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Improving the financial situation of the United Nations

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Report of the Secretary-General

Summary

The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/65/519/Add.1). It also provides a review of the Organization's financial situation as at 5 October 2011 and updated projections to 31 December 2011.

The report considers four main financial indicators: assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding debt to Member States. At 5 October 2011, assessments issued during 2011 were higher than at 31 December 2010 for the regular budget and the international tribunals, but lower for peacekeeping funds. Assessments for the capital master plan were maintained at the same annual level. Unpaid assessments at 5 October 2011 were higher than at 31 December 2010 for all categories.

Payments of troop and equipment obligations were broadly current for all active missions. Further, amounts owed to troop and equipment providers at 31 December 2011 are expected to be lower than the projection made in May and about \$91 million below the amount owed at 31 December 2010.

Cash positions are projected to be positive at the end of 2011 for all funds, although the final outcome will depend on last-quarter contributions. Unpaid assessments remain highly concentrated among a few Member States, particularly for the regular budget, the international tribunals and the capital master plan. Consequently, the final outcome for 2011 will depend in large measure on the payments that those Member States make in the final months of the year. The only way to ensure a more stable financial base for the work of the United Nations is for Member States to meet their financial obligations to the Organization in full and on time.



I. Introduction

1. The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/65/519/Add.1). It also provides a review of the Organization's financial situation as at 5 October 2011 and updated projections to 31 December 2011.
2. The picture that the information presents for 2011 is generally positive, despite the current global financial climate.
3. The financial position of the United Nations has traditionally been measured by four main indicators: assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding debt to Member States.

II. Review of the financial situation as at 5 October 2011

4. A review of the financial situation shows increases in the level of assessments for the regular budget (from \$2,166 million at 31 December 2010 to \$2,415 million at 5 October 2011) and the international tribunals (from \$256 million at 31 December 2010 to \$286 million at 5 October 2011). The level of assessments for peacekeeping decreased (from \$9,671 million to \$7,433 million), while that for the capital master plan remained at \$341 million (based on the multi-year payments system). As at 5 October 2011, unpaid assessments were higher than at the end of 2010 for all categories.

A. Regular budget

5. As at 5 October 2011, both assessments and payments were higher than in 2010, by \$249 million and \$184 million respectively. Unpaid assessed contributions were also higher, by \$81 million, at \$867 million on 5 October 2011 compared with \$786 million on 5 October 2010.
6. The number of Member States that had paid their regular budget assessments in full by 5 October 2011 was 131, 12 more than at 5 October 2010. Subsequently, Belarus, Haiti and Liberia paid all regular budget assessed contributions that were currently due and payable. The Secretary-General wishes to thank the 134 Member States that have honoured their obligations for the regular budget in full and urges other Member States to follow their example.
7. Of the \$867 million that remained outstanding at 5 October 2011, 87.4 per cent was owed by a single Member State, 8.1 per cent by three other Member States and 4.5 per cent by the remaining Member States. Clearly, the final picture for 2011 will largely depend on the action taken by those countries in the coming few weeks.
8. Cash resources for the regular budget comprise the General Fund, to which assessed contributions are paid, the Working Capital Fund, presently approved at a level of \$150 million by the General Assembly, and the Special Account. The regular budget cash balance at the end of 2011 is projected to be lower than at the end of 2010. However, the final position will depend in large measure on the action to be taken by the Member States referred to above.

B. Peacekeeping operations

9. The unpredictable nature of the demand for peacekeeping activities makes it hard to predict financial outcomes with any confidence. In addition, peacekeeping has a different financial period, running from 1 July to 30 June instead of from 1 January to 31 December, assessments are issued separately for each operation and, since assessments can currently be issued only through the mandate period approved by the Security Council for each mission, they are issued for different periods throughout the year. A comparison between the financial situation of peacekeeping operations and that of the regular budget and the international tribunals is complicated by all of these factors.

