



Distr.  
GENERAL

GC.8/17  
29 September 1999

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

## GENERAL CONFERENCE

Eighth session

Vienna, 29 November-3 December 1999

Item 11 (a) of the provisional agenda

### FINANCIAL SITUATION OF UNIDO, INCLUDING ARREARS

Report by the Director-General

Provides information on the financial situation as at 31 August 1999, as well as on the recommendations of the open-ended discussion group on timely payment.

#### I. OVERVIEW

1. The financial situation as at 31 August 1999 can be summarized in the following major points:

(a) The level of regular budget cash resources (including the Working Capital Fund) was \$23.5 million. As compared to this, the cash balances as at 31 August 1998 and 1997 were \$19.5 and \$16.8 million respectively;

(b) The collection rate of 1999 assessed contributions (69.2 per cent) was slightly unfavourable compared to the 1998 rate of 74.1 per cent, but compared favourably with the 1997 rate (65.6 per cent);

(c) The collection rate of prior years' contributions was 10 per cent. The rates as at 31 August 1998 and 1997 were 8.1 and 13.6 per cent respectively;

(d) Outstanding contributions amounted to \$118.5 million (including \$62.1 million owed by the United States of America). The outstanding amounts as at 31 August 1998 and 1997 were \$111.8 and 121.2 million, respectively;

(e) The Working Capital Fund was replenished to its established level in February 1998. This was achieved through various cost-cutting measures and other actions taken by the Director-General since the seventh session of the General Conference;

(f) The cost of the 1998 staff separation programme is currently estimated at \$10.5 million with disbursements of around \$10 million as at 31 August 1999. The amount originally estimated for this purpose was \$15.9 million, of which \$2 million was to be financed from the unspent balance of the staff separation indemnity

V.99-88370 (E)

reserve established pursuant to General Conference decision GC.6/Dec.15. The major component of \$13.9 million, authorized from the 1994-1995 unutilized balance (GC.7/Dec.17), has not yet been received;

(g) The status of the regular budget performance report for the period 1 January 1998 to 31 August 1999 is presented in tables 5 (a) and 5 (b) by major programme and major object of expenditure. The relatively lower implementation was caused mainly by financial uncertainties at the beginning of the biennium when the staff separation

programme was implemented. Also, throughout the period expenditures had to be held at levels commensurate with available financial resources, primary consideration being given to the expected cash position. Regular budget expenditures were allowed up to the maximum level of disbursements to support operations, while ensuring that the Working Capital Fund remains fully funded at 31 December 1999. The conservative financial policy has contributed to lower-than-budgeted expenditures against 1998-1999 appropriations;

(h) The financial situation of the operational budget reflects an imbalance between the income generated from technical cooperation and the unavoidable expenditure of mostly staff costs and field representation costs. Following the development of the service modules, implementation of some of the integrated programmes has only recently been initiated. Consequently, the impact of the new programmes has not yet been realized in terms of operational budget income. Although expenditures in the operational budget are contained through maintaining a higher-than-budgeted vacancy factor and limited allotments to field representation, the operating reserve of \$4.4 million at 1 January 1998 was reduced to \$1.8 million at 31 August 1999.

2. The following information is available in the respective tables:

- |   |                        |
|---|------------------------|
| (a) Comparison of the cash flow for 1999, 1998 and 1997 | Table 1                |
| (b) Financial status of the staff separation programme  | Table 2                |
| (c) Status of the Working Capital Fund                  | Table 3                |
| (d) Status of the operational budget                    | Table 4                |
| (e) Status of the regular budget                        | Tables 5 (a) and 5 (b) |

## II. STATUS OF ASSESSED CONTRIBUTIONS

### Collections

3. A total of 46 Member States, including four least developed countries, have made full payment of their 1999 assessed contributions. In addition, 19 Member States have made partial payments of their 1999 assessed contributions.

4. The collections in the period from January to August 1999, broken down by Lists of States<sup>1</sup>, are as follows:

| (In millions of US dollars) |                    |                   |                    |
|-----------------------------|--------------------|-------------------|--------------------|
| Lists of States             | Current year       | Prior years       | Total              |
| A                           | 1.9                | 1.4               | 3.3                |
| B                           | 42.1               | 0.3               | 42.4               |
| C                           | 0.8                | 0.3               | 1.1                |
| D                           | 0.7                | 4.4               | 5.1                |
| Others                      | <u>0.0</u>         | <u>0.0</u>        | <u>0.0</u>         |
| Total                       | <b><u>45.5</u></b> | <b><u>6.4</u></b> | <b><u>51.9</u></b> |

### Outstanding contributions

5. Outstanding contributions as at 31 August 1999 (details in annex I), and the outstanding contributions as at 31 August 1998 and 1997, which have been revalued for comparison, are shown in figure 1.

