.³⁹

It may be noted that the Committees recommendations were hardly helpful to the Organisation in checking the budget growth caused by inflation and the gravity prevailed.

b) Negotiating Committee on Financial Emergency :

In 1975 when the serious financial situation of the Organisation was discussed in the General Assembly upon the recommendation of Fifth Committee the Assembly decided to establish a Negotiating Committee consisting of 54 members, to bring about a comprehensive settlement of the critical financial situation of the UN taking into account the need to implement the consensus of the Special Committee on Peacekeeping Operations.⁴⁰

Organising its work under three General headings in dealing with financial problem as it related to past, the present and future, the Committee produced its report before the Assembly in 1976.

39. Report of the Working Group on Currency Instability, Doc. A/9773.

40. Report of the Negotiating Committee. Doc. A/3137.

Considering the past and the causes for the UN's deficit the Committee maintained that, "it is the result of withholdings by some member for stated reasons of principle of their shares of assessed contribution in respect of certain items of the regular budget." ⁴¹

Giving guidelines for future, the Committee stressed the basic principle of collective responsibility of member states for the financial security of the UN. It requested all member states to make full and prompt payment of their assessed contribution in order to ease the cash liquidity problem. Speaking against the bond issue the Committee proposed such costs to be removed from the expenditure section and to be financed instead to the largest possible extent from unspent appropriations balances and from the income sections of the budget. It further suggested to suspend the financial regulations which requires unspent balances to be credited proportionately to member states until the bond issue was totally amortized. ⁴²

However due to lack of agreement among the members the Committee failed to reach a consensus and in its report it stated that it had not been possible to put forward recommendations for an agreed solution to these difficulties. ⁴³

41. Report, n. 40,

42. Ibid.

43. Ibid.

The failure of this Committee to give any clear guidelines and the Organisation failure to cope up with the situation, resulted in the further growth of deficit. By the time several western countries or developed members who generally make huge payment to the UN itself and its organs had started expressing their reservation in paying their assessed contribution. One can easily assume the magnitude of deficit if one of its largest contributor United States along with Soviet Union will decide to withheld a portion of its payments. The deficit which was already over \$ 200 million reached \$ 300 million margin. However the Organisation was rescued when the Secretary General increased the Working Capital Fund from \$ 40 million to \$ 100 million in 1981.⁴⁴ It was also decided that any budget surplus could be used to compensate the budget deficit rather than being surrendered to member states. While adopting a financial emergency resolution an appeal was made to all member states to pay promptly, early each year, their full assessed contributions and advances to the Working Capital Fund.

The resolution had hardly any effect on the member to improve the Organisation's financial situation. In 1982, of the 154 member states only 50 had paid their full assessed contribution by September 30 and only 30 member has paid a part of it.⁴⁵ The Soviet Union

⁴⁴. GA Res. 36/242, 18 December 1981.

⁴⁵. Beigbeder, n. 27, p. 146.

and the United States being the largest withholders. The deficit by that time was \$ 370.6 million.

This was the financial situation when the UN was preparing for its 40th. Birth Anniversary, There the members gathered widely and authoritatively reaffirmed their full support to the Organisation.⁴⁶ Everyone hoped that the Anniversary would infuse new life for world body. But the support declared by the members was far cry from taking any practical form and soon the world body moved into face the most serious financial crisis of its history with the declaration of United States about its withholdings. Thus the largest deficit for the Organisation so far came in 1985 with a huge amount of \$ 407.6 million.⁴⁷

C) Group of Eighteen Set up: The very existence of the Organisation was threatned and at this juncture in 1985 the General Assembly created a High Level Intergovernmental Expert Group⁴⁸ at the suggestion of Japanese Foreign Minister. The Assembly in its resolution asked the Group to conduct a through review of the

46. Deccan Herald (Bangalore), 30 April, 1986.

47. Doc. A/ C.5/42/31.

48. GA Res. 40/237, 18 December 1985

administrative and financial matters of the Organisation, with a view to identifying measures for further improving the efficiency of the administrative and financial functioning of the UN, which would contribute to strengthening of effectiveness of the UN is dealing with political economic and social issues. The group was asked to produce its report before the General Assembly within a year i.e. by December 1986.

