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Improving the financial situation of the United Nations

Financial situation of the United Nations

Report of the Secretary-General

Addendum

Summary

The present report provides a review of the financial situation of the United Nations as at 31 December 2020 and 2021 and as at 30 April 2021 and 2022 and an update to the information presented in the previous report of the Secretary-General ([A/76/435](#)).

The report is focused primarily on four financial indicators: assessments issued, unpaid assessments, available cash resources and the Organization's outstanding payments to Member States.

The cash situation with regard to the regular budget remains a source of grave concern. At the start of 2021, unpaid assessments stood at \$808 million, and collections in the first quarter lagged behind estimates by \$199 million. To mitigate the risk of disruptions in operations, the Organization had to maintain the cash conservation measures for the early part of 2021. While the Secretariat was able to relax some of the restrictions as at May, the ongoing financial uncertainty caused by unpredictable payment patterns compelled tight expenditure controls which continued to hamper budget implementation and mandate delivery in 2021. Several activities and outputs had to be postponed or cancelled, and these will be reflected in the performance reports. Management tools have been improved to deal with liquidity crises, but such tools cannot avert or deal with the looming liquidity crisis expected to recur in 2023 and deepen in 2024 owing to the return of credits in 2023, unless the mitigation measures proposed by the Secretary-General in his report "Improving the financial situation of the United Nations" ([A/76/429](#)) are approved by Member States.

Large inflows in May and November 2021, along with controlled spending early in the year, allowed the Organization to end 2021 with a surplus of \$307 million, compared with the deficit of \$160 million in 2020. While starting 2022 with a regular budget cash surplus was a welcome change, the Organization is not in a better financial position in 2022, owing to a lag in collections through the end of April.



Collections for the first quarter of 2022 have fallen short of the previous three financial years. The first quarter collections in 2022 stood at 42 per cent, compared with 43 per cent in 2021 and 50 per cent in both 2020 and 2019. At the end of April 2022, collections fell short of estimates by more than \$200 million. The final outcome for 2022 will depend on Member States continuing to meet their financial obligations in full. It will also depend on Member States providing notification of their intention to pay, as that will enable the Secretariat to plan its budget spending in anticipation of contributions; such planning is necessary to mitigate the risk of the Secretariat not being able to meet its legal obligations and to reduce the rush of commitments towards the end of the year.

In respect of peacekeeping operations, the decision of the General Assembly in its resolution [73/307](#) to remove the restriction on cross-borrowing of cash for active missions, along with assessment and collection for non-mandated periods, provided an improvement in the overall liquidity of active peacekeeping operations, including the ability to settle the payments to troop- and police-contributing countries. Payments for troops, formed police units and contingent-owned equipment are current for all active missions except for an amount of \$37 million for the African Union-United Nations Hybrid Operation in Darfur, for which cross-borrowing was not used, owing to the risk of a delay in the repayment of loans to the lending mission.

The Secretariat will continue to make every effort to expedite outstanding payments for troops and formed police units, as well as for contingent-owned equipment. The timely settlement of these payments will depend on Member States meeting their financial obligations in full and on time, and on the expeditious finalization of memorandums of understanding with contingent-owned equipment contributors.

The final outcome for 2022 for all operations 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.

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/76/435) and a review of the financial indicators as at 31 December 2020 and 2021 and as at 30 April 2021 and 2022.

2. In the present report, the financial situation of the United Nations is considered on the basis of the four main financial indicators that have been used to measure the strength of the Organization: assessments issued, unpaid assessed contributions, available cash resources and the Organization's outstanding payments to Member States.

II. Review of the financial situation

3. The Secretary-General has continued to actively engage with Member States on the liquidity situation of the Organization.

4. In 2021, assessments were issued for the regular budget and the international tribunals at higher levels than the previous year, while assessments for peacekeeping operations were issued at a lower level than in 2020. As at the end of 2021, unpaid assessments were lower for all assessed categories than as at the end of 2020. As at 30 April 2022, unpaid assessments were higher for all assessed categories when compared with the previous year.

5. During 2021, aggregate cash balances were positive for all categories of operations. While some individual peacekeeping operations faced cash shortages during certain periods of the year, the decision made by the General Assembly in July 2019 to allow cross-borrowing (or cash pooling) across active missions and to issue and collect assessments for a full year provided additional liquidity that had a positive impact on the Organization's ability to manage operations and to meet obligations to Member States.

6. With regard to troop costs and the cost of contingent-owned equipment, the level of outstanding payments to Member States was lower at the end of 2021 owing to cash pooling and advance payments received and, as at 30 April 2022, the levels were lower compared with those as at 30 April 2021. The total liabilities for payments to Member States for troops, formed police units and contingent-owned equipment amounted to \$37 million for active peacekeeping operations and \$86 million for closed peacekeeping missions.

A. Regular budget

7. The regular budget has been facing severe liquidity issues in recent years, making it more difficult to implement the budget efficiently and effectively. Large amounts of year-end arrears deplete the liquidity reserves at the start of the year. Furthermore, the receipt of large contributions at the end of the calendar year necessitates careful liquidity management through the alignment of expenditure with cash inflows throughout the year to ensure that operations are not disrupted. This prevents the Secretariat from fully executing hiring plans and planned activities, which in turn hampers programme delivery and mandate implementation.