6. Outstanding contributions as at 31 August 1999, broken down by Lists of States, are as follows:

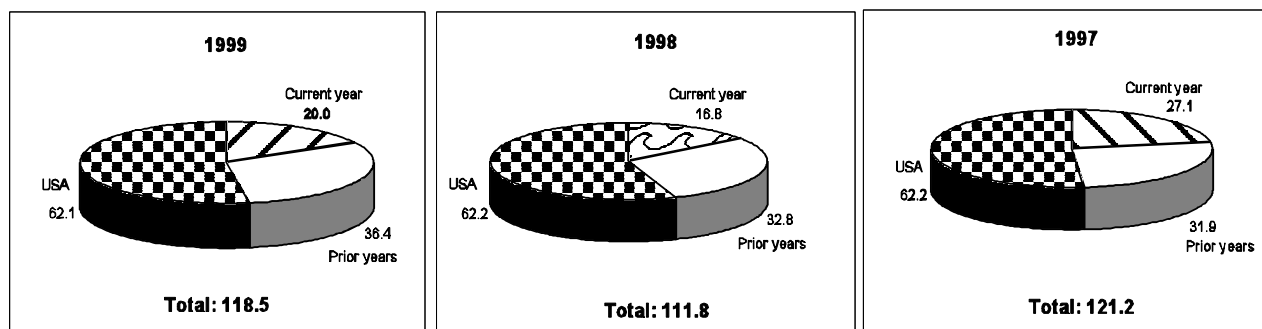
| (In millions of US dollars) |                    |                    |                     |
|-----------------------------|--------------------|--------------------|---------------------|
| Lists of States             | Current year       | Prior years        | Total               |
| A                           | 3.2                | 8.5                | 11.7                |
| B                           | 7.9                | 0.0                | 7.9                 |
| C                           | 2.6                | 10.5               | 13.1                |
| D                           | 6.0                | 16.4               | 22.4                |
| Others                      | <u>0.3</u>         | <u>1.0</u>         | <u>1.3</u>          |
| Subtotal                    | 20.0               | 36.4               | 56.4                |
| USA                         | <u>0.0</u>         | <u>62.1</u>        | <u>62.1</u>         |
| Total                       | <b><u>20.0</u></b> | <b><u>98.5</u></b> | <b><u>118.5</u></b> |

7. Information on the scale of assessments and the percentage outstanding by Lists of States is shown in figures 2 and 3. The List B countries, which share 75.7 per cent of the 1998-1999 total assessments, owe only 14.3 per cent.

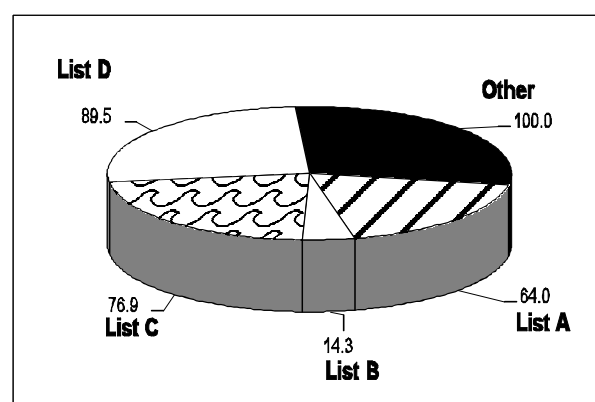
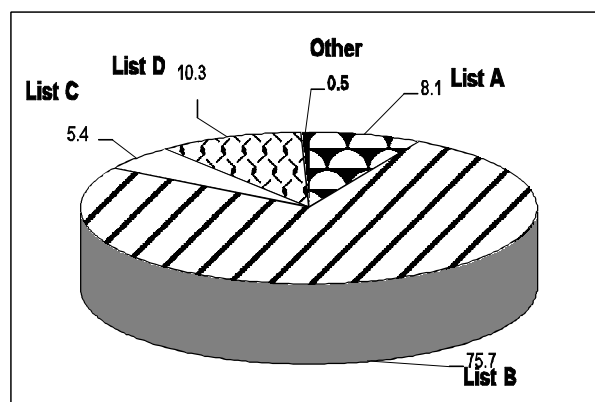
---

