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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 relating to the operations of the regular budget, peacekeeping operations and international tribunals as at 31 December 2018 and 2019 and as at 30 April 2019 and 2020 and an update to the information presented in the previous report of the Secretary-General ([A/74/501](#)).

The report is focused primarily 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.

In 2019, aggregate cash balances were positive for peacekeeping operations and the tribunals. Individual peacekeeping operations, however, faced cash shortfalls at different intervals, requiring repeated borrowings from other active and closed peacekeeping operations and the postponement of payments to troop- and police-contributing countries to provide liquidity for operations. The General Assembly decision, as reflected in its resolution [73/307](#), adopted after consideration of the Secretary-General's proposals to improve the financial situation of the United Nations ([A/73/809](#)), to remove the restriction on the cross-borrowing of cash for active missions and to issue and collect assessments for peacekeeping operations for the full budget period, provided some, but not enough, improvement in the overall liquidity of active peacekeeping operations.

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 2020 indicate that there may be significant delays towards the middle of the year, unless the cash position across missions improves significantly.



For regular budget operations, in October 2018, the Organization had reached a deficit of \$488 million, the highest of the decade at that time. In November 2019, however, that record was surpassed, reaching \$520 million and coming very close to exhausting even the accounts of the closed peacekeeping missions. In 2020, the regular budget is projected to repeat the unsustainable pattern of exhausting its liquidity reserves by September, even with several aggressive cash conservation measures already in place, making mandate implementation more challenging and forcing the continued management of programme delivery based on liquidity constraints.

The final outcome for 2020 for regular budget and peacekeeping 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/74/501) and a review of the financial indicators as at 31 December 2018 and 2019 and as at 30 April 2019 and 2020.

2. In the present report, the financial situation of the United Nations relating to the operations of the regular budget, peacekeeping operations and international tribunals is considered on the basis of the four main indicators used to measure the financial strength 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

3. The Secretary-General wrote to Member States in January and March 2020 about the ongoing liquidity crisis of the Organization in relation to the regular budget and peacekeeping operations.

4. In 2019, assessments were issued for the regular budget and peacekeeping operations at higher levels than in the previous year, while assessments for the international tribunals were issued at a lower level than in 2018. At the end of 2019, unpaid assessments were higher for all categories than they had been at the end of 2018. As at 30 April 2020, unpaid assessments were higher for the regular budget and peacekeeping operations, but lower for the tribunals, when compared with the previous year.

5. During 2019, aggregate cash balances were positive for peacekeeping operations and the tribunals, while the regular budget experienced an even larger deficit than it had in 2018, despite several cash conservation measures. Furthermore, some individual peacekeeping operations faced cash shortages during certain periods. 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 2019 compared with the previous year, owing to cash pooling and to advance assessments for the full year. As at 30 April 2020, the level of outstanding payments to Member States reflected an increase from the level seen at the end of 2019, owing to delays in the payment of assessments. It was also higher than the corresponding level as at 30 April 2019. Significant delays in reimbursements may occur towards the middle of 2020 if contributions are not received in full.

7. Notwithstanding measures taken in January 2019 to align expenditures with cash inflows, the regular budget experienced significant cash shortfalls starting in July of that year and continuing to the end of the year. The liquidity reserves were exhausted by the end of September, and cash shortfalls were met by borrowing from closed peacekeeping accounts for the second consecutive year. In October, extraordinary stop-gap measures were introduced to slow cash outflows and ensure the payment of staff salaries and vendor invoices. Overall, the distressing financial situation in 2019 was the result of a deepening liquidity crisis for the Organization, caused mainly by the increase in arrears and the late payment of assessed contributions. In January 2020, some of the stop-gap measures were eased.

Outstanding payments from Member States, however, reached \$2.27 billion for regular budget operations in March, necessitating a decision to temporarily suspend recruitment and further curb non-post expenditures.

8. The increase in arrears at the end of 2019 and the deteriorating payment pattern in 2020 for the regular budget is expected to yet again exhaust all liquidity reserves by September 2020, even with spending controls. Borrowing from the closed peacekeeping cash will not be sufficient to ensure full programme delivery, which will continue to be constrained by liquidity.

