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Improving the financial situation of the United Nations

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Report of the Secretary-General

Summary

The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/62/539/Add.1). It also provides a review of the Organization's financial situation as at 24 October 2008 and updated projections to 31 December 2008.

The report considers four main financial indicators: assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding debt to Member States. At 24 October 2008, assessments issued during 2008 were lower than at 31 December 2007 under all categories except for the international tribunals. Unpaid assessments at 24 October 2008 were higher than at 31 December 2007 for all categories except for the capital master plan.

Cash balances at the end of 2008 are projected to be higher than at the end of 2007 for the tribunals and the capital master plan, but lower for the regular budget and peacekeeping operations. Further borrowing may be required from reserve accounts for the regular budget.

Amounts owed to troop and equipment providers at 31 December 2008 are expected to be significantly lower than the projection made in May, and some \$134 million below the amount owed at 31 December 2007. While payments of troop and equipment obligations were broadly current for a number of missions, cash shortfalls mean that reimbursements have fallen behind the normal quarterly reimbursement process for four missions (the United Nations Mission for the Referendum in Western Sahara, the United Nations Interim Administration Mission in Kosovo, the United Nations Observer Mission in Georgia and the United Nations Peacekeeping Force in Cyprus).



The financial position of the United Nations remains fragile. Unpaid assessed contributions are heavily concentrated among a few Member States; the final outcome for 2008 will depend in large measure on the payments that they make in the final months of 2008. The only way to overcome the problem and to ensure a more stable financial base for the work of the United Nations is for Member States to meet their financial obligations to the Organization in a fuller and more timely fashion. Otherwise, cash shortfalls are possible.

I. Introduction

1. The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/62/539/Add.1). It also provides a review of the Organization's financial situation as at 24 October 2008 and updated projections to 31 December 2008.
2. The picture that the above-mentioned information presents of 2008 is generally mixed, mainly owing to borrowing for the regular budget.
3. The financial strength of the United Nations has traditionally been measured by four main indicators: assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding debt to Member States.

II. Review of the financial situation at 24 October 2008

4. A review of the financial situation shows decreases in the level of assessments for the regular budget (from \$2,054 million at 31 December 2007 to \$1,880 million at 24 October 2008), peacekeeping (from \$6,935 million to \$6,557 million) and the capital master plan (from \$353 million to \$341 million). The level of assessments for the international tribunals increased (from \$296 million at 31 December 2007 to \$310 million at 24 October 2008). As at 24 October 2008, unpaid assessments were higher than at the end of 2007 for all categories, except the capital master plan.
5. The Secretary-General would like to pay a special tribute to the 31 Member States that have paid in full all assessed contributions due and payable at 24 October 2008 for the regular budget, peacekeeping operations, the international tribunals and the capital master plan, namely: Australia, Austria, Azerbaijan, Brazil, Bulgaria, Burundi, Canada, the Czech Republic, Denmark, Finland, Georgia, Germany, Guatemala, Ireland, Italy, Liechtenstein, Mexico, Monaco, New Zealand, Niger, Norway, the Philippines, the Republic of Moldova, the Russian Federation, Samoa, Singapore, Slovenia, South Africa, Sweden, Thailand and the United Kingdom of Great Britain and Northern Ireland. Other Member States are urged to follow the example of those countries.

A. Regular budget

6. Assessments and payments were both lower at 24 October 2008 than at 31 October 2007, by \$174 million and \$25 million respectively. However, owing to the decrease in assessments exceeding the decrease in payments, unpaid assessed contributions were also lower by \$80 million, at \$756 million on 24 October 2008, compared with \$836 million on 31 October 2007. The decrease in assessments for 2008 is the result of budget adjustments, primarily for special political missions, which were incorporated in assessments for 2007.
7. On a positive note, the number of Member States that had paid their regular budget assessments in full by 24 October 2008 was 133, seven more than on 31 October 2007. The corresponding figure for 31 December 2007 was 140. The Secretary-General wishes to thank the 133 Member States that had honoured their obligations for the regular budget in full at 24 October 2008 and urges other Member States to follow their example.

8. Of the \$756 million that remained outstanding at 24 October 2008, 94 per cent was owed by a single Member State and 6 per cent by the remaining Member States. Clearly, the final picture for 2008 will largely depend on the action taken by those countries in the coming few weeks.

9. Cash resources for the regular budget comprise the General Fund, to which assessed contributions are paid; the Working Capital Fund, at present approved at the level of \$150 million by the General Assembly; and the Special Account. The final position will also depend in large measure on the action to be taken by the countries referred to above. As at 24 October 2008, the regular budget General Fund had a cash shortfall of \$66 million, primarily due to special political mission expenditure levels during the first year of the current biennium, as well as the general weakening of the value of the United States dollar as compared with budgeted exchange rates. Depending on action yet to be taken on a national budget, the situation may worsen and it may be necessary to borrow \$148 million from reserve accounts by the end of December 2008. Alternatively, if the major contributor pays the full amount of its 2008 assessment, there could be a positive cash balance at the end of December 2008.