D) Secretary General's Initiative : Even before the Group had set out to work the UN was faced with the threat of cuts, the increasing year and shortterm deficit, the decreasing value of the American dollar. The Secretary General Perez de Cuellar forcefully drive home the point in his report to the General Assembly, when he noted that "UN was confronted by financial problems of such magnitude as to have profound implications for the viability of the Organisation". He further noted that the crisis is financial, but above all it is a political crisis arising from disregard of obligations flowing from charter and from lack of agreement among member states on how to finance and utilize the Organisation and for what purpose.⁴⁹

49. Current Financial Crisis of the United Nations : Report of the Secretary General, Doc. A/40/1102, 12, April 1986.

And to face the situation he proposed several radical economic measures to be put into effect immediately.

In Jan, 1986 he proposed a 20 percent reductions in costs relating to travel, hiring of consultants, temporary assistance and overtime, the deferral of a number of alteration and maintenance projects, strict control and limitation of documents. These measures, allowing to the estimate of Secretary General, were expected to yeild a saving of \$ 15 million.⁵⁰

In February 1986, Secretary General Perez de Cuellar announced to the staff that at least one-tenth of the funds required for the regular budget in 1986 would not be available. He asked all departments and offices to identify savings which could be effected in 1986, amounting up to 10 percent of their resources.⁵¹

Appealing all members for voluntary contributions He announced in March 1986 further economies, which would amount to a saving of another \$ 15 million. By his measures recruitment was to freeze, extension beyond the age of 60 was to stop except in a few cases of locally

50. Ibid.

51. Ibid.

recruited staff, promotion was to be suspended for six months, cost of living adjustment deferred payment of a part of the representation allowance of higher staff was to be suspended and overtime payment further cut along with other staff and housekeeping economies.⁵²

Several members welcomed the economies enforced by the Secretary General. During the debates in the plenary supporting de Cullar's economy measures the representative of European Community said that the Secretary General was in a best position to determine the necessary measures in alleviating the immediate crisis.⁵³ The Soviet Spokesman said that the United States should bear full financial and political responsibility for the steps it had taken unilaterally.⁵⁴ The US representative supported the economic measure as a package programme.⁵⁵ The Group of 77 representative underlining the political aspect of the crisis, said that United States' unilateral withholdings in lieu of weighted voting would lead to abandoning of the democratic principle of the Organisation. However the third world countries who needed the UN more than others were selective regarding the cost reduction proposal.⁵⁶ The Assembly endorsed most of the saving

52. Ibid.

53. UN Press Release GA/7282, 28 April 1986.

54. UN Press Release GA/7283 29 April 1986.

55. Ibid.

56. Ibid.

proposed by the Secretary General.

E) The Group of 18 and its Recommendations : The group was seized a set of highly demanding problem aspects for a thorough examination. They are (1) Budgetary process (2) Setting relative priorities and utilizing resources in accordance with them and (3) Possible structural and procedural adjustments about the Organisation including the Secretariat which could bring about greater effectiveness efficiency and economy.⁵⁷

As Javier Perez de Cuellar once told the group, what he point about these three areas, First, for a long term financial viability of the Organisation broad agreement among member states as needed concerning content and level of the programme budget, scale of assessment, payment of assessed contributions and procedure for reaching agreement on these matters. About priorities, The Secretary General emphasized the relation between charter obligation and programme policies. He further said an improved framework is needed which will encourage agreement on the allocation of resources.⁵⁸

As for the administrative matters to be reviewed by the group Secretary General emphasized the need to maintain the quality and independence of the Secretariat

57. United Nations' Monthly Chronicle, Vol. 23, no. 3, April 1986, p. 6.

58. Ibid.

to be more effective and to serve the Organisation competently.⁵⁹.

Meeting in closed sessions between February and August 1986 the 18 member Group reviewed all the questions put before it, i.e. the intergovernmental machinery of the UN and its subsidiary organs, the structure of the UN Secretariate, the prevailing personnel policy of the Organisation, activities related to co-ordination, monitoring evaluation and inspection and entire range of budgetary matters.

The Group had short time and a vast mandate. It worked hard and passes on as many as 71 recommendations in its 40 page report.⁶⁰ Only some of the important recommendations are referred to use.

