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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 2019 and 2020 and as at 30 April 2020 and 2021 and an update to the information presented in the previous report of the Secretary-General ([A/75/387](#)).

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 remained a source of grave concern throughout 2020. Despite the very strict cash conservation measures implemented early in the year, including the suspension of hiring for regular budget operations, \$100 million had to be borrowed in December 2020 from closed peacekeeping operations to maintain continuity of operations. Though austerity measures averted a disruption to operations and contained the peak deficit to \$334 million, compared with the record deficit of \$520 million in 2019, the tight expenditure controls hampered budget implementation and mandate delivery. Collections remained highly uncertain until very late in the year, with \$387 million collected in December 2020 compared with \$145 million in 2019. The year also ended with another new record for outstanding regular budget contributions: \$808 million, which surpassed the record of \$711 million for the previous year. The already meagre liquidity reserves thus came under more intense pressure in 2021.

The cash situation for regular budget operations came under pressure again in the first quarter of 2021, with collections amounting to 43 per cent of the year's total assessment, compared with 50 per cent in the previous two years. Fortunately, in response to another appeal by the Secretary-General in mid-March and other outreach to Member States, collections in April spiked to a record \$1 billion, amounting to a



cumulative 76 per cent of the year's total assessment by the end of April. This will pave the way for the relaxation of many of the restrictions on spending in an effort to improve mandate delivery. However, the final outcome for 2021 will still depend on Member States continuing to meet their financial obligations. 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 in order to mitigate the risk of its being unable to meet its legal obligations and to reduce the rush of commitments towards the end of the year.

In 2020, aggregate cash balances were positive for peacekeeping operations and the tribunals. However, some individual peacekeeping operations faced cash shortfalls at various intervals, requiring the borrowing of funds from other peacekeeping operations, as well as the postponement of payments to troop- and police-contributing countries to provide liquidity for operations. In its resolution [73/307](#), the General Assembly decided to remove the restriction on cross-borrowing of cash for active missions, along with assessment and collection for non-mandated periods, which provided considerable, but not enough, 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 and/or formed police units and contingent-owned equipment are current for all active missions except an amount of \$65 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 also on the expeditious finalization of memorandums of understanding with contingent-owned equipment contributors.

The final outcome for 2021 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/75/387](#)) and a review of the financial indicators as at 31 December 2019 and 2020 and as at 30 April 2020 and 2021.

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 wrote to Member States in December 2020 and March 2021 about the ongoing liquidity crisis of the Organization in relation to the regular budget and peacekeeping operations.

4. In 2020, assessments were issued for the regular budget at higher levels than the previous year, while assessments for the peacekeeping operations and international tribunals were issued at a lower level than in 2019. At the end of 2020, unpaid assessments were higher for the regular budget and the tribunals and lower for peacekeeping operations than at the end of 2019. As at 30 April 2021, unpaid assessments were higher for the peacekeeping operations and tribunals, but lower for the regular budget, when compared with the previous year.

5. During 2020, aggregate cash balances were positive for peacekeeping operations and the tribunals, while the regular budget ended with a deficit of \$160 million despite several cash conservation measures, including the suspension of hiring very early in the year. 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 2020 owing to cash pooling and advance assessments for the full year, and as at 30 April 2021, the levels were comparable to the same periods of the previous year. The total liabilities for payments to Member States for troops, formed police units and contingent-owned equipment amounted to \$65 million for active peacekeeping operations and \$86 million for closed peacekeeping missions.

7. Notwithstanding measures taken in early 2020 to align expenditures with cash inflows, the regular budget experienced significant cash shortfalls starting in August of that year and continuing to the end of the year. The cash shortfalls were met by borrowing from the closed peacekeeping accounts for the third consecutive year. In 2020, stringent measures to conserve cash were introduced to ensure that operations in the third and fourth quarters were not disrupted by exhausting all liquidity reserves, including cash from closed peacekeeping missions. Overall, the distressing financial situation in 2020 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.

8. The increase in arrears at the end of 2020 for the regular budget is expected to yet again increase the liquidity pressure on budget implementation during 2021. The trend of collectively paying less in each year than the regular budget assessments must be urgently reversed to avert a crisis in budget implementation and mandate delivery.

A. Regular budget

9. The regular budget has been facing severe liquidity issues in recent years. The cash deficits begin in the first half of the year, forcing regular budget operations to continue by borrowing cash from the Working Capital Fund, the United Nations Special Account and closed peacekeeping operations. As a result of the severe liquidity crisis, the Organization had to rely on borrowing from the Working Capital Fund, the Special Account and closed peacekeeping missions in 10 of the 24 months of 2019 and 2020. In both 2019 and 2020, collections amounted to 50 per cent of each year's assessment by the end of the first quarter. By the end of the second quarter, collections were 62 per cent in 2019 and 70 per cent in 2020. Collections in the third quarters were the weakest, with only 6 per cent in 2019 and 1 per cent in 2020. In both years, only 24 per cent was collected in the fourth quarters. In 2020, \$387 million was collected in December, compared with \$145 million in 2019.

10. In November 2019, the cash deficit achieved the unfortunate milestone of a record \$520 million, coming very close to exhausting the total cash available in the accounts of the closed peacekeeping operations and forcing additional extraordinary measures to contain costs to avert a more serious liquidity crisis. 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.

