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Improving the financial situation of the United Nations

Financial situation of the United Nations

Report of the Secretary-General

Summary

The present report provides a review of the financial situation of the United Nations relating to the operations of the regular budget, peacekeeping operations and international tribunals, based on four financial indicators: assessments issued, unpaid assessments, available cash resources and the Organization's outstanding payments to troop- and police-contributing Member States for peacekeeping operations.

The report provides a review of the situation as at 4 October 2019 and an update to the information presented in the previous report of the Secretary-General ([A/73/443/Add.1](#)).

Following the issuance of the previous report, the General Assembly considered the report of the Secretary-General on improving the financial situation of the United Nations ([A/73/809](#)), in which he detailed a set of measures to address liquidity problems, as well as broader structural issues that constrain financial management. The Assembly, in its resolution [73/307](#), approved some measures that assist peacekeeping operations, but it has not yet addressed the underlying regular budget crisis.

The Secretary-General also wrote to Member States on 2 August and 4 October expressing concern about the continuing regular budget liquidity crisis and the ongoing financial uncertainty threatening the Organization's ability to fully implement mandates.

The cash situation with regard to the regular budget remains extremely alarming. Notwithstanding extraordinary efforts such as postponing non-post expenditures and slowing the hiring of staff throughout the year in order to meet payroll requirements and other urgent costs, to mitigate the liquidity issues, the reserves for the regular budget have been exhausted, which has necessitated cross-borrowing from the accounts of closed peacekeeping operations. There is a serious risk of the closed peacekeeping cash reserves also being exhausted. While aggregate cash balances are positive for peacekeeping operations and the tribunals, some peacekeeping operations continue to face cash shortfalls at different intervals, requiring cross-borrowing of cash.



The final outcome for 2019 will depend on Member States meeting their financial obligations. The Secretary-General appreciates the efforts of those Member States that have paid in full and on time and urges the remaining Member States to make every effort to pay their outstanding contributions.

The financial health of the Organization depends on Member States meeting their financial obligations in full and on time. The Secretariat is committed to using the resources entrusted to it in a cost-effective and efficient manner and to providing information to Member States with the utmost transparency. However, at present, mandate delivery is constrained by the lack of adequate liquidity-bridging mechanisms for regular budget operations.

I. Introduction

1. The present report provides an update on the financial situation of the United Nations presented to the General Assembly by the Secretary-General in his previous report (A/73/443/Add.1), and a review of financial indicators as at 4 October 2019, the cut-off date for reporting, compared with the situation as at 30 September 2018 (see A/73/443).

2. In the present report, the financial situation of the United Nations is considered in relation to the operations of the regular budget, peacekeeping operations and international tribunals, on the basis of four main indicators used to measure the financial health of the Organization: assessments issued, unpaid assessed contributions, available cash resources and the Organization's outstanding payments to troop- and police-contributing Member States for peacekeeping operations.

II. Review of the financial situation as at 4 October 2019

3. The Secretary-General wrote to Member States on 2 August and 4 October 2019, informing them of the troubling financial situation of the Organization and requesting them to ensure the full and timely provision of the resources that the Organization needs to carry out its mandates. The present report provides an update of the situation as at 4 October 2019.

A. Regular budget

4. The regular budget has continued to face severe liquidity issues in recent years, with a growing downward trend whereby, each year, the situation becomes more dire than the year before. The cash deficits occur earlier in the year, linger longer and run deeper. For the second successive year, all regular budget liquidity reserves have been exhausted, despite several measures taken to reduce expenditures to align them with available liquidity. By 9 October 2019, the regular budget cash deficit had reached \$386 million. By the same date, the reserves of \$353 million (\$150 million from the Working Capital Fund and \$203 million from the United Nations Special Account) had been completely exhausted. The deficit of \$33 million was covered by borrowing from the accounts of closed peacekeeping operations. At the time of reporting, there was barely enough liquidity to cover the costs for the month of October, even after taking into account the remaining balances in the closed peacekeeping operations.