A. Regular budget

9. The regular budget has been facing severe liquidity issues in recent years. The cash deficits began in the first half of the year. The Working Capital Fund and the United Nations Special Account were exhausted by September, forcing regular budget operations to continue by borrowing cash from closed peacekeeping operations. As a result of the severe liquidity crisis, the Organization had to rely on borrowings from the Fund, the Special Account and closed peacekeeping missions during 15 of the 24 months of 2018 and 2019.

10. By the end of October 2018, the regular budget cash deficit had reached its highest level, at \$488 million, despite the implementation of several expenditure control measures. At that time, the reserves of \$353 million (\$150 million from the Working Capital Fund and \$203 million from the Special Account) were completely exhausted. The deficit, after taking into account those reserves, was \$135 million, which was covered by borrowing from the accounts of closed peacekeeping operations. In November 2019, the cash deficit achieved the unfortunate milestone of a record \$520 million, which was perilously close to exhausting the total cash available in the accounts of the closed peacekeeping operations.

11. In 2019, the Secretariat continued to implement measures to better align expenditures with projected cash inflows in order to mitigate liquidity problems. Without those measures, the regular budget would have showed a negative cash balance of almost \$600 million in October of that year. Notwithstanding those measures, in early October 2019, additional extraordinary cost containment measures were implemented in order to pre-empt an even greater liquidity crisis. Failing to do so could have led to the disruption of the opening of the General Assembly debate and the mandated high-level meetings in the fall of 2019. The final position as at 31 December 2019 reflected a \$332 million cash shortfall, which was covered by the Working Capital Fund and the Special Account. In both 2018 and 2019, the year ended with nearly all regular budget liquidity reserves exhausted; in both 2019 and 2020, therefore, the Organization began the new year with little to no liquidity buffer. The situation at the end of 2019 was worse than it had been at the end of 2018, however, as the containment of the deficit within the regular budget liquidity reserves had been achieved partly by delaying expenditures in order to defer cash outflows to 2020.

12. The year 2019 ended with an unprecedented level of unpaid assessments, amounting to \$711 million, the highest level in the past ten years, further exacerbating an already precarious situation.

13. In 2020, assessments were issued at a level of \$2.87 billion, that is, \$18 million above the level of assessments issued in 2019. At the beginning of 2020, sufficient contributions were received that allowed for the easing of some containment measures, but that situation was short-lived, as incoming contributions trailed initial projections by nearly \$220 million, owing to adverse shifts in payment patterns. The Organization was prompted to take decisive action to implement additional cash conservation measures, including the temporary suspension of all hiring for regular

budget operations. The Secretary-General also issued an appeal to Member States requesting them to expedite their contributions and to confirm the timing of their payments. By the end of April 2020, the first quarter deficit was partially alleviated, but collections continued to fall short of estimates by \$81 million.

14. Payments received by 30 April 2020 totalled approximately \$1.8 billion and included the receipt of payments that had been delayed in the final quarter of 2019. Despite that influx, unpaid assessed contributions as at 30 April 2020 were \$99 million higher than they had been as at the same date in 2019.

15. By the end of 2019, a total of 146 Member States had paid their regular budget assessments in full, 6 less than the number of those having done so by the end of 2018. The Secretary-General wishes to thank the 146 Member States that had honoured their obligations with regard to the regular budget in full by 31 December 2019 and invites other Member States to follow their example.

16. More recently, as at 30 April 2020, 87 Member States had paid their assessments to the regular budget in full, compared with 89 as at the same date in 2019. Of those Member States, 35 had paid their assessments within the 30-day due period and, therefore, on time. The Secretary-General wishes to pay tribute to those 87 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

17. Peacekeeping operations have a different financial period compared with 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.

18. As at the end of 2019, unpaid assessments for peacekeeping operations amounted to \$3.4 billion. In 2020, assessments of \$665 million were issued, and payments of approximately \$1.8 billion have been received. As at 30 April 2020, the level of unpaid assessments was \$2.2 billion. The review of unpaid peacekeeping assessments as at 30 April 2020 shows that the outstanding amount of \$2.2 billion comprised \$1.8 billion owed for active missions and \$398 million owed for closed missions. For active missions, \$340 million related to 2020 assessments, while \$1.5 billion related to assessments issued during or before 2019.

