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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 30 September 2022 and an update to the information presented in the previous report of the Secretary-General ([A/76/435/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 spending restrictions in the past few years may have averted a cash crisis and a disruption of operations; however, they hampered budget implementation and mandate delivery. Several activities and outputs were either postponed or cancelled. In 2021, despite the relaxation in the restrictions on hiring and spending in May, the Organization saw the lowest rate of budget implementation since 2010 which, combined with cancellation of commitments from the previous year, would have resulted in the return of \$279 million to Member States as part of their 2023 assessments. This would have, in turn, triggered another liquidity crisis leading to systemic underperformance in mandate delivery. Fortunately, in June 2022, Member States decided to use \$100 million of the unspent funds to increase the Working Capital Fund, "on an exceptional basis and without setting a precedent". While the decision to increase the liquidity reserves will enhance the measures at the disposal of the Organization to mitigate the impact of future financial crises on its operations, it remains imperative to address late and non-payment of contributions for a more durable solution to the liquidity problems.

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. In addition, as a mechanism to ease the liquidity problems, the General Assembly, in its resolution [76/272](#), directed the use of the Peacekeeping Reserve Fund as the first choice for borrowing for active peacekeeping operations, retaining \$40 million to support new missions and the expansion of existing missions, as originally intended for the Fund. The Assembly also extended the use of cash pooling of active peacekeeping operations for an additional five years.

The month-by-month position of overall cash balances for the international tribunals has remained positive over the past three years. The General Assembly in resolution [76/272](#) noted the possibility of using the surplus in closed international tribunals accounts as a last resort to cover temporary liquidity shortfalls of the regular budget, in full compliance with the Financial Regulations and Rules of the United Nations.

The financial health of the Organization depends on Member States meeting their financial obligations in full and on time. The full and efficient implementation of the 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 financial situation throughout the year. Member States communicating or pledging the timing of their payments is also critical for improving predictability of payments and, therefore, the effective financial management of our Organization. The Secretariat is committed to using the resources entrusted to it in a cost-effective and efficient manner, as well as to providing information to Member States with the utmost transparency. The final outcome for 2022 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/76/435/Add.1](#)), and a review of financial indicators as at 30 September 2022, the cut-off date for reporting, compared with the situation as at 30 September 2021.

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 30 September 2022

3. The Secretary-General wrote to Member States on 22 February 2022 on the improvement of the financial situation of the United Nations and possible opportunities to reduce the recurrence of the liquidity crisis. During the second resumed session of the General Assembly, Member States made a number of decisions to respond to the appeals and proposals made by the Secretary-General in the report on improving the financial situation of the United Nations ([A/76/429](#)). The decisions in General Assembly resolution [76/272](#) were an important step in addressing the calls by the Secretary-General for some structural adjustments to address the systemic problems that have an impact on the financial situation of the United Nations. The present report provides an update of the situation as at 30 September 2022.

A. Regular budget

4. Predictability in the timing and amount of collections from Member States is critical for managing the Organization's cash outflows and planning spending. The year 2022 began with a healthy cash position. However, from April to nearly the end of September, collections trailed estimates significantly, despite some Member States bringing forward their payments to the regular budget. Collections exceeded estimates at the end of the third quarter. Indications from Member States as to when their contributions could be expected has helped to introduce predictability.

5. At the start of 2022, unpaid assessments stood at \$434 million, \$374 million lower than at the start of 2021. Assessments were issued in 2022 at a level of \$2.93 billion, \$21 million lower than in 2021. Collections in the first quarter of the year were higher than estimates by \$21 million but, unfortunately, this situation deteriorated and, by the end of the second quarter, collections were lagging by \$279 million. Although collections lagged, concerns were not raised because the year had started with a healthy cash balance and several Member States had also confirmed their payment intentions. However, collections continued to trail estimates significantly in the third quarter also, compelling the full amount of the Working Capital Fund being borrowed in September to ensure sufficient liquidity to meet payroll obligations. Fortunately, large collections at the end of September resulted in collections exceeding estimates by \$62 million. As at 30 September 2022, contributions received totalled \$2.20 billion, \$308 million less than the amount received as at 30 September 2021. Collections in 2021 by the end of September were 87.7 per cent of the year's assessment compared to 71.9 per cent this year; the larger collections in 2021 were partly owing to the payments of arrears by Member States.

The unpaid contributions as at 30 September 2022 stood at \$1.17 billion, \$87 million lower than as at 30 September 2021.

