



Financial situation of the United Nations

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Thank you Mr. Chairman and, through you, let me also thank the members of the Fifth Committee for giving me this opportunity to brief you on the current financial situation of the United Nations.

In doing so, I shall focus on four main financial indicators:

- (a) Assessments issued
- (b) Unpaid assessed contributions
- (c) Available cash resources
- (d) Debt to Member States.

Chart 1 summarizes the status of these indicators at 31 December 2005 and 2006. The picture that these present of last year is generally quite positive - but not uniformly so and we have some way to go before I can report to you a clean bill of financial health.

Regular budget

Let me turn first to the regular budget (see **Chart 2**). Assessments and payments were both lower in 2006 than in 2005, by \$73 million and \$125 million respectively. Unpaid assessed contributions were up by \$28 million at \$361 million on 31 December 2006, compared to \$333 million on 31 December 2005.

On a positive note, I am pleased to announce that 139 Member States had paid their regular budget assessments in full by the end of 2006. This is only 1 less than in 2005, which was the highest level since 2002 (see **Chart 3**). On behalf of the Secretary-

General, I should like to thank these Member States - which are listed in **Chart 4** - and urge all Member States that have not yet done so to date to pay their assessed contributions for 2006 in full as soon as possible.

The breakdown of the \$361 million that remained outstanding at 31 December 2006 is shown in **Chart 5**. As you can see, Mr. Chairman, this amount is highly concentrated with over 94 per cent being owed by just three of the remaining 53 Member States.

A total of 82 Member States had paid their assessments to the regular budget in full by 16 May 2007, compared to 87 by 16 May 2006 (see **Chart 6**). Again, on behalf of the Secretary-General let me thank these Member States for their practical support for the work of the Organization and urge other Member States to follow their example.

On a less positive note, however, the financial position of the regular budget at 16 May 2007 (see **Chart 7**) was weaker than at the same date in 2006. Although payments received by 16 May 2007 were \$243 million higher than on the same date in 2006 unpaid assessed contributions were \$99 million higher on 16 May 2007 than a year earlier. This is partly attributable to outstanding assessments as of 1 January 2007 being higher than in 2006 and partly attributable to the increase in the regular budget assessment for 2007. The breakdown of the \$1.31 billion outstanding on 16 May 2007 is shown in **Chart 8**. This amount is also very highly concentrated, with 7 countries accounting for over 96 per cent of the total and just 2 countries for over 78 per cent. Clearly, the final outcome for 2007 will depend in large measure on action to be taken by these particular Member States.

Cash resources for the regular budget comprise the General Fund, to which assessed contributions are paid, the Working Capital Fund, authorized periodically by the General Assembly, and the Special Account. **Chart 9** shows the cash resources available at the end of 2006 and at 16 May 2007. The positive change for the regular budget is due to a net increase in payments in the first quarter of the year over expenditures. The increase in the working capital fund is due to the increase in the overall level of the fund, to \$150 million from \$100 million. The modest increase in the Special Account is due to accumulated interest credited to the fund.

The month-by-month cash position in 2006-2007 is shown in **Chart 10**. It was necessary to draw on reserves in November 2006. On a more positive note, the cash balance of the General Fund was over \$100 million higher at 16 May 2007 than a year earlier. The final position will depend in large measure on the action to be taken by the two countries that I have referred to earlier in Chart 8

Chart 11 shows in summary the current position of the regular budget account. The net increase in the current year's assessments over payments received to date results in an overall increase in the outstanding amounts from \$361 million at the end of 2006 to \$1,308 as of 16 May 2007.

Peacekeeping operations

As you know, Mr. Chairman, 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 rather than from 1 January to 31 December; assessments are issued separately for each operation; and, since assessments can currently only be issued through the mandate period approved by the Security Council for each mission, they are issued for different periods throughout the year. All of these factors complicate a comparison between the financial situation of peacekeeping operations and those of the regular budget and the tribunals.

The total amount outstanding for peacekeeping operations at the end of 2006 was over \$1.8 billion. This is approximately \$1.1 billion less than the amount of \$2.9 billion outstanding at the end of 2006. This is mainly due to the fact that almost \$1 billion in assessments for 2006 was deferred and assessed only in January 2007 due to the fact that the scale of assessments for 2007 was not adopted until the end of December 2006, even though we had budgets approved by the General Assembly and mandate periods approved by the Security Council beyond the end of 2006. (See **Chart 12**) Over two-thirds of the \$1.8 billion outstanding at the end of 2006 was owed by two Member States.

Due to the unpredictable amount and timing of peacekeeping assessments throughout the year, it can be more difficult for Member States to keep fully current with assessments. Let me therefore pay special thanks to the 17 Member States, listed in **Chart 13** that had paid all peacekeeping assessments that were due and payable on 31 December 2006. They were Azerbaijan, Canada, Bosnia and Herzegovina, Denmark, Finland, Germany, Ireland, Kazakhstan, Liechtenstein, New Zealand, Portugal, the Russian Federation, Singapore, Sweden, Switzerland, Thailand and Zambia.

Although cash available for peacekeeping at the end of 2006 was over \$1.7 billion, this was divided between the separate accounts maintained for each peacekeeping operation and there are restrictions on the use of this cash. In its resolutions on the financing of peacekeeping operations, the General Assembly has specified that no peacekeeping mission shall be financed by borrowing from other active peacekeeping missions. In addition, the terms of reference of the Peacekeeping Reserve Fund restrict its use only to new operations and expansions of existing operations. **Chart 14** shows the breakdown of peacekeeping cash at the end of 2006 between active missions, with \$1,154 million, closed missions, with \$484 million, and the Peacekeeping Reserve Fund, with a balance available of \$122 million.