8. First quarter collections were approximately 50 per cent in both 2019 and 2020 and dropped to approximately 43 per cent in the first quarter of 2021. They have dropped further since then, to slightly below 42 per cent, for the first quarter of 2022. As at the end of the second quarter, collections were 70 per cent in 2020 and 80 per

cent in 2021. Collections in the third quarter are usually the weakest; they were only 1.2 per cent in 2020 and 2.5 per cent in 2021. Collections in the last quarter of 2020 stood at 26 per cent, while they increased to 31 per cent in 2021. In the final quarter of 2021, \$903 million was collected, compared with \$753 million for the same period in 2020. In 2021, more was collected in November than in December. This was a welcome reversal of the pattern of collections in 2020, when more than \$300 million was received in the last 10 days of the year.

9. In November 2019, the cash deficit reached a record \$520 million, coming very close to exhausting even the cash available in the accounts of the closed peacekeeping operations, after exhausting the regular budget liquidity reserves of \$353 million (\$150 million from the Working Capital Fund and \$203 million from the Special Account) and forcing additional extraordinary measures to contain costs to avert a more serious liquidity crisis.

10. In 2020 and early 2021, the weak liquidity situation forced the Secretariat to continue to implement more stringent cash-conservation measures, which have been effective in reducing the risks of both a disruption in operations and an exhaustion of all liquidity reserves. These measures have delayed the onset of the cash deficit in the regular budget to months later in the year. During 2018, borrowing from the Working Capital Fund occurred as early as May. In subsequent years, the Organization has managed to postpone such borrowing until July in 2019, September in 2020 and November in 2021. It is worth noting that the borrowing in November 2021 was also for a short period. In recent years, the deepest deficits have been \$488 million in October 2018, \$520 million in November 2019 and \$334 million in December 2020. In 2021, owing to improvements in collections and the spending restrictions in the early part of the year, it was not necessary to use the Special Account or the cash available in closed peacekeeping operations to sustain regular budget activities.

11. The year 2020 ended with an unprecedented level of unpaid assessments, amounting to \$808 million, a notable increase over the \$529 million at the end of 2018. As at the end of 2021, the level of unpaid assessments had fallen to \$434 million, the lowest since 2016.

12. In 2022, assessments were issued at a level of \$2.93 billion, \$21 million lower than the level in 2021. Although the year started with the Organization in a better financial situation than in previous years, this positive situation was relatively short-lived, as collections were lower than estimated by \$202 million as at the end of April 2022, thereby partially negating the positive start to the year.

13. Payments received as at 30 April 2022 totalled approximately \$1.8 billion. The unpaid assessed contributions as at 30 April 2022 were \$154 million more than as at 30 April 2021, indicating a problematic trend in payments for the regular budget.

14. As at the end of 2021, a record number of 153 Member States had paid their regular budget assessments in full, 9 more than the number of those having done so as at the end of 2020. The Secretary-General wishes to thank the 153 Member States that honoured their obligations to the regular budget in full by 31 December 2021 and invites other Member States to follow their example.

15. More recently, as at 30 April 2022, 96 Member States had paid their assessments to the regular budget in full, compared with 98 as at the same date in 2021. Of those Member States, 53 had paid their assessment within the 30-day due period and, therefore, on time. The Secretary-General wishes to pay tribute to those 96 Member States for their support for the work of the Organization and urges all other Member States to pay their assessed contributions in full and as soon as possible.

B. Peacekeeping operations

16. Peacekeeping operations have a different financial period than that of the regular budget, running from 1 July to 30 June rather than from 1 January to 31 December, and assessments are issued separately for each operation.

17. As at the end of 2021, unpaid assessments for peacekeeping operations amounted to \$1.4 billion, compared with \$3.2 billion at the end of 2020. The lower amount of unpaid assessments was due to the partial assessment for the 2021/22 peacekeeping year, as 2021 was the final year of the previously approved triennial scale. In 2022, assessments of \$3.1 billion were issued, and payments of approximately \$1.6 billion have been received. As at 30 April 2022, the level of unpaid assessments was \$2.8 billion, \$341 million more than as at 30 April 2021. The outstanding amount of \$2.8 billion comprised \$2.4 billion owed for active missions and \$396 million owed for closed missions. For active missions, \$1.6 billion related to 2022 assessments, while \$0.8 billion related to assessments issued during or before 2021.

18. As at 31 December 2021, 56 Member States had paid all assessments due and payable, 9 more than the number of those having done so as at 31 December 2020. The Secretary-General wishes to give special thanks to those 56 Member States for their payments.

19. As at 30 April 2022, the number of Member States that had paid all due and payable peacekeeping assessments was 51, compared with 53 as at 30 April 2021. The Secretary-General would like to pay special tribute to those 51 Member States for their efforts.

