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THE FINANCIAL SITUATION OF THE UNITED NATIONS

Report of the Secretary-General

Addendum

INTRODUCTION

1. The General Assembly, by resolution 47/215 of 23 December 1992, requested the Secretary-General to provide information on the financial situation of the Organization as often as necessary. The present addendum provides an overview of the financial situation at the end of May 1993, and projects results that may be expected by the end of 1993 if present trends continue.

2. The last report on the financial situation (A/C.5/47/13) was dated 5 October 1992, and covered the situation up to 30 September 1992, with a projection to the end of 1992. The report concentrated on the cash-flow situation in the regular budget and assessed peace-keeping operations and discussed the impact of the failure of many Member States to pay their contributions in full and on time. It also drew attention to proposals that had been made by the Secretary-General to address the financial problems of the United Nations, both in the context of his report "An agenda for peace" (A/47/277-S/24111) and in earlier reports on the financial situation, notably document A/46/600/Add.1.

3. The conclusion in the reports presented to the General Assembly at the first part of the forty-seventh session was that, in the absence of timely and adequate collections from Member States, the financial outlook was bleak. Nothing has happened since that time to change that view. The regular budget finished the year 1992 in a state of cash depletion, depending on borrowing from other funds and on advance payments of 1993 assessments to provide a small cash balance. A number of peace-keeping missions have experienced shortfalls in collections, requiring them to borrow from the newly established Peace-keeping Reserve Fund, although this was not the primary purpose of the fund.

I. THE PRESENT SITUATION

4. In the short term, the pattern of payments to the regular budget has shown an improvement in the first five months of 1993, as compared with the same period last year. But certain Member States have indicated that they expect to have difficulty in meeting their obligations in 1993, with the result that overall unpaid contributions to the regular budget are likely to be higher at the end of the year than they were at the beginning. There will again be several months of the year in which the regular budget will be forced to seek short-term assistance from other funds. However, as will be seen below, it is less likely that other sources will be able to provide short-term assistance to the regular budget in 1993 than has been the case in the past. Many United Nations peace-keeping operations are experiencing operational uncertainties, which has led to a tendency for the General Assembly to approve budgets for shorter periods and to assess Member States more frequently.

5. At 31 May 1993, only 10 Member States had paid their peace-keeping assessments in full (to within \$100) and only 8 of these had also paid their regular budget assessments in full. At that date, unpaid assessments as a whole amounted to \$2,235.7 million. Almost two thirds of this amount is owed by permanent members of the Security Council.

A. Payment of assessed contributions to the regular budget

6. At the end of 1992 unpaid assessed contributions to the regular budget totalled \$500.4 million. This was \$61 million more than the balance of unpaid contributions a year earlier, indicating that collections in 1992 had once again fallen short of assessments during that year. Member States may wish to note that in only one year of the last 10 have total regular budget collections exceeded assessments, and only once has the total outstanding balance been lower at the end of a year than it was at the beginning.

7. In January 1993, following the adoption of the revised appropriation for the biennium 1992-1993 in General Assembly resolution 47/220, an amount of \$1,070 million was assessed for the regular budget. Annex I to the present report provides detailed information on the status of contributions to the regular budget as at 31 May 1993. Unpaid contributions totalled \$938.7 million, of which \$366.2 million was outstanding for 1992 and prior years, and \$572.5 million relates to 1993. The amount outstanding is equivalent to 88 per cent of the regular budget assessment for 1993.

8. The collection pattern shows an improvement over 1992 at the equivalent date, but remains far from satisfactory. In 1993, 18 Member States paid their 1993 assessments in full within the 30-day period provided for under the financial regulations. This is three Member States more than had paid in full and on time in 1992. In this connection, it is worthy of note that 14 Member States paid their contributions on time and in full in both 1992 and 1993. At the end of May, 47 Member States had, to within \$100, fully paid their regular budget assessments for 1993 and prior years. Annex II provides a listing of these Member States.

B. Payment of assessed contributions to peace-keeping operations

9. The cash-flow situation with regard to United Nations peace-keeping operations continues to be one of the most serious problems confronting the Organization; it faces considerable difficulties in financing the operational requirements of several of its missions.