Taking up the Intergovernmental machinery and its functioning first in the report the Group felt that the UN's own intergovernmental machinery for dealing with political, economic and social problems including operational activities has on overly complex structure, lacking cohesion and making co-ordination difficult. The efficiency of the Organisation has suffered through this process and there is a need for structural reform

59. Ibid.

60. Report, n. 23.

in the intergovernmental machinery.

With this conviction group recommended first to strengthen the Administrative Committee on Coordination and to give it broader responsibilities. The Group also urged to reduce the number of conference and meetings and to shortened their time period. Third recommendation was that the procedure and methods of work of the General Assembly and its subsidiary organs, particularly its main committees should be streamlined and there by made mor effective. Here also the Group recommended several economic measures to save extravagant expenditures. The Group further recommended adherence to General Assembly principles to hold meetings only at established headquarters, limit the reimbursement of travel costs reducing the cost of processing and distributing official documents.⁶¹

To streamline the coordination between a machinery the Group recorded some voluable suggestion. It asked to use adhoc arrangements designed to meet specific requirements, to hold meetings of executive heads of UN organs to review the cost effectiveness and efficiency of the field representation of the various programmes etc.

61. Ibid. Recommendation 1 - 14.

Turning to the structure of secretariat the Group observed that the UN's internal structure is too top-heavy and too fragmented. The establishment of a larger number of posts in higher echelons has resulted in dispersion of responsibility as well as diffuse sense of authority.

Hence to organize a leaner and effective secretariat the Group passed as many as 26 recommendations.⁶²

For the General reform of the Organisation the Group sought to simplify the Organisational structure of the secretariat. In doing so it also pleaded for a substantial reduction in the number of staff members at all levels, and particularly in the higher echelons. A over all reduction of 15 percent regular budget posts and 25 percent reductions at the level of Under Secretary General and Assistant Secretary General within a period of three year or less were the famous money saving and staff reducing recommendation passed by the Group.⁶³

Recognising the economic and social affairs to be of great importance which entailed a very high percentage of allocated resources, the group underlined the need for restructuring. It emphasized that with the changing

62. Ibid. Recommendation 14 - 40.

63. Ibid. Recommendation 15 - 17.

international circumstances and the changing needs of international community the UN should adjust its task accordingly within the provision of charter.⁶⁴

For administrative and related function of the secretariat the Group believed that its efficiency could be increased without effecting the quality of service provided. Noting that the conference service department to be streamlined the Group further recommended to nationalise the conference services, like not to, spend on outside consultants particularly hiring of retired staff members should be stopped and to abolish the department of Management Advisory Service totally.

In the view of the Group a thorough review of the function and working method of department of public information required to make it upto date and improve its capacity and ability. They further recommended to check on the over publications and make it centralized. It also requires the Secretary General to make through review of the departments at interval.⁶⁵

Coming to the personnel matters the Group recognized that personnel management and policy had

64. Ibid. Recommendation 20 - 26.

65. Ibid. Recommendation 30 - 32.

suffered as a result of considerable political and other pressure that seemed to have influenced selection of staff. Efficiency of an Organisation would depend on the performance of its secretariat and that in turn depends upon the quality and dedication of its staff. A clear, coherent and transparent rules and regulations administrating the staff would certainly make the services of the staff of higher standard. And for all these Secretary General as the Chief Administrative Officer bears the highest responsibility.⁶⁶

Bearing this in mind the Group recommended to revise the current staff rules and regulations and to implement the prevailing policies strictly. Recruitment of the staff at P.1 to P.3 level should be done through national competitive examinations. For P. 4 and P. 5 levels individual tests should assess the drafting ability of candidates and above all in order to ensure an effective secretariat more recruitment should be done at junior professional level. Staff members should be eligible for permanent appointments after three years service in the Organisation. More women should be appointed and a job rotation system should be developed for professional staff members. The International Civil Service Commission

66. Ibid. Para 15.

should not only establish personnels standard, but also monitor their implementation by the Organisation.⁶⁷

In order to review the leadership of departments and offices, the service of Under Secretary General and Assistant Secretary General should not exceed ten years. Staff Unions and Associations should not infringe upon the managerial responsibilities of the Secretary General. As the staff entitlements are excessive, the education grant for post secondary studies should be eliminated and the annual leave credit reduced from 6 to 4 weeks.

