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Agenda Item 140

Improving the Financial Situation of the United Nations
(A/76/429)

Fifth Committee

Statement by

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4 March 2022

Mr. Chairman,

Distinguished Members of the Committee,

1. I have the honour to introduce the report of the Secretary-General on improving the financial situation of the United Nations (A/76/429). This report responds to the request of the General Assembly in resolution 73/307 to report on the implementation of the resolution at the 76th session.

2. The Secretary-General remains committed to the effective and efficient use of resources to fulfil our mandates and deliver results. Our budgets must be realistic, but at the same time, the Organization must be able to count on predictable and adequate financial contributions, with liquidity reserves set at adequate levels to implement such budgets.

3. Over the past few years, on numerous occasions, the Secretary-General had written to Member States conveying his concern about the deteriorating financial health of the Organization. A major cause of this deterioration has been the increase in arrears, which grew alarmingly since his last report in 2019; it was also exacerbated by fluctuating payment patterns throughout the year. Large payments in December, with significant uncertainty about their timing and volume, compounded an already difficult

planning problem into a nearly impossible one. These trends are making the current regulatory framework increasingly difficult to adhere to, without seriously compromising mandate delivery.

4. While we have experienced liquidity problems in the regular budget before, the situation over the past few years has worsened and has started affecting mandate delivery significantly. The last four years have shown that the liquidity reserves are not adequate to safely plan for a full budget implementation. Curtailing non-post expenditures has not been adequate to mitigate the risk of disruptions. Severe hiring restrictions, including a freeze, have been more effective in managing the liquidity crisis. However, hiring delays have adverse consequences, including a vicious cycle of declining budget implementation and increasing pressure on existing staff. This is not a desirable or sustainable work around.

5. We should not confuse under-expenditure as savings resulting from working more efficiently and cost-effectively. The liquidity situation has been temporarily improved by spending less and delivering less. Expenditures and outflows are also deferred to future budget periods, to avert severe disruptions and under-performance. Transferring today's problems to tomorrow is not a durable solution; eventually, the postponement of expenditures becomes budget reductions when time runs out to commit the funds.

6. The Secretary-General feels very strongly that the Organization must not be forced to operate in such a cash-strapped environment, where mandates are disrupted by unpredictable cash flows.

7. Therefore, for the regular budget, the Secretary-General is reiterating measures that would strengthen our liquidity-bridging mechanisms, recognizing that Member States did not approve any of his proposals for greater flexibility in managing the budget that could have mitigated the negative consequences of the liquidity crisis.

8. First, he is reiterating his earlier request to provide $200 million more liquidity by increasing the level of the Working Capital Fund to $350 million. This would be one of the most impactful measures to address the current liquidity problem for regular budget operations.

9. Second, the Secretary-General is again proposing the replenishment of the Special Account by $63.2 million, as its role as a liquidity reserve was weakened by the General Assembly decisions to draw down that amount in 2013 and 2015 to pay for the regular budget and the capital master plan.

10. Third, the Secretary-General is seeking the concurrence of Member States to return credits only if outstanding assessments are less than the regular budget liquidity reserves. This is intended to break the vicious cycle of declining liquidity. The Secretary-General is reiterating this request, with a clearer criterion, because this is one of the structural challenges that exacerbates the liquidity problem when Member States do not pay in full or on time.

11. Before I turn to the proposals relating to Peacekeeping operations, I would like to update you briefly on some important changes in the financial situation since the publication of this report in October 2021.

12. 153 Member States paid their dues in full for 2021, the highest number in nearly 20 years. We collected 113.3 per cent of the assessments; as a result, year-end arrears dropped to $434 million from $808 million last year. This represents the lowest level in five years, and the lowest amount as a percentage of the assessment since 2012.

13. $903 million was collected in the last quarter; nearly 84 per cent of those collections were paid before December. This allowed us to better manage year-end spending.

14. 2022 has started well. The honour roll of Member States paying their contributions within 30 days of the assessment letters has grown from 41 in 2021 to 53 in 2022.

15. However, the liquidity crisis has taken its toll on mandate delivery in 2021. We ended 2021 with about 93 per cent budget implementation. The unspent funds will severely impact liquidity for the 2023 budget due to the return of credits, eroding liquidity reserves by the end of that year. Consequently, 2023 and 2024 will see a recurrence of the liquidity crisis, with spending restrictions becoming inevitable unless the underlying problems are resolved. This summarizes the regular budget vicious cycle; reduced liquidity leads to reduced implementation which in turn reduces liquidity again.