10. There are currently 10 peace-keeping operations financed by assessed contributions: United Nations Disengagement Observer Force (UNDOF); United Nations Interim Force in Lebanon (UNIFIL); United Nations Angola Verification Mission (UNAVEM and UNAVEM II); United Nations Iraq-Kuwait Observation Mission (UNIKOM); United Nations Mission for the Referendum in Western Sahara (MINURSO); United Nations Observer Mission in El Salvador (ONUSAL); United Nations Transitional Authority in Cambodia (UNTAC); United Nations Protection Force (UNPROFOR); United Nations Operation in Somalia (UNOSOM); and United Nations Operation in Mozambique (ONUMOZ). Two completed peace-keeping operations, the United Nations Advance Mission in Cambodia (UNAMIC) and the United Nations Observer Group in Central America (ONUCA) have contributions outstanding, and these balances have been consolidated into UNTAC and ONUSAL respectively. There are two other completed peace-keeping operations for which the accounts are still open and outstanding contributions are still being sought. They are the United Nations Iraq-Iran Military Observer Group (UNIIMOG) and the United Nations Transitional Assistance Group (UNTAG). Finally, the United Nations Peace-keeping Force in Cyprus (UNFICYP), which has been financed from voluntary contributions since its inception in 1964, will, by decision of the Security Council, be financed in part from assessed contributions with effect from 15 June 1993.

11. The following table provides information, updated to 31 May 1993, on balances due, assessments and collections in respect of each United Nations peace-keeping operation financed through assessments. The starting point is 30 September 1992, so as to provide continuity with the table provided in the last report of the Secretary-General on this subject (A/C.5/47/13, para. 15):

	Balance due 30 Sept. 1992	Assessments since 9/92 Period	Amount	Collected in 19921993		Balance due 31 May 1993
	(Millions of U.S. dollars)					
UNDOF	20.3	12/92-5/93	17.0	1.1	15.4	20.8
UNIFIL	227.4	8/92-7/93	142.9	68.5	72.4	229.4
UNAVEM	23.6	11/92-2/93	24.5	1.8	17.6	28.7
UNIKOM	32.0	11/92-10/93	38.4	10.0	28.0	32.4
MINURSO	21.1	None	-	0.1	0.3	20.7
ONUSAL <u>a/</u>	25.9	11/92-5/93	11.8	1.4	13.8	22.5
UNTAC <u>b/</u>	226.1	11/92-7/93	548.1	57.6	408.7	307.9
UNPROFOR	64.2	10/93-6/93	466.3	2.7	299.4	228.4
UNOSOM	-	5/92-6/93	408.4	6.1	89.7	312.6
ONUMOZ	-	10/92-6/93	140.2	-	50.0	90.2
UNIIMOG	1.1	None	-	-	-	1.1
UNTAG	<u>2.3</u>	None	<u>-</u>	<u>-</u>	<u>-</u>	<u>2.3</u>
Total	<u>644.0</u>		<u>1 797.6</u>	<u>149.3</u>	<u>995.3</u>	<u>1 297.0</u>

a/ Includes ONUCA.

b/ Includes UNAMIC.

12. Assessments made on peace-keeping operations since the start of the forty-seventh session of the General Assembly in September 1992 exceed the 1993 assessment for the regular budget. Also, given the length of the assessment periods shown above and what is known of the likely scope and scale of the missions, should the Security Council extend the mandates of some or all of the missions, substantial additional assessments will be required for peace-keeping operations before the end of the year.

13. Of the assessments made since September 1992, totalling \$1,797.6 million, many cover time periods that have already largely or completely expired. This means that the United Nations should by now have received these contributions in full, since budgetary commitments will already have been made for the bulk of these funds. The unpaid balance at 30 September 1992 should also have been paid by now, since this was required for earlier mandate periods, and is now causing the Organization difficulties in meeting its obligations, particularly to troop-contributing countries.