At the end the Group requested the Secretary General to take measures against the practice of transferring extrabudgetary posts to the regular budget.⁶⁸

While considering the most important aspect of its mandate i.e. planning and budget procedure observed that owing to the changing international circumstances the medium term plan and the programme budget should be flexible so that priorities and resources could be adjusted accordingly. Therefore the Group emphasized the procedure and criteria for setting the priorities and the mechanisms for applying them.⁶⁹

67. Ibid. Recommendations 33 - 35.

68. Ibid. Para 55.

69. Ibid. Para 57-61.

Regarding setting the criteria the group said the policy that has been set out by the Secretary General are by and large satisfactory. The problems with regard to them recently are lack of application of these rules by the intergovernmental machinery and the secretariat. Under the current rules and regulations priority setting in the medium term plan takes place at the subprogramme level, while resource estimates are to be provided at the major programme level. In the programme budget priority setting resource requirements are given at the programme level. Thus there is no clear link between priority setting and resource requirement, which has led to the fact that useless activities have not excluded from the budget. Therefore the Group recommended to strictly apply the existing rule and the Committee for Programme and Coordination should monitor their application.⁷⁰

Criticizing the existing procedure for preparing the medium term plan the group said the procedure fails to provide member states to consider the programme of the budget, the medium term plan which is prepared by the secretariat in a form which is almost final gives no time to members to undertake any change in the draft plan. Also the group identified several other deficiencies

70. Ibid. Recommendation 68.

in the present procedure and had a detailed and intensive discussion as this important and admittedly difficult question relating to the planning and budget mechanisms. However they could not reach a consensus and submitted different proposals.⁷¹

In one they recommended that the CPC should be adjusted and to make it principle advisory body on matters relating to the medium term plan and the programme budget and it should perform inconformity with ACABQ. The Group also recommended to rename it as Committee for Programme Budget and Co-ordination.⁷²

The Group also urged the Committee to take part in the planning and budget procedure from the very beginning and throughout the process.⁷³

With regard to the medium term plan and programme budget the Committee should consider and make recommendation to the General Assembly with regard to priorities accompanied by resource estimates. Regarding the composition and mandate of the revised Committee the Group emphasised the point that, the Committee should continue to take its decisions by consensus.⁷⁴

71. Ibid. Para 65-69.

72. Ibid. Recommendation (a) A and B.

73. Ibid. Recommendation C.

74. Ibid. Recommendation D (a to e).

Few other members of the group discussing the same problems recommended a different solution.⁷⁵

They asked to merge the budgeting process and the programme planning process under a single intergovernmental expert body. Which should work on the bases of consensus. This body should determine limit of the future budget before the Secretary General work estimates and after that it should set the priorities within that limit. All these discussions are to be taken by consensus.⁷⁶

The report of the Group of 18 was widely discussed at the Fifth Committee before it was adopted by it and passed to General Assembly. Expectedly of course, some recommendation regarding personnel of secretariat management received adverse . . . for instance the Chairman of International Civil Service Commission said first of all the Group has not consulted the Commission and it has not explained, on what basis the percentage reduction of staff had been suggested and whether these reductions resulted from a prior analysis of restructuring requirements as should have been the case or from a purely budgetary

75. Ibid. Recommendation (b).

76. Ibid. Recommendation (b) A), B and C

requirements. He also further commented on the Group's report with regard to personnel, their recruitment procedure and concluded that the Group's radical proposal would need to be considered by the Commission. ⁷⁷

The Under Secretary General for Administration and Management voiced against Chapter IV (Measure regarding personnel) said all recommendations in Chapter II should first transmitted for review by the International Civil Service Commission. On recommendation 41 he observed that though this set objective which could be supported by all, at the same time the criticism in it with regard to the management of Secretariat has not been substantiated by any factual evidence. Defending his position he said recruitment are always is guided by provisions of the charter," but in a political organisation, political pressure was perhaps inevitable and it was legitimate for member states to present candidates for appointment or to seek to ensure that they were adequately represented in the Secretariat. ⁷⁸