Mr. Chairman,

16. I now turn to our peacekeeping operations, which also face liquidity challenges. Although peacekeeping liquidity challenges are not as serious as the regular budget, we should not forget that, until resolution 73/307, we had been delaying payments to troop and police contributing countries in order to provide liquidity for operations.

17. Peacekeeping operations do not have working capital to cover cash shortages. The Peacekeeping Reserve Fund of $150 million is available only to support new missions and the substantial expansion of existing missions.

18. It has been the practice for all missions normally to maintain a three-month operating cash reserve as a buffer to avoid disruptions in operations; as a result, whenever a peacekeeping mission had cash reserves covering less than three months, payments to T/PCCs would be delayed to ensure adequate cash to pay salaries to personnel and bills to vendors, and avoid disruptions in services.

19. However, following the adoption of resolution 73/307, the Organization started managing the cash balances of active peacekeeping operations as a pool, which enabled cross-borrowing among active missions if needed. This ability to borrow allowed the Organization to maintain a three-month reserve in the aggregate rather than for each mission. By taking advantage of surplus cash in some missions to assist other missions with liquidity problems, we have been able to settle payments to T/PCCs that would normally not have been possible. Figure 15 of the report captures this impact.

20. In resolution 73/307, the General Assembly also approved the Secretary-General's proposal for assessment letters for peacekeeping operations to be issued for the full budget period, pending the approval of the mandate. This has resulted in improved collections, as reflected in Figure 14 of the report.

21. While these two measures have contributed positively to improving the situation for peacekeeping operations, figure 16 of the report shows that the problem of timely payments to T/PCCs is not fully resolved, and the outstanding dues have not fully

reached the low levels of 2016/17. To alleviate and avoid the recurrence of this problem, the Secretary-General is proposing three inter-related measures:

22. First, to allow the use of the Peacekeeping Reserve Fund for liquidity for active peacekeeping operations. This will better utilize idle cash for improving the payments to T/PCCs, without compromising the ability to support new missions or substantial expansion of existing missions. In the last ten years, the Fund had a peak lending of $40 million in 2013 and no loans at all since 2014.

23. Second, linked to the above use of the PK Reserve Fund, he proposes that interest earned in the Fund be retained until the cash balance of the Fund accumulates to $150 million. The Fund's cash balance had been depleted by $12.8 million that a closed mission has not repaid since February 2000.

24. Third, the Secretary-General is proposing that credits for unspent funds and cancellations of prior-period commitments not be approved for a specific mission if the payments to T/PCCs, due and payable for that mission, have not been settled at the time the General Assembly makes a decision on the return of such funds. This will arrest the current practice of returning unspent funds even if legal obligations to T/PCCs have not been settled. This would be particularly important for closing missions such as UNAMID, where borrowing from active missions may not be feasible.

25. Finally, the Secretary-General would like the General Assembly to acknowledge that the trial of cash pooling has been beneficial for the timely settlement of payments to T/PCCs. The General Assembly approved a trial period of three years and, as Figure 15 reflects, this measure has improved the settlement of dues in each quarter since its introduction.

Mr. Chairman, Distinguished Members,

26. The Secretariat is committed to deliver results and to meet the objectives set by Member States. In order to succeed, we rely on the predictability and adequacy of contributions for our programmes and activities.

27. The Secretary-General has expressed his commitment to working with Member States to implement practical and common-sense solutions to the problems we face, to restore the financial health of the Organization.

28. The proposals set out in this report are aimed at addressing the current, unsustainable situation in relation to the regular budget, and include proposals for peacekeeping operations that can build on the success of the measures already approved in 2019.

29. These proposals do not diminish the obligation of Member States to fulfil their financial obligations to pay in full and on time. However, failure to address the problem, due to political differences and longstanding objections to certain proposals, seriously risks undermining our work and negating the fruits of the reforms that Member States have overwhelmingly supported.

30. As the Secretary-General has pointed out repeatedly, this is a critical moment for humankind that demands a strong United Nations to lead the quest towards a more equitable world and contain the impact of extreme poverty, hunger and hatred, the climate crisis and protracted conflicts, and to remain at the centre of multilateral cooperation for the common good. A United Nations constantly hampered by cash shortages and living on a fiscal cliff cannot lead an effective charge against these global challenges.

31. I look forward to the opportunity to clarify the proposals in this report, and also the lessons learned from our experiences over the last three years in managing the liquidity problems.

Thank you, Mr. Chairman.