5. At the start of 2019, unpaid assessments stood at \$529 million, lower by \$2 million than at the start of 2018. Assessments were issued in 2019 at a level of \$2.85 billion, the highest level for the decade and \$362 million higher than in 2018. The higher assessment in the second year of the biennium is largely in line with the pattern of assessments for biennial budgets, whereby the budgetary methodology creates a tendency for assessments to lag behind appropriations and expenditures. As at 4 October 2019, contributions received totalled \$1.99 billion, \$61 million more than at the end of September 2018. However, when payments received are analysed, they represent 70 per cent of the assessment issued compared with 78 per cent at the same time in 2018. The result is a gap of nearly \$230 million. The unpaid contributions as at 4 October 2019 were \$299 million higher than as at 30 September 2018, with a total of \$1.39 billion remaining unpaid as at 4 October 2019.

6. By 4 October 2019, 128 Member States had paid their regular budget contributions in full, 13 less than as at 30 September 2018. The Secretary-General wishes to thank the Member States that have honoured their obligations with regard to the regular budget in full and urges the remaining Member States to follow their

example. The final outcome for 2019 will depend on the action taken by Member States that have not paid their regular budget contributions, or have not paid them in full.

7. Approximately \$955 million of unspent funds remain for the budget for the biennium 2018–2019. This amount comprises about \$464 million of post-related expenses and about \$491 million of non-post expenses, including commitment authorities and unforeseen and extraordinary expenses. The current liquidity crisis is turning out to be the worst liquidity crisis in recent years. To fully expend the budget, the Organization would need to collect at least \$808 million in the last quarter. However, there is significant uncertainty about the amount and timing of the payment of the remaining assessments. While nearly half of the unspent budget is for post-related expenses, which cannot be postponed, the remaining \$491 million includes non-post expenses that cannot be deferred without a significant impact on mandate delivery. The large, unspent non-post budget also reflects the impact of postponing such expenditures throughout the year in an effort to conserve cash to meet salary and other urgent costs. The ongoing financial uncertainty relating to collections compels expenditure management based on liquidity rather than programme delivery. The use of average vacancy rates and the limitations on transfers of funds across budget sections and budget classes exacerbate the resource management problems. Cumulatively, these problems undermine mandate delivery and go against efforts to focus less on inputs and more on results. Unless these structural and liquidity issues are addressed expeditiously, the work and the reforms of the United Nations will be at increasing risk.

B. Peacekeeping operations

8. The changing demand for peacekeeping activities makes it difficult to predict financial requirements. In addition, peacekeeping operations have a different financial period, running from 1 July to 30 June rather than by calendar year, and assessments are issued separately for each operation.

9. As at 4 October 2019, approximately \$8 billion had been assessed for peacekeeping operations in 2019. Contributions received by that date amounted to approximately \$5.7 billion. The unpaid amount for peacekeeping operations was approximately \$3.7 billion, compared with \$2.5 billion as at 30 September 2018 and \$1.5 billion as at 31 December 2018.

10. The review of unpaid peacekeeping assessments by operation shows that the outstanding \$3.7 billion as at 4 October 2019 comprised approximately \$3.3 billion owed for active missions and \$409 million for closed missions. For active missions, \$2.8 billion related to 2019 assessments, while approximately \$500 million related to assessments issued in 2018 or earlier.

11. Owing to the unpredictable amount and timing of peacekeeping assessments throughout the year, it can be difficult for Member States to remain fully current with them. The Secretary-General wishes to pay tribute to the 30 Member States that, by 4 October 2019, had paid all peacekeeping assessments in full. This number was 11 less than as at 30 September 2018.

12. In its resolution [73/307](#), the General Assembly decided, after considering the Secretary-General's proposals to improve the financial situation of the United Nations (see [A/73/809](#)), that the Secretary-General should issue assessment letters for peacekeeping operations for the full budget period, including the estimated budget for the period for which the mandate has not yet been approved by the Security Council, with the understanding that the amount is considered due within 30 days of

the effective date of the extension of the mandate. The amount assessed in July 2019 for the “non-mandated” period was \$2.4 billion.

13. Subsequent to the issuance of the assessments, Member States voluntarily made early payments for non-mandated periods of \$21.8 million in July, \$97.2 million in August, \$7.9 million in September and \$45.5 million in October. Together with the decision of the General Assembly in its resolution [73/307](#) to remove the restriction on cross-borrowing of cash for active missions, the assessment and collection for non-mandated periods resulted in an improvement in the overall liquidity of active peacekeeping operations.