Several members seriously doubted the staff cuts proposed by the Group. Speaking on the same line Mr. Akwei

77. Doc. A/C. 5/41/SR. 13

78. Ibid.

Mr. Ladjouzi of Algeria wondered if the 15 percent reduction in staff and 25 percent in senior posts has been made in the interest of sound personnel management or whether it has been resulted from the budget cuts.⁷⁹

The Soviet representative expressed reservation about the competitive recruitment system dealt in recommendation 43 and said these examinations were currently held only in English and French which unquestionably gave the national of some countries an advantage. He further asked what the financial implication of the competitive examination held by the UN were? For example, "it might be asked how much it cost to hold a competitive examination for a dozen or fifteen candidates ? More over, it might be concluded that, if no candidate were ultimately selected, the whole exercise was actually a waste of resources"⁸⁰

Notwithstanding the above criticism, the Group's report was welcomed by several members. Representative of Canada said except the possibility of misinterpretation of the opening phrase of para 69, there has been no serious findings in the report and it should be transmitted to the Assembly.⁸¹

79. Doc. A/C.5/41/SR.15

80. Doc. A/C.5/41/SR.16

81. Doc. A/C.5/41/SR.21

The representative of Czechoslovakia speaking on behalf of Socialist Group of States expressed his reservation against para 55 and 57 of the report said: "as these have not enjoyed consensus within the group itself any decision by the General Assembly on the report of group should reflect the fact that there had not been agreement on these recommendation."⁸²

The representative of Japan, the country which had initiated the establishment of the group said, "in several instances the report goes beyond its mandate, but in a spirit of co-operation his country agrees to transmit the draft report to the General Assembly!"⁸³

The American representative expressing his satisfaction in Fifth Committee over the discussion of Groups report stated that the findings of the Group would help the General Assembly in its deliberations.⁸⁴

When transmitted to the General Assembly the report of the Group including the findings of Fifth Committee was discussed in great detail at the plenary meetings.

82. Ibid.

83. Ibid.

84. Ibid.

The members repeated their reservation almost on the same articles which had been identified in the Fifth Committee.

However the recommendations was adopted on the night of 22nd Dec. 1986 by General Assembly.⁸⁵ The adoption of such a resolution was hailed by majority of members belonging to both group developed and third world.

The Secretary General praising its adoption said that the resolution just adopted on the report of Group of 18" is of cardinal importance for the future of the Organisation as an effective force for peace and progress".⁸⁶

The Indian representative spoke for many when he tailed the resolution in the following words :

"It is historic not in the sense that it breaks any new ground or lays down new policies or principles. On the contrary it reconfirms existing principles and provisions. It is historic in the sense that the Organisation which was facing one of the most acute crisis in its 40 years life has shown once again that giving political goodwill on all sides it is possible to overcome seemingly unsurmountable obstacles".⁸⁷

85. GA Res. 41/213, 22nd December 1986.

86. Doc. A/41/PV.

87. Ibid.

FOLLOW-UP MEASURES :

Adoption of the report meant implementation of its recommendations in stricter terms which is the only way to bring about a drastic reformation in and outside the Organisation. This requires a determined effort on the part of the Secretary General concerning the UN's internal structure and any change in the intergovernmental structure will need to be considered and approved by General Assembly which in turn requires the member support.

No doubt reduction in staff and others as recommended by Group of 18 demonstrate the change from growth to attrition, the need of such cuts can not be ignored. The structure of UN needed to be overhauled, simplified and rationalized.

The UN was fortunate enough to have one of the most competent Secretary General in the form of Javier Perez de Cuellar during the time of crisis. This man's role in stemming the financial crisis could not be exaggerated. With firmness, he decided to undertake a number of structural reforms to give effectiveness to the report of the Group of 18.

He shifted the function of office of Special Political Questions to the department of Political Affairs. Research activities and the collection and dissemination

of information now carried out in various department and offices was centralized under a new office reporting direct to the Secretary General but providing service to all the political departments as required. The department of Political Affairs had to take over servicing activities currently performed by the Office of Secretariat Services and Social matters. The head of UN office in Geneva and Vienna assumed the traditional responsibilities as the department of Administration and Management at New York. Thus three offices of UN those for Special Political Question, for secretariat servicing for economic and social matters and for field operational and external support activities were totally discontinued.⁸⁸

As a result of these streamlining of the political area of the UN the Secretary General said, "Would result in structural modification within departments with substantial saving in posts."⁸⁹

A many more reformative activities were also initiated. Conferences and meetings' duration and frequency remarkably reduced, Documents were now strictly adhered to page restrictions.