19. As at 31 December 2019, 41 Member States had paid all assessments due and payable, 4 less than the number of those having done so as at 31 December 2018. The Secretary-General wishes to give special thanks to those 41 Member States for their payments.

20. As at 30 April 2020, the number of Member States having paid all due and payable peacekeeping assessments was 42, compared to 45 as at the same date in 2019. The Secretary-General would like to pay special tribute to those 42 Member States for their efforts.

21. 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 ([A/73/809](#)), that the Secretary-General should issue assessments for peacekeeping operations for the full budget period, including the period for which the mandate 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 mandate. The amount assessed in July 2019 for the "non-mandated" period was \$2.4 billion.

22. Subsequent to the issuance of the assessments in July 2019, Member States voluntarily made early payments for non-mandated periods that, at the time of reporting, totalled \$315 million. Together with the decision of the General Assembly, also in its resolution [73/307](#), to remove the restriction on cross-borrowing of cash for active missions, the issuance and collection of assessments for non-mandated periods resulted in an improvement in the overall liquidity of active peacekeeping operations.

23. At the time of reporting, 25 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.

24. 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 \$928 million at the end of 2019, reflecting a decrease of \$153 million from the \$1,081 million outstanding at the end of 2018, due in part to the decision of the General Assembly in its resolution [73/307](#) to allow cross-borrowing across active peacekeeping operations.

25. As at 30 April 2020, the total liabilities for payments to Member States for troops, formed police units and contingent-owned equipment amounted to \$1,124 million, of which \$597 million becomes due only in June during the quarterly payment cycle. Of the \$527 million already due for payment by the end of March 2020, \$86 million related to closed peacekeeping missions, leaving a balance of \$441 million for active peacekeeping operations.

26. Payments for troops and formed police unit costs were current for all missions up to November 2019, except for the African Union-United Nations Hybrid Operation in Darfur (UNAMID). Payments for contingent-owned equipment for active missions were current up to September 2019, except for UNAMID. Aided by the recent collection of assessed contributions, totalling just over \$1 billion in April 2020, all payments for troops, formed police units and contingent-owned equipment for active operations payable by March 2020, except for UNAMID, will be paid in mid-May. Payments for the June 2020 quarterly cycle, however, would depend on additional collections in May and June.

27. 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 that regard, the peacekeeping cash flow situation is being monitored continuously, and the Organization attaches high priority to maximizing 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. The General Assembly decisions 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

28. As at 30 April 2020, unpaid assessments for the international tribunals amounted to \$83 million, comprising \$51 million owed for the International Residual Mechanism for Criminal Tribunals, \$25 million owed for the International Tribunal for the Former Yugoslavia and \$7 million owed for the International Criminal Tribunal for Rwanda.

29. By 30 April 2020, 70 Member States had paid in full for the Residual Mechanism (most recently assessed in 2020), while 160 had paid in full for the International Tribunal for the Former Yugoslavia (last assessed in 2018) and 182 for the International Criminal Tribunal for Rwanda (last assessed in 2016). Overall, 70 Member States had paid their assessed contributions for all the tribunals in full, compared with 65 Member States as at the same date in 2019.

30. The month-by-month position of cash balances for the tribunals has been positive over the past three years. The final outcome for 2020 will depend on Member States continuing to honour their financial obligations to the tribunals.

III. Conclusions

31. The Secretary-General wishes to pay special tribute to the 43 Member States that have paid all assessments that were due and payable at the time of reporting, namely: Albania, Algeria, Armenia, Australia, Austria, Bahrain, Barbados, Belgium, Bulgaria, Canada, China, Cyprus, Czechia, Denmark, Estonia, Finland, Georgia, Germany, Hungary, Iceland, India, Ireland, Italy, Kazakhstan, Latvia, Liechtenstein, Luxembourg, Malaysia, Malta, Monaco, Netherlands, New Zealand, Norway, Portugal, Rwanda, Serbia, Singapore, Slovakia, Spain, Sweden, Switzerland, Tuvalu and United Kingdom of Great Britain and Northern Ireland.

32. 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.