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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 2017 and 2018 and as at 30 April 2018 and 2019 and an update of the information presented in the previous report of the Secretary-General ([A/73/443](#)).

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

In 2018, aggregate cash balances were positive for peacekeeping operations and the tribunals. Individual peacekeeping operations, however, faced cash shortfalls at different intervals, requiring short-term borrowing from closed peacekeeping operations and causing significant delays in payments to troop- and police-contributing countries. Notwithstanding efforts to delay expenditures, the regular budget faced significant cash shortfalls in 2018, starting as early as May, with the deficit reaching its highest at the end of October. At that time, regular budget reserves were completely exhausted, and it was necessary to cross-borrow from the accounts of closed peacekeeping operations for the first time in 14 years.

As at 30 April 2019, the overall cash position was positive for all categories, although the regular budget is projected to again experience the troubling pattern of declining cash levels as the year progresses, with liquidity reserves again projected to be insufficient to cover shortfalls towards the fourth quarter. Cash levels in some individual peacekeeping operations covered less than one month of operating costs.



The Secretariat is making every effort to expedite outstanding payments for troops and formed police units, as well as for contingent-owned equipment. Nevertheless, projections for 2019 are that there will be significant delays towards the middle of the year unless the cash position across missions improves significantly.

Overall, the financial crisis is expected to worsen unless urgent action is taken to increase liquidity reserves and resolve the underlying structural impediments that compound the liquidity problems. To that end, the Secretary-General proposed to the General Assembly a set of measures to address the liquidity crisis faced by the Organization.

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.

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) and a review of the financial indicators as at 31 December 2017 and 2018 and as at 30 April 2018 and 2019.

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.

3. On 1 March 2019, the Secretary-General briefed the General Assembly on the deteriorating financial health of the Organization. He highlighted the deepening liquidity problems in the regular budget, a trend that must be urgently halted and reversed. He also stressed that peacekeeping operations face frequent cash constraints that force the Secretariat to postpone the settlement of its obligations to troop- and police-contributing countries. The Secretary-General subsequently issued a report 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 budget management. That report is scheduled to be considered by the Fifth Committee later in May 2019, and the proposals contained therein are not addressed in the present report.

II. Review of the financial situation

4. In 2018, assessments were issued for the regular budget, peacekeeping operations and the tribunals at lower levels than in the previous year. At the end of 2018, unpaid assessments were lower for the regular budget and peacekeeping operations than at the end of 2017. For the tribunals, for which assessments were issued in 2018 both in January and July, unpaid assessments were higher at the end of 2018 compared with at the end of 2017.

5. During 2018, aggregate cash balances were positive for peacekeeping operations and the tribunals. Several individual peacekeeping operations, however, faced cash shortfalls at different intervals, necessitating borrowing from closed peacekeeping operations and delaying payments to troop- and police-contributing countries. The regular budget experienced significant cash shortfalls starting in May and continuing to year-end. Notwithstanding efforts to delay certain expenditures, the liquidity reserves were depleted by the end of September and cash shortfalls were met by borrowing from the closed peacekeeping accounts. Overall, the financial situation in 2018 was the worst in recent history and is projected to worsen further in 2019.

6. More recently, as at 30 April 2019, higher levels of assessments had been issued for all categories compared with levels at the same date the previous year. As at 30 April 2019, unpaid assessments were higher for the regular budget and international tribunals, but lower for peacekeeping operations, when compared with the previous year. Cash balances were positive for all areas, although the regular budget is expected to again experience the troubling pattern of declining cash levels as the year progresses.

7. As regards troop costs and the cost of contingent-owned equipment, the level of outstanding payments to Member States was higher at the end of 2018 compared with the previous year. As at 30 April 2019, the level of outstanding payments to Member States reflected some improvement from the level at the end of 2018 and was also

lower than the level as at 30 April 2018. However, significant delays in reimbursements may occur towards mid-2019 if contributions are not received in full.