88. UN Weekly Newsletter (New Delhi), 12 March 1987.

89. Ibid.

However all the measures will at best resulting some shortterm savings. The UN financial crisis is not such as may be ended by economies. There has always been scope for whittling down of the expenses and these steps were hardly a measure against them. The main problem about the consensus in Committee of Programme and Co-ordination with regard to all budgetary matters still remaining unsolved, the tag of war between United States and Group of 77 continued. United States' insistence on weighted voting was constantly opposed by the Third World Members.

To break the deadlock a Group of 27 countries was set up by the Assembly in the end of 1986. Its strength was later reduced to 16 and finally fixed at 6, with an Indian representative. (The other members' being the representatives of United State, USSR, China and Cape Verde). After monthlong har negotiations a formula which proved later as a major step in saving the Organisation from going bankrupt was involved with India playing a major role in it. A bargain was struck between the United States and the Group of 77 regarding the formulation of the programme budget. It was decided that in formulating its recommendations concerning the content and distribution of UN budget consensus must be reached

among the 34 member's of Committee on Programme and Coordination. The Committee will receive budget proposal a year in advance, set a ceiling on the budget decide on its content and set a limit on appropriation that could be later added by Assembly only.⁹⁰ This decision inturn gave each member of the Committee on Programme and Coordination a financial veto, thus helping the major contrioutors like United States representing the Committee.

All these measures, reforming the entire administrative management and budgetary process brought a ray of hope for the Organisation in early 1987. And to the greatest relief of all United States government agreed in late 1986 to restore its dues to the Organisation. President Reagan expressing his satisfaction over the drastic reforms in the UN told the Secretary General, "UN took a historic step to adopt sweeping reforms of organs and method for operation, we are pleased that measures have finally been adopted!"⁹¹

90. Hindustan Times (New Delhi), 18 December 1986.

91. New York Times, 1 January 1987.

C H ▲ P T E T - V

CONCLUSION AND ASSESSMENT

CONCLUSION AND ASSESSMENT

This chapter contains a few concluding observations on the basis of a derivative evaluation of the discussion that has been undertaken on various aspects of the problem of financing the United Nations in the preceding chapters.

I

The place the United Nations has come to occupy in contemporary world highlights a twin phenomena, that technological developments on human life in all parts of the world, the extent to which UN is called upon to facilitate international cooperation in tackling complex problems arising from the growing global interdependence. There could conceivably not a single area of human activity that does not engage the attention of the United Nations whose membership embraces all part of the world. Therefore one could discern strong linkages between the problem of human well being and an active and viable organization. Obviously an active UN requires sound financial situation to be viable and active in its varied fields of activities. What has been the experience of the United Nations on the ~~Govt~~? True, that historically financing of International Organisation in the past was never free from problems. But

given the range of activities of UN and the huge amounts required for engaging in those activities the UN could not afford financial insecurity that could potentially turn into a crisis. The founders of UN have apparently aware of the need to avoid financial difficulties and therefore laid foundation for a suitable financing system.

The principles, structure and procedure that have been described both at the time of the inception of the UN and subsequently aimed at a rational financing system. It may be emphasized hence the membership of the UN entails an obligation towards contribution to the budget. There could be no exception. Furthermore as a defendant the charter provides for suspension of voting rights in case dues from members equal or exceeds two years contribution. Again it is not the member who determine the amount of respective contribution to annual budget according to their convenience. Rather the responsibility is entrusted to the Organization itself. In other words, in place of individual responsibility, it is collective responsibility that prevails in budgetary matters. The decisions on the budget were to be made on a democratic basis by two third majority in the General Assembly which implies, unlike in the Security Council no veto provision is made that could prevent General Assembly's procedure of budget approval.