B. Peacekeeping operations

10. The unpredictable nature of the demand for peacekeeping activities makes it hard to predict financial outcomes with any confidence. In addition, peacekeeping has a different financial period, running from 1 July to 30 June rather than from 1 January to 31 December; assessments are issued separately for each operation; and, since assessments can currently be issued only through the mandate period approved by the Security Council for each mission, they are issued for different periods throughout the year. All of these factors complicate a comparison between the financial situation of peacekeeping operations and that of the regular budget and the tribunals.

11. The total amount outstanding for peacekeeping operations at 24 October 2008 was over \$2.9 billion. This amount is approximately \$198 million higher than at the end of 2007, but it is \$575 million below the level at 31 October 2007. The current level of unpaid assessments is, in part, related to the peacekeeping financial cycle. Assessments of \$2.7 billion were issued for all active missions at the start of the current peacekeeping financial period in July 2008, and another \$1 billion in assessments was issued in August 2008. The \$2.9 billion outstanding at 24 October 2008 also includes assessments within the 30-day due period, of approximately \$563 million, that were issued on 26 September 2008.

12. As with the regular budget, the \$2.9 billion in unpaid assessments as at 24 October 2008 is highly concentrated. Over half of the total, 62 per cent, was from just two Member States, and another 21 per cent was from four other Member States.

13. At 24 October 2008, 31 Member States had paid all peacekeeping assessments that were then outstanding, due and payable, namely: Australia, Austria, Azerbaijan, Brazil, Bulgaria, Burundi, Canada, the Czech Republic, Denmark, Finland, Georgia, Germany, Guatemala, Ireland, Italy, Liechtenstein, Mexico, Monaco, New Zealand, Niger, Norway, the Philippines, the Republic of Moldova, the Russian Federation, Samoa, Singapore, Slovenia, South Africa, Sweden, Thailand and the United Kingdom.

14. The cash balance in peacekeeping accounts at 24 October 2008 was some \$3.1 billion. This amount was divided between the accounts of a number of ongoing and closed operations and the Peacekeeping Reserve Fund. However, there are restrictions on the use of these resources. In its resolutions on the financing of peacekeeping operations, the General Assembly routinely specifies that no peacekeeping mission shall be financed by borrowing from other active missions. In addition, the terms of reference of the Peacekeeping Reserve Fund restrict its use to new operations and the expansion of existing operations. Further, only some of the cash available in the accounts of closed peacekeeping operations is currently available for cross-borrowing. At 24 October 2008, cash in the accounts of active missions totalled approximately \$2.5 billion, the Peacekeeping Reserve Fund had \$142 million and the accounts of closed missions had \$467 million.

15. Based on information currently available, it is expected that total cash available in peacekeeping accounts at the end of 2008 will total a little less than \$2.2 billion, with \$1.5 billion in the accounts of active missions, \$522 million in the accounts of closed missions and \$142 million in the Peacekeeping Reserve Fund. These estimates are based on projected receipts and disbursements.

16. Of the \$522 million expected to be available in the accounts of closed peacekeeping operations at the end of this year, \$295 million is set aside for amounts to be paid for outstanding liabilities, such as troop and equipment payments and credits to be returned to individual Member States. This leaves only \$227 million that is available for possible cross-borrowing by active peacekeeping operations, as well as for other accounts, including the regular budget and the international tribunals. This is a very thin margin for cross-borrowing. Cross-borrowing was required in 2007 for a total of \$50 million for five active operations: the United Nations Interim Administration Mission in Kosovo (UNMIK), the United Nations Observer Mission in Georgia (UNOMIG), the United Nations Mission for the Referendum in Western Sahara (MINURSO), the United Nations Peacekeeping Force in Cyprus (UNFICYP) and the United Nations Stabilization Mission in Haiti (MINUSTAH). So far in 2008, cross-borrowing from the accounts of closed peacekeeping operations has been required for a total of \$117 million for seven active missions: UNMIK, UNOMIG, MINURSO, UNFICYP, the United Nations Operation in Côte d'Ivoire (UNOCI), MINUSTAH and the United Nations Mission in Liberia (UNMIL).

C. International tribunals

17. The financial position of the international tribunals for Rwanda and the former Yugoslavia remained relatively acceptable in 2008. Assessments in 2008 are somewhat higher than those in 2007 and the amount outstanding is slightly lower, by about \$11 million.

18. The number of Member States paying their assessed contributions for both international tribunals in full by 24 October 2008 was 97, five more than on 31 October 2007. The Secretary-General wishes to express his appreciation to the 97 Member States that have met their financial obligations to the tribunals in full and urges other Member States to follow their example.

19. The final financial position of the tribunals will obviously depend on the payment of assessed contributions by Member States during the balance of this year.

The breakdown of unpaid assessed contributions for the tribunals shows a high degree of concentration, with one Member State accounting for 85 per cent of the total and the remaining Member States accounting for 15 per cent. Much will depend, therefore, on the action to be taken by those Member States.