10. The total amount outstanding for peacekeeping operations at 5 October 2011 was \$3.3 billion. This is approximately \$843 million higher than at the end of 2010 and is \$113 million above the level at 5 October 2010. The \$3.3 billion outstanding at 5 October 2011 includes assessments for the United Nations Interim Force in Lebanon (UNIFIL) of approximately \$474 million, which were issued recently, on 16 September 2011, and are still within the 30-day due period.

11. Unpaid peacekeeping assessments are not as heavily concentrated as other categories. However, 46.7 per cent of the \$3.3 billion in unpaid peacekeeping assessments as at 5 October 2011 was from just three Member States, and another 29.4 per cent was from six other Member States.

12. At 5 October 2011, 18 Member States had paid all peacekeeping assessments that were then outstanding, due and payable, namely Australia, Canada, Côte d'Ivoire, Estonia, Finland, Germany, Iceland, Ireland, Liechtenstein, Monaco, the Netherlands, New Zealand, Saint Kitts and Nevis, Singapore, South Africa, Sweden, Switzerland and Thailand. Subsequently, Hungary, Israel, Latvia, Norway and the Republic of Moldova paid all peacekeeping assessed contributions that were currently due and payable. Other Member States are urged to follow the example of those States.

13. The cash balance in peacekeeping accounts as at 5 October 2010 was about \$4.3 billion. This amount was divided between the accounts of a number of ongoing and closed operations and the Peacekeeping Reserve Fund. However, there are restrictions on the use of those resources. In its resolutions on the financing of peacekeeping operations, the General Assembly routinely specifies that no peacekeeping mission shall be financed by borrowing from other active missions. In addition, the terms of reference of the Peacekeeping Reserve Fund restrict its use to new operations and the expansion of existing operations. Further, only some of the cash available in the accounts of closed peacekeeping operations is currently available for cross-borrowing. In its recent resolution (65/293), the General Assembly authorized the return of \$180 million from closed peacekeeping missions as at 30 June 2010. At 5 October 2011, cash in the accounts of active missions totalled approximately \$3.8 billion, the Peacekeeping Reserve Fund had \$143 million and the accounts of closed missions had \$314 million.

14. On the basis of information currently available, it is expected that total cash available in peacekeeping accounts at the end of 2011 will be reduced to \$3.2 billion, with approximately \$2.8 billion in the accounts of active missions, \$316 million in the accounts of closed missions and \$140 million in the Peacekeeping Reserve Fund. These estimates are based on projected receipts and disbursements.

15. Of the \$316 million expected to be available in the accounts of closed peacekeeping operations at the end of 2011, \$263 million is set aside for amounts to be paid for outstanding liabilities, such as for troop and equipment payments and credits to be returned to individual Member States. This leaves only \$53 million available for possible cross-borrowing by active peacekeeping operations. With decreased liquidity in peacekeeping missions, the need for such cross-borrowing in recent years has increased, although this trend could also reverse if Member States pay their assessments promptly. So far in 2011, cross-borrowing from the accounts of peacekeeping operations has been required for six active missions — the United Nations Mission for the Referendum in Western Sahara (MINURSO), the United Nations Peacekeeping Force in Cyprus (UNFICYP), the United Nations Integrated Mission in Timor-Leste (UNMIT), the United Nations Interim Administration Mission in Kosovo, the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo and the United Nations Operation in Côte d'Ivoire — for a total of \$130 million. By comparison, such cross-borrowings were \$148 million in 2008 for seven active missions, followed by two years of low levels of cross-borrowings (\$49 million in 2009 for four active operations and \$33 million in 2010 for three active missions: MINURSO, UNFICYP and UNMIT).

C. International tribunals

16. Between 5 October 2010 and 5 October 2011, the financial position of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia improved slightly overall, with more payments received, even though unpaid assessments were higher by \$6 million.

17. The number of Member States paying their assessed contributions for both international tribunals in full by 5 October 2011 was 93, five more than by 5 October 2010. The Secretary-General wishes to express his appreciation to the 93 Member States that have met their financial obligations to the international tribunals in full and urges other Member States to follow their example.