<sup>1</sup>Refers to the Lists of States included by the Depositary in Annex I to the Constitution of UNIDO (see

**Figure 1. Outstanding contributions as at 31 August  
(In millions of US dollars)**



**Figure 2. Share of assessments (%)  
Figure 3. Outstanding (% of assessments)**



8. Current information on the scale of assessed contributions, arrears, voting rights, payments received and the status of outstanding contributions is available on the UNIDO Internet Web site, which can be accessed at the following address: <http://www.unido.org/data/contrib/>

### III. SUSPENSION OF VOTING RIGHTS OWING TO NON-PAYMENT OF CONTRIBUTIONS

9. As indicated in annex I to the present document, voting rights had been suspended as at 31 August 1999 in accordance with Article 5.2 of the Constitution and financial regulation 5.5(b), as follows:

|                                | Number of Member States |      |      |      |
|--------------------------------|-------------------------|------|------|------|
|                                | 1999                    | 1998 | 1997 | 1996 |
| General Conference             | 67                      | 59   | 60   | 60   |
| Industrial Development Board   | 6                       | 4    | 5    | 5    |
| Programme and Budget Committee | 4                       | 3    | 3    | 3    |

10. In order to restore their right to vote for the remainder of 1999, these Member States must pay their full contributions for 1996 and prior years, including contributions to the Working Capital Fund, as well as a partial contribution for 1997. The minimum total amount that must be paid by these Member States is \$19,101,432.

### IV. IMPLEMENTATION OF RECOMMENDATIONS OF DISCUSSION GROUP

11. Detailed information was provided in document IDB.21/4, chapter IV, on the implementation of the measures recommended by the open-ended discussion group on timely payment of assessed contributions. Since that time only one payment plan has been concluded; however, no payment under the plan has been received to date. Letters were again sent on 3 August 1999 reminding Member States of the possibility to settle arrears through payment plans and other incentives to encourage the early payment of contributions. Furthermore, informal consultations were held on an individual basis with a number of Member States in the first half of 1999, and during the same period the subject was taken up by both the Programme and Budget Committee and the Industrial

Development Board. Annex II provides information by country concerning progress on payment plans, and the following table contains an overview of response to the communications of the Director-General on the subject:

| <b>Payment plans</b>  | <b>Number of countries</b> |
|---|----------------------------|
| Concluded payment plan (no payment under the plan has yet been received)  | 1                          |
| Shown interest in payment plans   | 9                          |
| Partial payments made without any specific reference to the payment plans | 13                         |
| No payment or response to the communications                              | <u>39</u>                  |
| Total   | 62                         |

#### **Arrears owed by the United States of America**

12. The United States owes the following amounts to UNIDO:

|  |              |
|--|--------------|
| Assessed contributions for 1994 to 1996              | \$62,113,175 |
| Income taxes (under the Tax Reimbursement Agreement) | \$ 988,965   |

13. In resolution GC.7/Res.2, the General Conference requested the open-ended discussion group on timely payment of assessed contributions to examine the various options contained in document IDB.18/18 on the collection of unpaid assessed contributions from the United States Government and to make concrete recommendation to the Board. The work of the group on that issue is reflected in chapter IV of its report to the nineteenth session of the Board (IDB.19/12, paras. 30-37).

14. Since that time, UNIDO has taken up the matter on a number of occasions with the Permanent Representative of the United States of America to the United Nations (Vienna) and has expressed serious concern that the outstanding amounts have not yet been settled. On 6 November 1998, UNIDO was informed that the funds appropriated by the United States Congress for tax reimbursement payment to UNIDO had been exhausted, and that the Government would, over time, pay these outstanding bills to the extent funds become available. On 9 March 1999, the United States Government was again requested to honour its obligations.

15. On 13 April 1999, UNIDO was informed by the Permanent Representative of the United States of America to the United Nations (Vienna) that the Government intends to make a partial payment of approximately \$200,000 towards the claim for reimbursements of taxes (total claim: \$988,965). On 14

May 1999 and 1 June 1999, the United States Government was again requested to honour its obligations. No amount has yet been received.

#### **Incentives for early payment**

16. Incentives for early payment were also discussed in document IDB.21/4. As mentioned in paragraph 13 of that text, a report will be issued to the sixteenth session of the Programme and Budget Committee on any improvement in the pattern of payments by Member States which may indicate the extent to which the incentive measures have motivated them to pay their 1999 assessed contributions earlier as compared with previous years. The document will also report on the experience of other United Nations organizations having adopted incentive schemes and payment plans.