14. Collections made during the eight-month period from October 1992 to May 1993 amount to \$1,144.6 million, which is only 47 per cent of the total amount due on 1 October and assessed since then. As a result, the unpaid balance of peace-keeping assessments at 31 May is \$1,297 million - double what it was in September 1992.

15. As a result of outstanding assessed contributions, both for 1993 and for prior mandate periods, several peace-keeping operations have encountered severe cash shortages. The operations that have been most affected by this problem are UNIFIL, UNPROFOR, UNTAC, UNAVEM, ONUSAL and UNIKOM.

16. In order to be able to respond to the needs of these operations, temporary advances have had to be made from the Peace-keeping Reserve Fund that was established by General Assembly resolution 47/217 of 23 December 1992. At the time of preparation of this report, an amount of \$28.5 million has been loaned from the Fund, \$18.5 million to UNAVEM, \$5 million to ONUSAL and \$5 million to UNIKOM. Earlier in 1993, the lending capacity of the Peace-keeping Reserve Fund was exhausted at one point, and it was necessary for UNTAC to borrow from the General Fund (regular budget). This loan was repaid as soon as contributions to UNTAC permitted. The regular budget has currently loaned \$17.3 million, \$15.3 million to UNAVEM and \$2 million to ONUSAL, in addition to the amounts loaned to those operations from the Peace-keeping Reserve Fund.

17. As noted above, one of the unavoidable consequences of the Organization's recurrent cash-flow problem has been delayed payments to troop-contributing countries for personnel and equipment contributed in respect of various peace-keeping operations. Based on the latest available troop strength reports for the period ending 30 April 1993, the United Nations presently owes approximately \$284.3 million to troop-contributing countries in respect of UNIFIL (\$101.4 million), UNPROFOR (\$118.8 million) and UNTAC (\$64.1 million).

II. PROJECTIONS FOR THE REMAINDER OF 1993

18. Annex III, which shows outstanding contributions to the regular budget and to peace-keeping operations as at 31 May 1993, demonstrates the magnitude of the burden that unpaid assessments are placing on the Organization. At the same time, projections of cash flow for the remainder of the year are difficult to make owing to the obvious uncertainties surrounding the scope and scale of peace-keeping activities over the next few months. What is clear is that a considerable improvement in payment performance will be needed in the remaining months of the year.

19. At the end of May 1993, usable cash balances on hand, including the Peace-keeping Reserve Fund, were about \$725 million, of which \$550 million related to peace-keeping operations and \$175 million to the regular budget. Current projections are that the regular budget will receive between \$400 and \$450 million in the balance of the year. Expenditures for the last seven months, within the approved regular budget, are projected at between \$650 and \$700 million. This range of estimates suggests that the regular budget will be short of cash before the end of the year. Shortfalls in cash cannot be covered by savings in the execution of the approved programme budget and the only solution is for Member States to improve their payment patterns above those

presently foreseen. If this does not happen, the regular budget will need to borrow from other funds, beginning in August, and to continue borrowing thereafter.

20. Projections are more difficult to make in the case of peace-keeping, for obvious reasons. Variations that need to be taken into account in projecting peace-keeping cash flow include:

- (a) The nature and duration of each peace-keeping mandate;
- (b) The timing, duration and size of each peace-keeping assessment;
- (c) The capacity of Member States to maintain or improve the timing and adequacy of their response to assessments;
- (d) Considerations on the ground that may modify expenditure patterns during the implementation phase of peace-keeping budgets;
- (e) Capacity to delay certain disbursements, such as payments to troop-contributing countries.

21. Of the newer and larger peace-keeping operations, most, if not all, are expected to experience severe cash difficulties before the end of the year. No projection can be fully relied upon, owing to the above variables. But if the operations continue at the levels presently projected, expenditures for the balance of the year may very well exceed \$1,600 million, notably in Somalia and UNPROFOR. Cash receipts, at the levels that have been prevailing in response to recent peace-keeping assessments, are projected to fall far below this figure. The result is a negative cash-flow situation that will raise the financial crisis of the United Nations to unprecedented levels.