This arrangement was further institutionalized to assist the Assembly and its main committees on Administrative and Budgetary matters, which was empowered by the Charter to approve the budget as well as apportion among the members. Among the important bodies instituted are ACABQ (set up in 1946, whose membership is now 16), Committee on Contribution (set up in 1945 whose membership now is 18) and Committee on Programme Coordination (set up in 1946 whose membership now is 34)

Remarkably representation to the above bodies is on the basis of broad geographical representation, although efforts were made to ensure representation by major contributors.

The process of budget making and approval is no doubt long and arguable. At every stage the Secretariat and Committee budget proposal are trimmed generally to the tune of 2 to 3 per cent.


In spite of all the elaborate committee system that has been devised to take care of any possible grievances, members states had off and on complained about the growth of budget the need to economize and the burden of heavy contribution. To be fairer to the UN it must be recorded that UN was responsive to the views of member states on the subject. Modalities, procedures are kept under periodical review. To illustrate the point on the aspect of contribu-

tion the share of the US to UN budget had been brought down from time to time from originally 49.89 per cent to 25 per cent which remains as the ceiling.

II

Although differences ^{and} or a little dissatisfaction existed among some members on aspects of budgetary matters, in late 40s and 50s they were over shadowed by the implications of UN activities, specially in late 50s and early 60s. References here is two major UN peace keeping operations in Suez (UNEF since 1956) and the Congo (ONUC since 1968). Large size of both these operations called for correspondingly huge finances. In the case of UNEF alone the annual expenditure envisaged was \$ 25 million when the regular budget to all other activities totalled only \$ 50 million. The Congo operation cost about \$ 100 million a year - an amount bigger than the, ^{the} then regular UN budget. Added to these the political circumstances in which these two expensive operations were launched and carried out caused sizable financial withholdings from 16 member countries among whom the Soviet Union and France were prominent. As a result of these withholdings, the UN had faced in early for a serious financial crisis. Characterized by a deficit of around \$ 115 m. out of which Soviet share alone accorded to roughly \$ 50 million. By the beginning of 1965 the

Soviet Union arrears had equalled its two year's contribution to the organization's regular budget. With a view to exert political pressure US threatened to invoke Art. 19. In other words by now the political nature of the financial problem had come to surface. The Soviet Union had argued in the General Assembly that, first, it was not the General Assembly but the Security Council which can solely exercise authority in regard to establishment and continuation of peacekeeping operations. Second, expenses for peace keeping could not constitute expenses of the Organization. Third, establishment of UNEF and activities of ONUC constituted serious violation of UN charter. The Soviet contention was strongly refuted by United States which had argued that UNEF and ONUC were established in accordance with charter provision and that expenses on account of these operation constitutes part of the Organisation's budget. The American stand was supported by a favourable advisory opinion of the ICJ that expenses on peacekeeping were indeed constitutes expenses of the Organization. But the problem is hardly technical or legal. The political undertone of the challenge was needed to be looked into, What the US was really protesting against was not about a few hundred million dollar but about the way US seemed to have an overwhelming political influence at the General Assembly at the expense of Soviet view and interest. Therefore Soviet Union was pleading



for return to the Security Council where it along with other permanent members enjoyed a veto. The US did not wish to give in from a strong legal standpoint and argued that any compromise would set a bad precedent leading to ineffectiveness of the UN against the blackmailing of a select few. However Soviet Union made it very clear how important a solution to the problem by indicating that it would back out from the organisation if it was deprived of its voting rights in the General Assembly under Article 19.

Eventually good senses seemed to have prevailed all intensified countries and confortation was avoided as decision was taken in the delayed 1964 session of the General Assembly without a vote. The immediate crisis was defused in August 1965 when US withdrew its threats of invoking Art. 19 against the Soviet Union. Though an acceptable formula is yet to be reached in regard to the financing of peacekeeping operation it remains to be said that UN has the ability in weathering the challenge.

III

Once the UN had weathered the Art. 19 crisis the contentions issues laying low so far in the realm of financial matters have come back to prominence, namely the budgeting practices, principles governing appointment etc.

No doubt these and related questions were basic to financing system. Even after the crisis of early 60s, financing has continued to remain on the top of the agenda.