14. Ten Member States have paid in full for the entire peacekeeping year, including the non-mandated period. The Secretary-General would like to thank these Member States for their additional payments to all peacekeeping operations.

15. The cash available for peacekeeping operations as at 4 October 2019 totalled approximately \$2 billion in the accounts of active missions, closed missions and the Peacekeeping Reserve Fund. Cash of each mission is delineated in a separate account as directed by the General Assembly; similarly, the use of the Peacekeeping Reserve Fund is restricted to new operations and the expansion of existing operations.

16. With regard to outstanding payments to Member States, as at 10 October 2019, \$6 million was owed for troops and formed police units, \$64 million for contingent-owned equipment claims for active missions and \$86 million for contingent-owned equipment claims for closed missions. As at 10 October 2019, payments for troop and formed police unit costs were current for all missions up to July 2019 except the United Nations Mission for Justice Support in Haiti. Payments for contingent-owned equipment for active missions were current up to June 2019 except for the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo, the African Union-United Nations Hybrid Operation in Darfur, the United Nations Peacekeeping Force in Cyprus, the United Nations Interim Security Force for Abyei and the United Nations Mission for the Referendum in Western Sahara, which were current up to March 2019, and the United Nations Mission for Justice Support in Haiti, which was current up to December 2018.

17. The recent decision of the General Assembly to allow cross-borrowing (or cash pooling) across active missions and to assess for a full year has had a notable impact on the ability to meet obligations to Member States. For the quarterly payment cycle ending in September 2019, without such cash pooling and annual assessment, the outstanding payables to Member States would have been \$285 million. With the advent of new measures, the outstanding amounts owed to Member States are only \$70 million, owing to the ability to cross-borrow nearly \$215 million.

18. The Secretary-General remains committed to meeting obligations to Member States providing troops and equipment as expeditiously as possible, as the cash situation permits. In this regard, the Secretariat will continue to monitor the peacekeeping cash flow closely and maximize payments on the basis of available cash and data. To do so, however, the Organization depends on Member States honouring their financial obligations in full and on time, as well as on the expeditious finalization of memorandums of understanding with contributors of contingent-owned equipment.

C. International tribunals

19. As at 4 October 2019, unpaid assessments for the international tribunals amounted to \$76 million, higher than the previous year by \$8 million. This amount comprises \$7 million owed for the International Criminal Tribunal for Rwanda,

\$26 million owed for the International Tribunal for the Former Yugoslavia and \$43 million owed for the International Residual Mechanism for Criminal Tribunals. As at 4 October 2019, 110 Member States had paid in full for the Mechanism, 144 for the International Tribunal for the Former Yugoslavia and 176 for the International Criminal Tribunal for Rwanda.

20. By 4 October 2019, 106 Member States had paid their assessed contributions for all tribunal operations in full, which is 48 more than as at 30 September 2018. The Secretary-General wishes to thank those 106 Member States for their financial support to the international tribunals and urges other Member States to pay their contributions as soon as possible.

21. The month-by-month position of overall cash balances for the tribunals was positive over the past three years. The final outcome for 2019 will depend on Member States continuing to honour their financial obligations during the remaining months of the year.

III. Conclusions

22. The Secretary-General wishes to pay special tribute to the 36 Member States that have paid all their assessments that were due and payable in full at the time of reporting, namely: Armenia, Australia, Austria, Bhutan, Canada, Côte d'Ivoire, Cuba, Cyprus, Denmark, Estonia, Finland, Germany, Guyana, Hungary, Iceland, India, Ireland, Italy, Kuwait, Latvia, Liechtenstein, Malawi, Monaco, Namibia, Netherlands, New Zealand, Norway, Poland, Rwanda, Samoa, Singapore, Solomon Islands, Sweden, Switzerland, Tuvalu and Zambia.

23. The financial health of the Organization continues to depend on Member States meeting their financial obligations in full and on time. The full and efficient implementation of its programme of work depends on the financial support of Member States through the adoption of realistic budget levels and the provision of timely contributions to ensure a stable and predictable cash flow throughout the year. The Secretariat is committed to using the resources entrusted to it in a cost-effective and efficient manner and to providing information to Member States with the utmost transparency, but regular budget programme delivery will continue to be constrained by the lack of adequate liquidity-bridging mechanisms.