A. Regular budget

8. The regular budget has been facing severe liquidity issues in recent years, with cash deficits occurring earlier in the year, becoming larger and lingering for longer periods. 2018 was the worst year in the past 10 years. In 2018, shortfalls started as early as the end of May, and the regular budget cash deficit reached its highest at \$488 million at the end of October. At that time, the reserves of \$353 million (\$150 million from the Working Capital Fund and \$203 million from the United Nations Special Account) were completely exhausted. The deficit, after taking into account those reserves, was \$135 million. This was covered by borrowing from the accounts of closed peacekeeping operations. The final position as at 31 December 2018 reflected a \$323 million cash shortfall, which was covered by the Working Capital Fund and the Special Account. In 2018, the Secretariat took extraordinary measures to mitigate liquidity problems, including by delaying some budgeted expenditures from the start of 2018. Without those measures, the regular budget would have showed a negative cash balance of well over \$400 million at year-end. More importantly, in October, the regular budget would not have been able to cover monthly operating costs even if it had borrowed the full amount available in the accounts of closed peacekeeping operations.

9. In January 2019, the regular budget reserves were at a level of \$30 million. By 30 April 2019, the reserves had been fully replenished to \$353 million and the regular budget cash position had improved to \$484 million as a result of the contributions from Member States in the first few months of the year. While the regular budget cash position is currently positive, the monthly pattern reflects declining cash levels as the year progresses, and the liquidity situation is expected to be even worse than it was in 2018. Funding blocks were put in place at the start of 2019 to mitigate the negative impact of liquidity shortages on the budgeted activities of the Organization.

10. Unpaid assessments amounted to \$529 million as at 31 December 2018. While assessments in 2018 were \$91 million below the level in 2017, unpaid contributions at the end of 2018 were only \$2 million less than the level at the end of 2017.

11. In 2019, regular budget assessments were issued at a level of \$2.85 billion, \$362 million above the level issued in 2018. As at 30 April 2019, unpaid assessments amounted to \$1.7 billion, \$146 million higher than the level unpaid one year earlier.

12. By the end of 2018, a total of 152 Member States had paid their regular budget assessments in full, 7 more than the number at the end of 2017. The Secretary-General wishes to thank the 152 Member States that had honoured their obligations to the regular budget in full by 31 December 2018 and invites other Member States to follow their example.

13. More recently, as at 30 April 2019, 89 Member States had paid their assessments to the regular budget in full, 1 more than the number that had paid by 30 April 2018. Of those Member States, 34 had paid their assessment within 30 days and therefore on time. The Secretary-General wishes to pay tribute to those 89 Member States for their support for the work of the Organization and urges all other Member States to pay their assessed contributions in full as soon as possible.

B. Peacekeeping operations

14. Peacekeeping operations have a different financial period from the regular budget, running from 1 July to 30 June rather than from 1 January to 31 December. Assessments are issued separately for each operation and assessment letters are issued for different periods throughout the year, depending on the expiration of the mandates of the individual missions.

15. At the end of 2018, unpaid assessments for peacekeeping operations amounted to \$1.5 billion. In 2019, new assessments of \$3.3 billion have been issued. Payments of approximately \$2.7 billion have been received. As at 30 April 2019, the level of unpaid assessments was \$2.1 billion.

16. The review of unpaid peacekeeping assessments as at 30 April 2019 shows that the outstanding amount of \$2.1 billion comprises \$1.7 billion owed for active missions and \$414 million owed for closed missions. For active missions, \$1.1 billion relates to 2019 assessments, while \$562 million relates to assessments issued during or before 2018.

17. Although the aggregate cash available for peacekeeping (including the reserve) at the end of 2018 totalled approximately \$1.45 billion, this amount is segregated in accordance with the decision of the General Assembly to maintain separate accounts for each mission. By year-end, six active operations had cash for one month or less of operations. Two operations had run out of cash, requiring them to borrow from closed peacekeeping missions to sustain their operations. The General Assembly has specified that no peacekeeping mission should be financed by borrowing from other active peacekeeping missions. The use of the Peacekeeping Reserve Fund, which is set at a level of \$150 million, is restricted to new operations and the expansion of existing ones. The cash available at the end of 2018 comprised approximately \$1.28 billion in the accounts of active missions, \$23 million in the accounts of closed missions and \$141 million in the Peacekeeping Reserve Fund.