18. The final financial position of the international tribunals will obviously depend on the payment of assessed contributions by Member States during the remainder of 2011. The breakdown of unpaid assessed contributions for the international tribunals also shows a high degree of concentration, with one Member State accounting for 64 per cent of the total, four other Member States for 18 per cent, and the remaining Member States for 18 per cent. Much, therefore, will depend on the action taken by those Member States.

19. If recent trends continue, the international tribunals should end the year with positive cash balances. Once again, however, the actual outcome will depend on Member States meeting their financial obligations to the international tribunals in a full and timely manner.

D. Capital master plan

20. The total budget for the capital master plan project of \$1.88 billion was approved by the General Assembly in its resolution 61/251. In accordance with that resolution, 180 Member States are under the multi-year payment system and 12 have opted for a one-time payment. As at 5 October 2011, 124 Member States had paid in full their capital master plan assessed contributions. The remaining Member States owed a total of \$88 million. Cash balances through the end of 2011 are projected to remain positive.

21. In order to ensure the timely execution of the project, all Member States are urged to pay their assessed contributions to the capital master plan in full and on time.

III. Debt to Member States

22. The forecast in May 2011 was that the Organization's debt to Member States providing troops and equipment to peacekeeping operations as at 31 December 2011 would be \$568 million. On the basis of revised projections, it now appears that the amount outstanding at the end of 2011 will be about \$448 million, which is lower than the projection made in May and also below the amount of \$539 million outstanding as at 31 December 2010.

23. New obligations in 2011 are above 2010 levels, owing mainly to the one-time supplemental payment to troop-contributing countries decided by the General Assembly in its resolution 65/289 and deployment of the military contingent to the newly established United Nations Interim Security Force for Abyei, partly offset by the reduction of military personnel in the United Nations Mission in Liberia and a reduction of police personnel in UNMIT. However, for 10 active missions, payment of troop obligations was broadly current up to June 2011 for contingent-owned equipment. Further, the cash-flow situation of peacekeeping operations will continue to be monitored constantly, with a view to maximizing quarterly payments based on the cash that is available.

24. The Secretary-General is committed to meeting the Organization's obligations to Member States providing troops, police and equipment to peacekeeping operations as expeditiously as possible. The extent to which he can do this, however, will continue to depend on the degree to which Member States meet their financial obligations to the United Nations in full and on time and on the finalization of memorandums of understanding with troop and police contributors for the provision of equipment.

IV. Conclusions

25. The Secretary-General wishes to pay special tribute to the following 19 Member States that had paid in full all assessments for the regular budget, the international tribunals, the peacekeeping operations and the capital master plan that were due and payable as at 11 October 2011: Australia, Canada, Côte d'Ivoire, Estonia, Finland, Germany, Iceland, Ireland, Latvia, Liechtenstein, Monaco, Netherlands, New Zealand, Saint Kitts and Nevis, Singapore, South Africa, Sweden,

Switzerland and Thailand. Since 11 October 2011, Hungary, Israel, Norway and the Republic of Moldova have also paid in full their dues and payable assessments. Other Member States are urged to follow the example of those States.

26. The financial indicators for 2011 show improvement in some areas, despite the current global financial climate. Cash positions are projected to be positive at the end of the year for all funds, although the final outcome will depend on last-quarter contributions. The level of debt to Member States is projected to decrease to \$448 million at the end of 2011, compared with the level of \$539 million at the end of 2010. This is a significant improvement.

27. Unpaid assessments reflect increased levels compared with one year ago for all categories, but the number of Member States who met their obligations in full is also higher than last year.

28. Despite the improvement in the number of Member States that have paid their assessments, amounts outstanding continue to be highly concentrated among a few Member States for most categories. For peacekeeping operations, there has been some gradual reduction in the degree of concentration over recent years.

29. While acknowledging the improvement in some areas despite the current global financial climate, the Secretary-General wishes to reiterate that, in order to maintain the financial health of the Organization, it remains as critical as ever for Member States to meet their financial obligations to the United Nations in full and on time.