The factors that contributed to the continuing financial crisis are first, membership expansion accompanied by acquisition of factually critical two third majority by newly independent countries. This development qualitatively affected the previously existing balance of forces in the General Assembly. Second promoted by the priorities and requirement of new majority, there were tremendous expansion in the UN activities. Third, new programme meant more financial commitment therefore growth in budget. Fourth, apart from new programme galloping inflation in international money market had also contributed to budgetary growth.

All these resulted in adjustment of appointment upward in respect some members who felt that they were already paying heavily to the Organization's budget. For instance US which contribute one fourth - the largest contribution to the budget is now have to pay \$210,277 million in 1985 in comparison to 1975 figure of \$ 81,268 m. Understandably therefore US since mid 70s had either opposed or abstained on UN budget.

Showing their resentment that while being made to pay heavily with no tangible gains the United States,

Britain, West Germany and a number of countries (the Soviet union included) had started withholding their share of the budgetary contribution. As a consequence the gross amount of arrears crossed \$⁶⁹⁷1697 million in 1987 out of which \$ 466 million were owed by US alone and around \$ 48 million was owed by the Soviet Union.

It is in this background that the whole range of budget practices has come to a ⁶⁹⁷critical review from the aggrieved members like US and his western allies. They pointed out to overstaffing and insufficiency in secretariat, wasteful expenditure, management, duplications, politization of non political bodies and so on. Admittedly some efforts were made to examine the situation (Negotiating Committee in 1973) but yielded no fruit.

But much earlier, by the beginning of 1980s it was clearly a situation of Financial Emergency for the Organization. The new Secretary General Javier ⁸²Pérez de Cuellar realised the seriousness of the situation and took up the matter as high priority issue and led an extensive debate on the viability of the world body.

When the situation turned worse in early part of 1980s at the suggestion of Japan and on the eve of 40th anniversary, a 'high level intergovernmental expert group', Popularly known as 'Group of 18' was established in 1986, 'to conduct a through review of the administrative and

and financial matters of the Organization with a view to identifying measures for further improving the efficiency of the administrative and financial functioning of the UN.

The group made several important through controversial recommendations to bring about a through reformation in the organization. As an economic measure and to bring better coordination in a leaner Secretariat the Group recommended to reduce the number and duration of Conference along with 15% and 25% cuts in staff. Emphasising the changing needs of the hour it further sought for a flexible medium term plan where members are more keenly involved during its preparation. About the adoption of the budget the group recommended to retain the consensus in the Committee on Programme Coordination.

But before the group had submitted its report Secretary General courageously initiated steps with regard to economize the budget by reducing staff recognizing Secretariat department and so on.

It must be noted that whatever recommendations made by the 'Group 18' and accepted in the Assembly were due to the fact that, the Third World countries had accommodated American point of view in regard to cuts in staff, duration of Conferences etc. Nevertheless there was no question of giving up adherence to fundamental principles as sovereign equality, one country one vote in favour of weighted voting.

As the India's permanent representative to UN aptly comments:

It is ^{historic} history not in the sense that it breaks any new ground or lays down new policies or principles. On the contrary it reconfirms existing principles and provisions. It is historic in the sense that the organization which was facing one of the most acute crisis in its 40 years life has shown once again that giving political goodwill on all sides is possible to overcome seemingly insurmountable obstacles'.

In sum, therefore the principle of Collective responsibilities remaining undiluted, the Committee on programme and Coordination had been given more say with regard to budgetary matters with a mandate to mark on the basis of consensus.

The US also on the otherhand seemed to be happy with the reform exercise at the UN and indicated an intention to pay its dues. To ^{mark} these good intention, the US paid \$ 100 m. in December 1987 in response to an ^{distress} appeal made by the Secretary General.

It must be recorded that without the leadership of the present Secretary General Perez de Cuellar who has showed remarkable courage and leadership is not only highlighting the financial situation as a threat undermining the very viability of UN but also initiating follow up measures in the direction of implementing the recommendations of the Group of 18.

Although much more needs to be done in the direction of reinfuelling the UN a safe observation could be made in conclusion that the UN could escape from the gigantic financial crisis by not only positive action but also with the constructive attitude of members. It is a testimony to the negligence of the UN system as much as to the manifest acknowledgement by member states that the United Nations is too important for them to run the risk of ruin beyond revival.

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