20. If recent trends continue, the tribunals should end the year with positive cash balances, although the position of the International Tribunal for the Former Yugoslavia is expected to be stronger than that of the International Criminal Tribunal for Rwanda. Once again, however, the actual outcome will depend on Member States meeting their financial obligations to the tribunals in a full and timely fashion.

D. Capital master plan

21. The total budget for the capital master plan project of \$1.88 billion was approved by the General Assembly on 22 December 2006 (resolution 61/251).

22. In accordance with General Assembly resolution 61/251, 180 Member States are under the multi-year payments system and 12 Member States have opted for one-time payment. As at 24 October 2008, 120 Member States had paid in full their capital master plan assessed contributions, and payments totalling \$766 million had been made against assessments due and payable, with \$80 million still outstanding. In addition, a number of Member States which did not opt for one-time payment have nevertheless made advance payments. As at 24 October 2008, payments to the working capital reserve totalled \$44.9 million. In order to ensure the timely execution of the project, all Member States are urged to pay their assessed contributions to the capital master plan in full and on time.

III. Debt to Member States

23. The forecast in May 2008 was that the Organization's debt to Member States providing troops and equipment to peacekeeping operations would be reduced to \$728 million. Based on revised projections, it now appears that the amount outstanding at the end of 2008 will be some \$645 million, significantly lower than the projection made in May, and well below the amount of \$779 million outstanding at 31 December 2007. New obligations in 2008 were up, owing mainly to the deployment of troops in the African Union-United Nations Hybrid Operation in Darfur (UNAMID), partly offset by a reduction of the authorized military strength of UNMIL, lower deployment in the United Nations Interim Force in Lebanon (UNIFIL) and termination of the mandate of the United Nations Mission in Ethiopia and Eritrea (UNMEE). The total number of troops and formed police units deployed rose from 74,578 at the end of 2007 to 79,047 at 30 September 2008.

24. Payments of troop obligations were broadly current up to July 2008 for UNMEE and up to August 2008 for nine peacekeeping missions (MINUSTAH, the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC), UNAMID, the United Nations Disengagement Observer Force (UNDOF), UNIFIL, UNMIL, the United Nations Mission in the Sudan (UNMIS), the United Nations Integrated Mission in Timor-Leste (UNMIT), and UNOCI). Payments for contingent-owned equipment and self-sustainment claims were current up to March 2008 for MINUSTAH and UNOCI and up to June 2008 for seven

peacekeeping operations (MONUC, the United Nations Disengagement Observer Force, UNIFIL, UNMEE, UNMIL, UNMIS and UNMIT).

25. However, cash shortfalls mean that reimbursements have fallen behind the normal quarterly reimbursement process for four missions (MINURSO, UNMIK, UNOMIG and UNFICYP). In this regard, delays in the receipt of contributions affect the Secretariat's ability to make quarterly payments to troop contributors, as it is necessary to first ensure adequate provision of cash resources to meet ongoing operating cost requirements. The peacekeeping operations cash-flow situation will continue to be monitored constantly, with a view to making quarterly payments as soon as sufficient cash is available.

26. The Secretary-General is committed to meeting the Organization's obligations to Member States providing troops and equipment to peacekeeping operations as expeditiously as possible. The extent to which he can do this, however, will depend on the degree to which Member States meet their financial obligations to the United Nations in full and on time, and on the finalization of memorandums of understanding with troop contributors for provision of equipment.

IV. Conclusions

27. Although the financial situation is expected to show some improvement by the end of 2008, this is very much dependent on receipt of significant payments by the end of the year from a few Member States.

28. The Secretary-General also wishes to pay special tribute to the following Member States that had paid in full all assessments for the regular budget, the international tribunals, the peacekeeping operations and the capital master plan that were due and payable as at 24 October 2008. These were: Australia, Austria, Azerbaijan, Brazil, Bulgaria, Burundi, Canada, the Czech Republic, Denmark, Finland, Georgia, Germany, Guatemala, Ireland, Italy, Liechtenstein, Mexico, Monaco, New Zealand, Niger, Norway, the Philippines, the Republic of Moldova, the Russian Federation, Samoa, Singapore, Slovenia, South Africa, Sweden, Thailand and the United Kingdom. Other Member States are urged to follow the example of those countries.

29. The financial indicators for 2008 are mixed. The position of the regular budget is uncertain given the current and projected cash situation, and the final outcome for 2008 will depend on action to be taken in the next few months by a few Member States. Under current projections, borrowing from reserve accounts may be required in November and December of 2008. Regarding peacekeeping operations, while unpaid assessments show increases as compared with end December 2007, the amount outstanding at 24 October 2008 was below the end October 2007 level. The amount of \$2.9 billion still outstanding for peacekeeping operations is considerable. Nevertheless, it is anticipated that further progress could be made in reducing the debt to troop contributors to a level lower than that at the beginning of 2008.

30. In order to maintain the financial health of the Organization, it remains as critical as ever for Member States to meet their financial obligations to the United Nations in full and on time.