#### **V. UNUTILIZED BALANCE FOR 1992-1993**

17. At its nineteenth session, the Board was informed of the action taken by the Secretariat in deferring the disbursement of the cash surplus of \$1.2 million pertaining to the unutilized balance of appropriations for the 1992-1993 biennium (IDB.19/13). Subsequently, in document IDB.20/11, the Secretariat initiated a proposal to regularize the action taken through the approval of the policy-making organs of the temporary suspension of financial regulation 4.2(c). The Board recommended that the Conference formalize retention of \$1,194,924 of the unutilized balance for 1992-1993 to partially finance the staff separation programme and to this effect suspend financial regulation 4.2(c) with regard to that sum until the eighth session of the Conference (IDB.20/Dec.4, para. (d)).

#### **VI. ACTION REQUIRED OF THE CONFERENCE**

18. The Conference may wish to consider adopting the following draft decision:

“The General Conference:

“(a) Takes note of the information provided in document GC.8/17;

“(b) Also takes note of the recommendation of the Industrial Development Board on financing the staff separation programme (IDB.20/Dec.4);

“(c) Further takes note of the recommendation of the Board on distribution of interest income earned in excess of the budgetary estimates for 1999 (IDB.21/Dec.6);

“(d) Decides to suspend financial regulations 4.2(b) and 4.2(c), for the biennium 1998-1999, with

respect to the unutilized balances of appropriations for the 1992-1993 biennium, for the purpose of retaining the amount of \$1,194,924 to partially finance the staff separation programme, as reported in document IDB.20/11;

“(e) Notwithstanding financial regulation 5.2(b), authorizes the Director-General to distribute the interest income earned in excess of the budgetary estimates for 1999, if any, to eligible Member States in accordance with the incentive mechanism (“S” curve) described in paragraphs 9 to 13 of document IDB.21/4, or to utilize those funds for purposes specified by the above-mentioned Member States;

“(f) Urges those Member States that have not yet paid their assessed contributions, including advances to the Working Capital Fund, and prior years arrears to do so without delay;

“(g) Requests the Director-General to pursue his efforts and contacts with Member States to effect the collection of arrears and to include information thereon in his report to the sixteenth session of the Programme and Budget Committee.”

**Table 1**  
**Regular budget cash flow (including Working Capital Fund), 1 January -31 August 1999**  
(In millions of US dollars)

|  | <b>1999</b>        | <b>1998</b>        | <b>1997</b>        |
|--|--------------------|--------------------|--------------------|
| <b>Opening balance (1 January)</b>   | <b><u>9.6</u></b>  | <b><u>13.5</u></b> | <b><u>4.1</u></b>  |
| <b>Receipts</b>  |                    |                    |                    |
| Assessed contributions:  |                    |                    |                    |
| - Current year   | 45.5               | 48.2               | 54.4               |
| - Prior years  | 6.4                | 5.4                | 10.1               |
| Other income   | 7.7                | 6.1                | 7.3                |
| <b>Total receipts</b>  | <b><u>59.6</u></b> | <b><u>59.7</u></b> | <b><u>71.8</u></b> |
| <b>Disbursements</b>   |                    |                    |                    |
| Regular budget   | 44.8               | 37.2               | 58.0               |
| Separation indemnity   | 0.1                | 9.3                | 1.0                |
| United Nations Loan  | 1.0                | 1.0                | 1.0                |
| Prior biennium's obligations (net)   | -                  | 6.9                | -                  |
| Receivables/payables/revaluation (net)   | <u>-0.2</u>        | <u>-0.7</u>        | <u>-0.9</u>        |
| <b>Total disbursements</b>   | <b><u>45.7</u></b> | <b><u>53.7</u></b> | <b><u>59.1</u></b> |
| <b>Closing balance (including Working Capital Fund of \$6.6 million)—31 August</b> | <b><u>23.5</u></b> | <b><u>19.5</u></b> | <b><u>16.8</u></b> |

**Table 2**  
**Staff separation programme: financial status as at 31 August 1999**  
(In millions of US dollars)

|   |                    |
|---|--------------------|
| Authorized from 1994-1995<br>(GC.7/Dec.17)                          | 13.9               |
| Unspent balance (GC.6/Dec. 15)                                      | <u>2.0</u>         |
| <b>Total</b>  | <b><u>15.9</u></b> |
| Staff separation estimates  | <u>10.5</u>        |
| Disbursements   | <u>10.0</u>        |
| Expected savings (total amount approved—staff separation estimates) | <u>5.4</u>         |