The financial position of peacekeeping operations at 16 May 2007 shows some improvement (see **Chart 15**). New assessments of over \$2.5 billion had been issued by that date, including assessments of \$444 million issued on 27 April 2007. Against this, contributions of over \$2.8 billion were received, reducing the amount outstanding from over \$1.8 billion to over \$1.6 billion. In this context, let me pay special tribute to the 24

Member States that had paid all peacekeeping assessments that were due and payable on 16 May 2007 (see **Chart 16**). These were Australia, Austria, Azerbaijan, Botswana, Canada, the Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Liechtenstein, Madagascar, Monaco, Mozambique, New Zealand, the Republic of Korea, the Russian Federation, Singapore, Sweden, Switzerland, Thailand and the United Kingdom.

Based on information currently available, we expect that total cash available in peacekeeping accounts at the end of 2007 will amount to almost \$1.4 billion, with \$816 million in the accounts of active missions, \$453 million in the accounts of closed missions and \$146 million in the Peacekeeping Reserve Fund (see **Chart 17**). These estimates are based on projected income and outgoings and on the proposed retention of cash balances in closed peacekeeping operations.

Of the \$453 million expected to be available in the accounts of closed peacekeeping operations at the end of this year (see **Chart 18**), \$335 million relates to amounts to be paid for outstanding liabilities, such as troop and equipment payments and credits to be returned to Member States. This leaves only \$118 million freely available for possible cross-borrowing for other accounts, including the regular budget, the international tribunals and active peacekeeping operations. Cross-borrowing from the accounts of closed peacekeeping operations was required in 2006 and 2007 for three active operations (UNMIK, UNOMIG and MINURSO).

Debt to Member States

As indicated in **Chart 19**, the amount owed for Troops/Formed-Police Units and Contingent-Owned Equipment (COE) at 31 December 2006 was \$1.0 billion. The increase over \$695 million reported as at 1 January 2006 is due to full deployment of troops/formed-police units in UNOCI and UNMIS, additional troops/formed-police units in MONUC, expansion of UNIFIL and establishment of UNMIT. It is projected that debt will go down to \$589 million by the end of 2007 based on the receipt of assessments for peacekeeping continuing to improve during 2007 and enabling an increase in projected payments from \$1.1 billion to \$2.1 billion. Projected payments for 2007 are also dependent on timely finalization of MOUs, particularly for UNIFIL. As at 16 May 2007, out of 302 MOUs for all peacekeeping missions, 62 (21%) were yet to be finalized. Out of the 62 MOUs pending finalization, 44 relate to UNIFIL. (See **Chart 20**) Naturally, the level of payments will depend on Member States meeting their financial obligations to the United Nations.

International tribunals

The financial position of the international tribunals for Rwanda and the former Yugoslavia deteriorated in 2006. As indicated in **Chart 21**, outstanding assessments for the two tribunals fell to \$25 million at the end of 2005 but increased again to \$51 million at the end of 2006.

The breakdown of this \$51 million is shown in **Chart 22**. As indicated therein, the outstanding amounts for the tribunals are also highly concentrated, with five Member States accounting for more than 86 per cent of the total. A lot will depend, therefore, on the action to be taken by these Member States.

The number of Member States paying their assessed contributions for both international tribunals in full by the end of 2006 was 99, up from 93 at the end of 2005. However, due to the composition of payments, the outstanding balance showed an increase rather than a decrease from 2005. On behalf of the Secretary-General, let me express our sincere thanks to those 99 Member States - that are listed in **Chart 23** - and urge other Member States to follow their example.

The situation in 2007 continues to show a modest improvement (see **Chart 24**). Eight more Member States had paid their assessed contributions to both tribunals in full by 16 May 2007 than by the same date in 2006. Although the amount paid was higher, the amount outstanding was also higher than in 2006.

Chart 25 shows cash flow figures for the tribunals for 2006 and 2007. If recent positive trends in 2007 continue, the tribunals should end the year with positive cash balances. Once again, however, the actual outcome depends on Member States continuing to honour their financial obligations to the tribunals.

Capital master plan

The total budget for the Capital Master Plan project of \$1.88 billion was approved by the General Assembly on 22 December 2006.

The cost of the project is to be funded from the assessment contributions of the member states.

Two funding options were approved by the General Assembly:

- One time assessment where member states settle their total CMP assessments in full in 2007, based on the 2007 rates of assessment.
- Multi year assessment where member states make equal payments over five years based on the rates of assessment for 2007.

Currently, 181 member states are under the multi year payments system and 11 member states have opted for one time payment. As of 16 May 2007, 168 member states have made payments which totalled \$331.0 million with \$174 million still outstanding. (See **Chart 26**)

In addition to the cost of project, the General Assembly approved the establishment of the working capital reserve of \$45 million. This working capital reserve is to be

funded from the advances from the member states and is apportioned at the rates of assessment for 2007. As of 16 May 2007, 79 member states have already made payments for the working capital reserve which totalled \$32 million. **(See Chart 27)**

The cut off date in order for the member state to be considered as making payment in full and on time is 120 days after the date of issuance of assessments. As of the cut-off date, 7 May 2007, 48 member states had paid in full. Subsequent to the cut-off date, 11 more Member States paid, resulting in a total of 59 paid in full as of 16 May 2007. **(See Chart 28)**

Regrettably, 24 member states have not yet made any payments to the Capital Master Plan.

Conclusions

In conclusion, Mr. Chairman, let me first pay special tribute to those 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 16 May 2007. **(See Chart 29)** These were Australia, Austria, Azerbaijan, Botswana, Canada, Denmark, Finland, Ireland, Italy, Liechtenstein, Monaco, Mozambique, New Zealand, