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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 as at 8 October 2021 and an update to the information presented in the previous report of the Secretary-General ([A/75/387/Add.1](#)).

The report is focused primarily on four financial indicators relating to the operations of the regular budget, peacekeeping operations and international tribunals: assessments issued, unpaid assessments, available cash resources and the Organization's outstanding payments to troop- and police-contributing Member States for peacekeeping operations.

The cash situation with regard to the regular budget remains a source of grave concern. In 2021, despite the partial relaxation in the restrictions on hiring and spending in May, the Organization is likely to see the lowest rate of budget implementation since 2010 owing to the cumulative impact of record arrears at the end of 2020, the pressure to pay for late commitments from 2020, slower than estimated collection in the first quarter, slow down payments towards the middle of the year and large amounts still outstanding by the third quarter. The low budget implementation rate in 2021 will translate into a large return of unspent funds that will reduce the liquidity for the 2023 budget year and potentially cause another return of funds due to a low budget implementation rate in 2023. This vicious circle of a liquidity shortage creating more such shortages, will create systemic underperformance in mandate delivery, unless the underlying issues are addressed.

The cash conservation measures implemented early in 2021 have averted a cash crisis and the disruption of operations, but the tight expenditure controls put in place to prevent disruptions 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 during the budget implementation period. Cumulatively, these problems undermine mandate delivery and go against the Organization's efforts to focus less on inputs and more on results.

In respect of peacekeeping operations, the decision of the General Assembly, in its resolution [73/307](#), to issue assessment letters for the full budget period and to remove the restriction on cross-borrowing among active missions, improved the liquidity for peacekeeping operations and facilitated the settlement of dues to troop- and police-contributing countries.

The month-by-month position of overall cash balances for the international tribunals has remained positive over the past three years.

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 final outcome for 2021 will depend on whether those Member States that 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/75/387/Add.1](#)), and a review of financial indicators as at 8 October 2021, the cut-off date for reporting, compared with the situation as at 30 September 2020.

2. In the present report, the financial situation of the United Nations is considered 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 8 October 2021

3. The Secretary-General wrote to Member States on 27 March 2021 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 8 October 2021.

A. Regular budget

4. The regular budget has continued to face severe liquidity issues in recent years making it more difficult to implement the budget efficiently and effectively. The receipt of contributions at the end of the calendar year presents significant challenges as insufficient time is available to utilize the funds as originally planned, putting at risk the ability of the Organization to deliver its mandates fully.

5. At the start of 2021, unpaid assessments stood at a record \$808 million, \$97 million higher than at the start of 2020. Assessments were issued in 2021 at a level of \$2.96 billion, \$88 million higher than in 2020. Collections in the first quarter of the year lagged behind estimates by \$199 million but, fortunately, this situation improved in April, following an appeal from the Secretary-General. Owing to the record collections in April, collections at the end of the third quarter were \$139 million more than estimated. As at 8 October 2021, contributions received totalled \$2.51 billion, \$427 million more than the amount received as at 30 September 2020. Of this amount, \$456 million related to the delayed receipt of 2020 outstanding contributions received in 2021. The unpaid contributions as at 8 October 2021 stood at \$1.3 billion, \$242 million lower than as at 30 September 2020.

6. The final outcome for the year will be heavily dependent on the collections in the fourth quarter. It will also determine whether the trend of increasing year-end arrears will be reversed. It will be equally important to receive the collections in November instead of December so that they can still be utilized in time for improving mandate delivery. However, owing to the cumulative impact of record year-end arrears, late collections, spending restrictions and continuing uncertainty about the final collections for the year, the budget implementation rate in 2021 is likely to be the lowest since 2010.

7. The cash conservation measures employed in 2020 and continued into 2021 have been effective in mitigating the risks of exhausting all liquidity reserves and of disrupting operations. The liquidity management measures adopted in recent years have delayed the onset of the cash deficits in the regular budget to later months in the year: borrowing from the Working Capital Fund has occurred later each year, in May 2018, July 2019 and September 2020. By September 2021, there was no requirement

for borrowing owing to the tight spending controls in place until May. Similarly, in the past three years, the highest regular budget cash deficit has been delayed each year, the highest deficits being \$488 million in October 2018, \$520 million in November 2019 and \$334 million in December 2020. However, liquidity management without adequate liquidity reserves is constraining effective and efficient mandate delivery.

8. As at 8 October 2021, 130 Member States had paid their regular budget contributions in full, 6 more than as at 30 September 2020. 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 2021 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

9. 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.