22. The Secretary-General made proposals on measures to address the financial problems of the Organization to the General Assembly at its forty-sixth session. These proposals, together with additional proposals of the Secretary-General included in the report entitled "An agenda for peace" and in the annual report of the Secretary-General on the work of the Organization, were summarized in his last report on the financial situation of the United Nations to the General Assembly at its forty-seventh session. In February 1993, the report of the Independent Advisory Group on United Nations Financing, sponsored by the Ford Foundation, was issued by that Foundation. The report, entitled "Financing an Effective United Nations", included a list of recommendations concerning the regular budget, peace-keeping and other issues.

23. The item "Improving the financial situation of the United Nations" is included in the provisional agenda of the forty-eighth session of the General Assembly. The Secretary-General will submit under this item a report on the financial situation of the Organization, which will take into account the observations and requests made by the General Assembly in its resolution 47/215 of 23 December 1992. In the context of the consideration by the General Assembly of this item, the Secretary-General intends to transmit to the Assembly the report of the Advisory Group sponsored by the Ford Foundation.

24. The information and projections given in the present report suggest that the financial situation of the Organization is becoming more and more precarious. Several factors contribute to such deterioration.

(a) In the absence of a significant change in the pattern of payment of assessed contributions to the regular budget, a deficit will occur in August and could reach \$70 million in September. At that time, the usual short-term borrowing from peace-keeping funds is unlikely to be possible as a result of the cash-flow problems faced by most peace-keeping operations. Also, the Peace-keeping Reserve Fund is currently used to bridge shortfalls in the financing of three operations. In addition, the General Fund had to be used during the past few months for limited short-term financing of some peace-keeping operations;

(b) Total outstanding contributions amounted at mid-June, in rounded terms, to \$920 million for the regular budget and \$1,260 million for peace-keeping operations;

(c) The average monthly level of expenditure for the Organization currently amounts to approximately \$100 million for the regular budget and \$200 million for peace-keeping operations. This level of expenditure does not take into account all obligations for peace-keeping operations, particularly as regards troop costs. The debt of the United Nations to troop-contributing countries, currently close to \$300 million, can no longer be considered as a "normal feature" of the management of the financial problems of the Organization.

25. When combined with delayed payments of assessed contributions, a level of monthly expenditure of \$300 million and more renders the short-term borrowing between funds more and more difficult. Short of receipts of assessed contributions above current projections, it is highly probable that in the coming months the Organization will not be able to meet its day-to-day obligations.

Annex II

MEMBER STATES THAT HAVE PAID ASSESSMENTS IN FULL TO
THE REGULAR BUDGET AS AT 31 MAY 1993

Member States that have paid in full within 30 days

Australia	Liechtenstein
Botswana	Luxembourg
Canada	Micronesia
Denmark	Namibia
Finland	Netherlands
France	New Zealand
Iceland	Norway
Ireland	Singapore
Kuwait	Sweden

Other Member States that have paid in full

Austria	Malta
Bahrain	Myanmar
Bangladesh	Nepal
Belgium	Pakistan <u>a/</u>
Brunei Darussalam	Portugal
Cyprus	Saint Lucia
Ethiopia	San Marino <u>a/</u>
Ghana	Slovenia
Greece	Spain
Indonesia	Sri Lanka
Italy	Thailand
Japan	Tunisia
Jordan	United Arab Emirates
Lesotho	United Kingdom of Great Britain and
Malaysia	Northern Ireland

a/ Paid to within \$100 of full assessments.

(Footnotes to annex I)

a/ The beginning balances of the Russian Federation and the Federal Republic of Yugoslavia have been adjusted by the amounts of the contributions of the relevant new Member States for 1991 and 1992, in accordance with General Assembly decision 47/456 of 23 December 1992.

b/ The scale of assessments for 1993 has been reduced from 100.3 to 99.48 owing to the dissolution of the Czech and Slovak Federal Republic effective 31 December 1992.

c/ Includes \$61,000, \$31,743,607, \$439,648 and \$2,000,000 received from Algeria, Canada, Colombia and Kuwait, respectively, in 1992 towards the 1993 assessment and \$5,341 that had been held in the suspense account in favour of Papua New Guinea.

d/ Includes balances for year of admission, 1991 and 1992.