18. Owing to the unpredictable amount and timing of peacekeeping assessments throughout the year, it can be difficult for Member States to keep fully current with them. By 31 December 2018, 45 Member States had paid all peacekeeping assessments in full. The Secretary-General wishes to give special thanks for those payments to those 45 Member States.

19. By 30 April 2019, the number of Member States that had paid all due and payable peacekeeping assessments was also 45. The Secretary-General would like to pay special tribute to those 45 Member States for their efforts.

20. When cash reserves in individual operations are insufficient to cover operating costs, reimbursements to troop- and police-contributing countries tend to be delayed. As regards outstanding payments due to Member States, the amount owed for troops, formed police units and contingent-owned equipment totalled \$1,081 million at the end of 2018, reflecting an increase of \$284 million from the \$797 million outstanding at the end of 2017.

21. As at 30 April 2019, a total of \$1,009 million was owed to Member States, comprising \$339 million for troops and formed police units, \$584 million for contingent-owned equipment claims for active missions and \$86 million for contingent-owned equipment claims for closed missions. Payments for troop and formed police unit costs were current for all missions up to January 2019, except for the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO), the United Nations Mission in South Sudan (UNMISS), the United Nations Mission for Justice Support in Haiti (MINUJUSTH), the United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA) and

the United Nations Mission for the Referendum in Western Sahara (MINURSO). Payments for contingent-owned equipment for active missions were current for all missions up to December 2018, except for MONUSCO, UNMISS, MINUJUSTH, the United Nations Support Office in Somalia and MINURSO.

22. The Secretary-General is committed to meeting the Organization's obligations to Member States providing troops and equipment as expeditiously as possible, as the 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 the available cash and data. To effect those payments, the United Nations depends on Member States meeting their financial obligations in full and on time, and also on the expeditious finalization of memorandums of understanding with contributors of contingent-owned equipment.

C. International tribunals

23. As at 30 April 2019, unpaid assessments for the international tribunals amounted to \$89.9 million, comprising \$55.8 million owed for the International Residual Mechanism for Criminal Tribunals, \$26.5 million owed for the International Tribunal for the Former Yugoslavia and \$7.6 million owed for the International Criminal Tribunal for Rwanda.

24. By 30 April 2019, 67 Member States had paid in full for the Residual Mechanism (last assessed in 2019), while 130 had paid in full for the International Tribunal for the Former Yugoslavia (last assessed in 2018) and 173 for the International Criminal Tribunal for Rwanda (last assessed in 2016). Overall, 65 Member States had paid in full their assessed contributions for all the tribunals, compared with 64 Member States at the same point in 2018.

25. The month-by-month position of cash balances for the tribunals has been positive over the past three years. The final outcome for 2019 will depend on Member States continuing to honour their financial obligations to the tribunals.

III. Conclusions

26. The Secretary-General wishes to pay special tribute to the 44 Member States that have paid all assessments that were due and payable in full at the time of reporting, namely: Armenia, Australia, Austria, Bahrain, Bhutan, Brunei Darussalam, Canada, China, Cuba, Cyprus, Denmark, Estonia, Finland, Gabon, Georgia, Germany, Guyana, Hungary, Iceland, India, Ireland, Italy, Jamaica, Kuwait, Kyrgyzstan, Latvia, Liechtenstein, Malawi, Malaysia, Monaco, Nauru, Netherlands, New Zealand, Nicaragua, Norway, Poland, Rwanda, Samoa, Singapore, Slovakia, Solomon Islands, Sweden, Switzerland and Tuvalu.

27. The financial health of the Organization continues to depend on Member States meeting their financial obligations in full and on time. The Secretariat pledges to use funds entrusted to it in a cost-effective manner and to provide information with the utmost transparency.