6. The final outcome for the year will be heavily dependent on the collections in the fourth quarter. It will also determine whether the year-end arrears will be lower than the previous year and whether the maximum cash deficit for the year will remain stable. It will be equally important to receive more collections in November than in December, similar to 2021, as a pattern of earlier collections reduces uncertainty for last quarter spending. It also enables the Organization to spend the monies more fully, in line with the budget, than when it is only received towards the last weeks or days of the year, as in 2021 when more than \$300 million was received in the last 10 days of the year.

7. Stringent cash conservation measures were effective during the past few years in increasing liquidity for ensuring business continuity and reducing the risk of disruptions by exhausting reserves, including the surplus cash of closed peacekeeping missions. During those years, the regular budget cash deficit occurred later each year owing to these measures. The first borrowing occurred in May in 2018 and subsequently in July 2019, in September 2020 and in November 2021. Unfortunately, this year, a borrowing from the Working Capital Fund occurred in September, earlier than in 2021. While restrictions on spending may have averted a disruption of operations, they hampered budget implementation and mandate delivery. Several activities and outputs were either postponed or cancelled. In 2021, despite the partial relaxation of the restrictions on hiring and spending in May, the organization experienced the lowest rate of budget implementation since 2010. A combination of the above-mentioned restrictions and cancellation of commitments from the previous year, would have resulted in the return of \$279 million to Member States, as part of their 2023 assessments. Assessing \$279 million less than the appropriation for 2023 would have created a liquidity shortage for executing the 2023 budget even if all Member States paid their assessments in full during 2023, because the credits would have been returned even to Member States who had not paid their dues in full. Fortunately, during the second resumed session of the seventy-sixth session of the General Assembly, Member States decided, on an exceptional basis, to use \$100 million of the unspent funds to increase the Working Capital Fund and also noted the possibility of using the surplus in closed international tribunals accounts as a last resort to cover temporary cash shortfalls in regular budget operations. This decision is both timely and helpful, as the return of large amounts of unspent funds reduces the liquidity for executing the budget of the year when such funds are returned, triggering another crisis.

8. As at 30 September 2022, 131 Member States had paid their regular budget contributions in full, one more than as at 30 September 2021. 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 2022 will depend on the action taken by Member States that have not paid their regular budget contributions or have not paid them in full. In 2021, 153 Member States paid their contributions in full, the highest in 20 years.

B. Peacekeeping operations

9. 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 for the period for which the mandate has been approved by the Security Council. 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.

10. As at 30 September 2022, approximately \$7.4 billion had been assessed for peacekeeping operations in 2022 and contributions received amounted to approximately \$5.0 billion. Also as at 30 September, the unpaid amount for peacekeeping operations was approximately \$3.7 billion, compared with \$2.3 billion as at 30 September 2021. To note, assessments in 2022 were higher because a part of the assessment for the fiscal year 2021/22 was issued in 2022 after the approval of the new scale of assessment effective January 2022.

11. The review of unpaid peacekeeping assessments by operation shows that the outstanding \$3.7 billion as at 30 September 2022 comprised approximately \$3.3 billion owed for active missions and \$400 million for closed missions. For active missions, \$2.7 billion related to 2022 assessments, while approximately \$621 million related to assessments issued in 2021 or earlier.

12. The Secretary-General wishes to pay tribute to the 43 Member States that, as at 30 September 2022, had paid all peacekeeping assessments in full. This number was one more than as at 30 September 2021.

13. The amount assessed in July 2022 for the “non-mandated”¹ period through 30 June 2023 was \$2.5 billion. Subsequent to the issuance of the assessments, Member States voluntarily made early payments for non-mandated periods of \$66 million in July, \$306 million in August and \$4 million in September 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 of peacekeeping operations that helped in the settlement of dues to troop- and police-contributing countries.

14. Seventeen Member States have paid in full for the assessment period from 1 July 2022 to 30 June 2023, including the non-mandated period. The Secretary-General would like to thank those Member States for their additional payments to all peacekeeping operations.

15. The cash available for peacekeeping operations at 30 September 2022 totalled approximately \$2.4 billion in the accounts of active missions, closed missions and the Peacekeeping Reserve Fund. The Financial Regulations and Rules of the United Nations restrict the use of the Fund to new operations and the expansion of existing operations. As a mechanism to ease the liquidity problems, the General Assembly, in resolution [76/272](#), directed the use of the Fund as the first choice for borrowing for active peacekeeping operations, retaining \$40 million to support new missions and the expansion of existing missions as originally intended for the Fund. The cash of each mission is delineated in a separate account as directed by the General Assembly, and cross-mission borrowing is used when needed, on the basis of Assembly resolution [73/307](#).