20. In its resolution [73/307](#), after considering the Secretary-General's proposals to improve the financial situation of the United Nations (see [A/73/809](#)), the General Assembly requested the Secretary-General to issue assessments for peacekeeping operations for the full budget period, subject to the availability of rates of assessment for applicable years, including the period for which mandates had not yet been approved by the Security Council, with the understanding that the "advance" assessment would be considered due within 30 days of the effective date of the extension of the mandates. The absence of an approved scale for 2022 meant that assessments for the 2021/22 peacekeeping year could only be issued in July for the period up to 31 December 2021.

21. During 2021, although there was no approved scale of assessment for 2022, Member States made payments based on provisional estimates. The Secretary-General would like to thank Member States who contacted the Secretariat and made advance payments based on provisional amounts. In January 2022, \$518 million was assessed for peacekeeping operations for the "non-mandated period", against which collections have been received from some Member States. Together with the decision of the General Assembly, also in its resolution [73/307](#), to remove the restriction on the cross-borrowing of cash for active missions, the issuance and collection of assessments for non-mandated periods resulted in an important improvement in the overall liquidity of active peacekeeping operations.

22. As at 30 April 2022, 25 Member States had 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 and appeal to more Member States to consider such payments in an effort to improve the overall liquidity of peacekeeping operations.

23. When cash reserves in individual operations are insufficient to cover operating costs, reimbursements to troop- and police-contributing countries tend to be delayed.

With regard to outstanding payments to Member States, the amount owed for troops, formed police units and contingent-owned equipment totalled \$138 million as at the end of 2021, reflecting a decrease of \$20 million from the \$158 million outstanding as at the end of 2020, due in part to the decision of the General Assembly in its resolution [73/307](#) to allow cross-borrowing across active peacekeeping operations.

24. As at 30 April 2022, the total liabilities for payments to Member States for troops, formed police units and contingent-owned equipment amounted to \$37 million for active peacekeeping operations and \$86 million for closed peacekeeping missions.

25. Payments for troops and formed police unit costs are current for all missions, except for those of the African Union-United Nations Hybrid Operation in Darfur (UNAMID), which were paid up to 31 March 2021. Payments for contingent-owned equipment for active missions are current except for those of UNAMID, which were paid up to 31 December 2020. In its resolution [73/307](#), while it approved the management of the cash of active peacekeeping operations as a pool, the General Assembly also requested that the Secretary-General ensure that the mandate implementation of the lending mission was not negatively impacted. Therefore, closing missions such as UNAMID would not normally be granted a loan from the cash pool, in order to reduce the risk of a negative impact on the mandate delivery of the lending missions owing to a delay in the repayment of loans.

26. The Secretary-General is committed to meeting the Organization's obligations to Member States providing troops and equipment as expeditiously as possible, as its cash situation permits. In this regard, the peacekeeping cash flow situation is monitored continuously, and the Organization attaches high priority to maximizing the quarterly payments on the basis of available cash and data. To effect those payments, the United Nations depends on Member States meeting 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. With regard to the budget periods 2019/20, 2020/21 and 2021/22, the General Assembly decisions in resolution [73/307](#) to allow cross-borrowing and to issue assessments for the full budget period have improved the settlement of obligations to Member States, but were not adequate to enable the settlement of all payments on time.

C. International tribunals

27. As at 30 April 2022, unpaid assessments for the international tribunals amounted to \$91 million, comprising \$64 million owed for the International Residual Mechanism for Criminal Tribunals, \$21 million owed for the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 and \$6 million owed for the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994.

28. As at 30 April 2022, 73 Member States, compared with 76 Member States in 2021, had paid in full for all three tribunals, namely the International Residual Mechanism for Criminal Tribunals (last assessed in 2022), the International Tribunal for the Former Yugoslavia (last assessed in 2018) and the International Criminal Tribunal for Rwanda (last assessed in 2016).

29. The monthly position of cash balances for the tribunals has been positive over the past three years. The final outcome for 2022 will depend on Member States continuing to honour their financial obligations to the tribunals.

III. Conclusions

30. The Secretary-General wishes to pay special tribute to the 47 Member States that have paid all assessments that were due and payable as at the time of reporting, namely: Algeria, Armenia, Australia, Austria, Azerbaijan, Bahrain, Barbados, Belgium, Botswana, Brunei Darussalam, Bulgaria, Canada, Cuba, Cyprus, Czechia, Ethiopia, Finland, France, Georgia, Germany, Hungary, Iceland, India, Ireland, Italy, Japan, Kyrgyzstan, Latvia, Liechtenstein, Luxembourg, Malaysia, Monaco, Nauru, the Netherlands, New Zealand, Norway, Poland, Portugal, Qatar, the Republic of Korea, Singapore, Slovakia, South Africa, Spain, Sweden, Switzerland and Tuvalu.

31. The financial health of the Organization continues to depend on Member States meeting their financial obligations in full and on time. Regular budget programme delivery will continue to be constrained by liquidity forecasts and uncertainties about both the volume and timing of payments of assessments. The Secretariat pledges to use the funds entrusted to it in a cost-effective manner and to provide information on its use thereof with the utmost transparency.
