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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 30 September 2020 and an update to the information presented in the previous report of the Secretary-General ([A/74/501/Add.1](#)). After the previous report and presentation, the Secretary-General wrote to Member States on 31 August 2020 about the deepening liquidity crisis of the Organization, especially in relation to the regular budget operations.

The cash situation with regard to the regular budget remains a source of grave concern. Even though the Organization maintains tight control over its spending levels, there is a high likelihood that 2020 will end with a deficit that cannot be fully covered by the regular budget liquidity reserves. During the final quarter of 2020, it is highly likely that cash from closed peacekeeping operations cash will again have to be used to meet the Organization's legal obligations to staff and vendors. Failure to effectively manage both post- and non-post-related expenses would result in insufficient cash to pay vendors towards the end of the year, should anticipated contributions not be received.

The cash conservation measures implemented throughout the year may have averted a cash crisis and the disruption of operations, but the tight expenditure controls are hampering, and will continue to hamper, budget implementation and mandate delivery. Several activities and outputs are being either postponed or cancelled, and that will be reflected in the performance reports. The ongoing financial uncertainty continues to compel budget management based on liquidity rather than programme delivery. 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 the Organization's efforts to focus less on inputs and more on results.

The financial health of the Organization depends on Member States meeting their financial obligations in full and on time. 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 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. The financial situation in 2020 has worsened compared with 2019, which was one of the most severe crises in recent history. Ultimately, the final outcome for 2020 will depend on whether or not those Member States who have not yet paid in full meet their obligations to the Organization.

## 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/74/501/Add.1), and a review of financial indicators as at 30 September 2020, the cut-off date for reporting, compared with the situation as at 30 September 2019.

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 30 September 2020

3. The Secretary-General wrote to Member States on 31 August 2020 about the deepening liquidity crisis of the Organization, especially in relation to the regular budget operations. The present report provides an update of the situation as at 30 September 2020.

### 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.

5. By 30 September 2020, the regular budget cash deficit had reached \$106 million, thereby necessitating borrowing from the Working Capital Fund. Based on current estimates, the Organization is on track to exhaust all regular budget liquidity reserves, despite the numerous measures it has undertaken to reduce expenditures to align them with available liquidity. The measures employed to date have averted a cash crisis and the disruption of operations. However, the tight expenditure controls are hampering, and will continue to hamper, budget implementation and mandate delivery, resulting in the postponement or cancellation of activities and outputs. The ongoing financial uncertainty continues to compel budget management based on liquidity rather than programme delivery. The limitations on transfers of funds across budget sections and budget classes exacerbate the resource management problems. When taken cumulatively, these problems undermine mandate delivery and thwart the Organization's efforts to focus less on inputs and more on results.

6. At the start of 2020, unpaid assessments stood at \$711 million, higher by \$182 million than at the start of 2019. Assessments were issued in 2020 at a level of \$2.87 billion, \$18 million higher than in 2019. By 30 September 2020, contributions received totalled \$2.08 billion, \$91 million more than that received by 30 September 2019, but it is worth noting that a portion of these payments relates to the delayed receipt of outstanding contributions for 2019 that were received in 2020. The unpaid contributions as at 30 September 2020 were \$109 million higher than one year earlier, with a total of \$1.5 billion remaining unpaid as at 30 September 2020.

7. By 30 September 2020, 124 Member States had paid their regular budget contributions in full, 3 fewer than as at 30 September 2019. 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 2020 will depend on the action taken by Member States that have not paid their regular budget contributions, or have not paid them in full.

## **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 30 September 2020, approximately \$5.2 billion had been assessed for peacekeeping operations in 2020. Contributions received by that date, including outstanding contributions for previous years, amounted to approximately \$5.8 billion. The unpaid amount for peacekeeping operations was approximately \$2.8 billion, compared with \$3.8 billion as at 30 September 2019 and \$3.4 billion as at 31 December 2019.

10. The review of unpaid peacekeeping assessments by operation shows that the outstanding \$2.8 billion as at 30 September 2020 comprised approximately \$2.3 billion owed for active missions and \$425 million for closed missions. For active missions, \$1.7 billion related to 2020 assessments, while approximately \$593 million related to assessments issued in 2019 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 38 Member States that, by 30 September 2020, had paid all peacekeeping assessments in full. This number was 10 more than as at 30 September 2019.

12. In accordance with regulation 3.5 of the Financial Regulations and Rules of the United Nations, contributions for peacekeeping are due and payable in full within 30 days of receipt of assessment letters. 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 2020 for the "non-mandated" period was \$2.5 billion.

13. Subsequent to the issuance of the assessments, Member States voluntarily made early payments for non-mandated periods of \$83.5 million in July, \$187.0 million in August and \$142.9 million in September 2020. Together with the decision of the General Assembly in its resolution [73/307](#) to remove the restriction on the 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. Thirteen 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 30 September 2020 totalled approximately \$3.9 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 30 September 2020, \$357 million was owed for troops and formed police units, \$495 million for contingent-owned equipment claims for active missions and \$86 million for contingent-owned equipment claims for closed missions. As at 30 September 2020, payments for troop and formed police unit costs were current for all missions up to 30 June 2020 except the African Union-United Nations Hybrid Operation in Darfur (UNAMID), which was current up to 31 December 2019. Payments for contingent-owned equipment for active missions were current up to 31 March 2020, except for UNAMID, which was current up to 31 December 2019. In view of the recent payments by Member States, the Organization anticipates making ad hoc payments in arrears for contingent-owned equipment of approximately \$192 million, with the exception of UNAMID.

17. 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**

18. As at 30 September 2020, unpaid assessments for the international tribunals amounted to \$58 million, \$21 million lower than the previous year. This amount comprises \$7 million owed for the International Criminal Tribunal for Rwanda, \$25 million owed for the International Tribunal for the Former Yugoslavia and \$26 million owed for the International Residual Mechanism for Criminal Tribunals. As at 30 September 2020, 107 Member States had paid in full for the Mechanism, 163 for the International Tribunal for the Former Yugoslavia and 182 for the International Criminal Tribunal for Rwanda.

19. As at 30 September 2020, 106 Member States had paid their assessed contributions for all tribunal operations in full, which is 2 more than as at 30 September 2019. 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.

20. The month-by-month position of overall cash balances for the tribunals was positive over the past three years. The final outcome for 2020 will depend on Member States continuing to honour their financial obligations during the remaining months of the year.

## **III. Conclusions**

21. The Secretary-General wishes to pay special tribute to the 38 Member States that have paid all their assessments that were due and payable in full at the time of reporting, namely: Algeria, Andorra, Armenia, Australia, Austria, Azerbaijan, Bhutan, Burundi, Canada, China, Cyprus, Czechia, Democratic Republic of the Congo, Denmark, Finland, Germany, Guyana, Hungary, Iceland, Ireland, Japan, Latvia, Liechtenstein, Malaysia, Netherlands, New Zealand, Norway, Poland, Rwanda,

Singapore, Slovakia, Solomon Islands, Spain, Sweden, Switzerland, Thailand, Tuvalu and Zambia.

22. 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.

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