¹ This refers to the period for which General Assembly resolution [73/307](#) had authorized the Secretary-General to issue assessment letters for the period for which the Security Council had not yet extended the mandate of the mission.

16. In previous years, the cash in closed peacekeeping operations was temporarily used for the regular budget and was a lifeline for continuing regular budget operations. However, following the implementation of General Assembly resolution [76/280](#), this resource for additional liquidity will no longer be available owing to the return of such cash to Member States during 2023. Instead, in accordance with Assembly resolution [76/272](#), the surplus in closed international tribunals accounts could be used as a last resort to cover temporary liquidity shortfalls of the regular budget, in full compliance with the Financial Regulations and Rules of the United Nations.

17. With regard to outstanding payments to Member States, as at 30 September 2022, \$26 million was owed for contingent-owned equipment claims for closing missions and \$86 million for contingent-owned equipment claims for closed missions. As at 30 September 2022, payments for contingent-owned equipment and troop and formed police unit costs were current for all missions up to 30 June 2022, except the African Union-United Nations Hybrid Operation in Darfur (UNAMID), which was current up to 31 December 2020. In its resolution [73/307](#), the General Assembly approved the management of the cash balances of all active peacekeeping operations as a pool and it also requested the Secretary-General to ensure that mandate implementation by the lending mission was not negatively impacted (subsequently extended in resolution [76/272](#)). As a closing mission, UNAMID has not been given any loans from the cash pool of active peacekeeping operations owing to the risk of delays in the repayment of loans. The outstanding payments to Member States for closed missions will also be settled in 2023, as stated in General Assembly resolution [76/280](#).

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 30 September 2022, unpaid assessments for the international tribunals amounted to \$55 million, \$4 million lower than the previous year. This amount comprises \$6 million owed for the International Criminal Tribunal for Rwanda, \$21 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 30 September 2022, 107 Member States had paid their assessed contributions for all tribunal operations in full, which is 3 less than as at 30 September 2021. The Secretary-General wishes to thank those 107 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 2022 will depend on Member States continuing to honour their financial obligations during the remaining months of the year. The General Assembly noted in its resolution [76/272](#) the possibility of using the surplus in closed international tribunal accounts as a last resort to cover temporary liquidity shortfalls of the regular budget.

III. Conclusions

22. The Secretary-General wishes to pay special tribute to the 40 Member States that have paid all their assessments that were due and payable in full at the time of reporting, namely: Algeria, Armenia, Australia, Bahrain, Barbados, Belgium, Bhutan, Bulgaria, Canada, Czechia, Denmark, Estonia, Finland, France, Germany, Ghana, Hungary, Iceland, Ireland, Italy, Kuwait, Latvia, Liechtenstein, Mozambique, Namibia, Netherlands, New Zealand, Norway, Republic of Korea, Republic of Moldova, Rwanda, Samoa, Senegal, Singapore, Spain, Sweden, Switzerland, Tuvalu, United Kingdom of Great Britain and Northern Ireland 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 Secretary-General provided an updated report last year on improving the financial situation of the Organization ([A/76/429](#)), and during the second resumed session this year, Member States agreed to a \$100 million increase in the Working Capital Fund, using a part of the \$279 million surplus returnable in 2023. The General Assembly also noted the possibility of using the surplus cash in closed international tribunals accounts as a last resort to cover temporary liquidity shortfalls of regular budget operations, while also separately approving the return of the surplus cash in closed peacekeeping missions. The General Assembly also approved the continued use of cash pooling for active missions for an additional five years, as well as the use of a part of the Peacekeeping Reserve Fund for liquidity management for peacekeeping operations. These decisions will improve the liquidity for regular budget operations and the timely settlement of dues to troop- and police-contributing countries.

24. We hope that, with the approved measures, spending restrictions will not be needed over the next few years for regular budget operations, allowing the Organization to focus on programme delivery instead of liquidity management. We will, however, continue monitoring the cash flows carefully and reach out regularly to Member States to ensure that cash shortages do not pose a risk to operations. We would also like to emphasize the importance of Member States communicating or pledging the timing of their payments, as this is critical for effective financial management of the Organization. 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 and will continue to carefully monitor cash flows for regular budget operations to mitigate risks of disruption from shifts in payment patterns of Member States.