11. In 2020, the Secretariat continued to implement more stringent cash-conservation measures, including the suspension of all hiring for regular budget operations, and the postponement of non-post expenses wherever feasible, to mitigate liquidity problems. As a result of the measures taken to control expenditures, initial borrowing was delayed to September 2020. Despite the stringent spending controls and the additional slowdown in spending caused by the coronavirus disease (COVID-19) pandemic, however, the regular budget cash deficit reached \$334 million in November. Though several cash payments to United Nations partners were postponed and expenses were delayed as a result of the pandemic, the Organization still had to borrow \$100 million from closed peacekeeping missions in December, as the cash balance, including the liquidity reserves, was too small to ensure the safe disbursement of salaries. The final position as at 31 December 2020 reflected a cash shortfall of \$160 million, which was covered by the Working Capital Fund and the Special Account; the loan from the closed peacekeeping operations was repaid at the end of the year from the large contributions received from Member States in the final days of the year. In both 2019 and 2020, the Organization ended the year with nearly all regular budget liquidity reserves exhausted, thus starting the new year with little to no liquidity buffer. However, the situation in 2020 was worse than in 2019, as the containment of the deficit within the regular budget liquidity reserves was achieved largely by delaying expenditures in order to defer cash outflows to 2021.

12. The year 2020 ended with an unprecedented level of unpaid assessments, amounting to \$808 million, indicating a rapid increase in arrears from \$529 million at the beginning of 2019 and from \$711 million at the beginning of 2020, further exacerbating an already precarious situation and establishing an undesirable trend of

collections falling short of assessments each year, which will inevitably lead to a crisis in mandate delivery.

13. In 2021, assessments were issued at a level of \$2.96 billion, that is, \$88 million above the level in 2020. The year started with a drop in contributions in the first quarter to only 43 per cent compared with 50 per cent in the past two years. The Secretary-General issued an appeal to Member States requesting them to expedite their contributions and to confirm the timing of their payments. The cash position as of the end of April 2021 improved to \$1.4 billion, largely due to the significant inflow of contributions in April and controlled spending from the beginning of the year.

14. Payments received by 30 April 2021 totalled approximately \$2.3 billion. The unpaid assessed contributions as at 30 April 2021 were \$379 million less compared with the same period in 2020, indicating a positive trend in payments for the regular budget.

15. By the end of 2020, a total of 144 Member States had paid their regular budget assessments in full, 2 fewer than the number of those having done so by the end of 2019. The Secretary-General wishes to thank the 144 Member States that honoured their obligations to the regular budget in full by 31 December 2020 and invites other Member States to follow their example.

16. More recently, as at 30 April 2021, 98 Member States had paid their assessments to the regular budget in full, compared with 87 as at the same date in 2020. Of those Member States, 41 had paid their assessment within the 30-day due period and, therefore, on time. The Secretary-General wishes to pay tribute to those 98 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 2020, unpaid assessments for peacekeeping operations amounted to \$3.2 billion. In 2021, assessments of \$804 million were issued and payments of approximately \$1.5 billion have been received. As at 30 April 2021, the level of unpaid assessments was \$2.5 billion. The review of unpaid peacekeeping assessments as at 30 April 2021 shows that the outstanding amount of \$2.5 billion comprised \$2.1 billion owed for active missions and \$412 million owed for closed missions. For active missions, \$320 million related to 2021 assessments, while \$1.8 billion related to assessments issued during or before 2020.

19. As at 31 December 2020, 47 Member States had paid all assessments due and payable, 6 more than the number of those having done so as at 31 December 2019. The Secretary-General wishes to give special thanks to those 47 Member States for their payments.

20. As at 30 April 2021, the number of Member States that had paid all due and payable peacekeeping assessments was 53, compared with 42 as at the same date in 2020. The Secretary-General would like to pay special tribute to those 53 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 2020 for the “non-mandated” period was \$2.5 billion.

22. Subsequent to the issuance of the assessments in July 2020, Member States voluntarily made early payments for non-mandated periods that, at the time of reporting, totalled \$479 million. 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.

23. As at 30 April 2021, 37 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.

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 \$158 million at the end of 2020, reflecting a decrease of \$114 million from the \$272 million outstanding at the end of 2019, 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 2021, the total liabilities for payments to Member States for troops, formed police units and contingent-owned equipment amounted to \$65 million for active peacekeeping operations and \$86 million for closed peacekeeping missions. The estimated amount that would become payable in June is \$535 million. Contributions in May and June 2021 will determine how much of this amount can be paid by the end of June.

26. Payments for troops and formed police unit costs were current for all missions up to December 2020, except for the African Union-United Nations Hybrid Operation in Darfur (UNAMID), which had been paid up to 30 September 2020. Payments for contingent-owned equipment for active missions were current as at 31 December 2020 except for UNAMID, which had been paid up to 31 March 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.

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 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 and 2020/21, 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

28. As at 30 April 2021, unpaid assessments for the international tribunals amounted to \$86 million, comprising \$55 million owed for the International Residual Mechanism for Criminal Tribunals, \$24 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 2021, 77 Member States had paid in full for the Residual Mechanism (last assessed in 2021), while 167 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, 76 Member States had paid their assessed contributions for all the tribunals in full, compared with 70 Member States as at the same date in 2020.

30. The month-by-month position of cash balances for the tribunals has been positive over the past three years. The final outcome for 2021 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 50 Member States that have paid all assessments that were due and payable as at the time of reporting, namely: Armenia, Austria, Azerbaijan, Bahrain, Barbados, Belgium, Bhutan, Botswana, Bulgaria, Canada, China, Cyprus, Czechia, Denmark, Estonia, Finland, France, Georgia, Germany, Hungary, Iceland, India, Ireland, Japan, Kazakhstan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malaysia, Malta, Monaco, Netherlands, New Zealand, Nicaragua, Niger, Norway, Poland, Portugal, Qatar, Republic of Korea, Republic of Moldova, Romania, Samoa, Singapore, Slovakia, Spain, Sweden, Switzerland and Thailand.

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.