10. As at 8 October 2021, approximately \$3.8 billion had been assessed for peacekeeping operations in 2021 and contributions received amounted to approximately \$4.8 billion. As at the same date, the unpaid amount for peacekeeping operations was approximately \$2.2 billion, compared with \$2.8 billion as at 30 September 2020.

11. The review of unpaid peacekeeping assessments by operation shows that the outstanding \$2.2 billion as at 8 October 2021 comprised approximately \$1.8 billion owed for active missions and \$400 million for closed missions. For active missions, \$1.1 billion related to 2021 assessments, while approximately \$655 million related to assessments issued in 2020 or earlier.

12. The Secretary-General wishes to pay tribute to the 48 Member States that, as at 8 October 2021, had paid all peacekeeping assessments in full. This number was 10 more than as at 30 September 2020.

13. 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 proposals of the Secretary-General 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. For the current peacekeeping fiscal period, assessments were only issued for six months as a new peacekeeping scale is expected at the beginning of 2022. The amount assessed in July 2021 for the “non-mandated” period through 31 December was \$381 million.

14. Subsequent to the issuance of the assessments, Member States voluntarily made early payments for non-mandated periods of \$18 million in July, \$36 million in August and \$18 million in September 2021. As at 8 October 2021, pending approval by the General Assembly of the 2022–2024 scale of assessment and on the basis of provisional estimates, Member States had made advance payments totalling \$84 million for the period from January to June 2022. Together with the decision of the 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 had a positive impact on the overall liquidity that helped in the settlement of dues to troop- and police-contributing countries.

15. Twenty-five Member States have paid in full for the assessment period from July to December 2021, including the non-mandated period. The Secretary-General would like to thank those Member States for their additional payments to all peacekeeping operations.

16. The cash available for peacekeeping operations at 30 September 2021 totalled approximately \$2.6 billion in the accounts of active missions, closed missions and the Peacekeeping Reserve Fund. The use of the Fund is restricted to new operations and the expansion of existing operations, as stipulated in the Financial Regulations and Rules of the United Nations. The cash of each mission is delineated in a separate account as directed by the General Assembly, and cross-mission borrowing is resorted to when needed, on the basis of Assembly resolution [73/307](#). The cash in closed peacekeeping operations is temporarily used for the regular budget and has been a lifeline for continuing regular budget operations. The Organization has had to borrow from it over the past three years to avert disruption of regular budget operations.

17. With regard to outstanding payments to Member States, as at 30 September 2021, \$53 million was owed for troops and formed police units, \$35 million for contingent-owned equipment claims for active missions and \$86 million for contingent-owned equipment claims for closed missions. As at 30 September 2021, payments for contingent-owned equipment and troop and formed police unit costs were current for all missions up to 30 June 2021 except the African Union-United Nations Hybrid Operation in Darfur (UNAMID), which was current up to 30 September 2020. In its resolution [73/307](#), while the General Assembly approved the management of the cash balances of all active peacekeeping operations as a pool, it also requested the Secretary-General to ensure that mandate implementation by the lending mission was not negatively impacted. As a closing mission, UNAMID was therefore not given a loan from the cash pool of active peacekeeping operations due to the risk of delays in the repayment of loans.

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 8 October 2021, unpaid assessments for the international tribunals amounted to \$59 million, \$1 million higher than the previous year. This amount comprises \$7 million owed for the International Criminal Tribunal for Rwanda, \$24 million owed for the International Tribunal for the Former Yugoslavia and \$28 million owed for the International Residual Mechanism for Criminal Tribunals.

20. As at 8 October 2021, 111 Member States had paid their assessed contributions for all tribunal operations in full, which is 5 more than as at 30 September 2020. The Secretary-General wishes to thank those 111 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 2021 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 49 Member States that have paid all their assessments that were due and payable in full at the time of reporting, namely: Armenia, Australia, Austria, Bahrain, Belgium, Botswana, Brunei Darussalam, Bulgaria, Canada, Central African Republic, China, Cuba, Cyprus, Czechia, Estonia, Finland, France, Georgia, Germany, Greece, Guinea-Bissau, Guyana, Hungary, Iceland, India, Ireland, Italy, Japan, Latvia, Liechtenstein, Lithuania, Monaco, Namibia, Netherlands, New Zealand, Norway, Poland, Portugal, Republic of Korea, Singapore, Slovakia, Slovenia, Spain, Sweden, Switzerland, Thailand, Tonga, 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.
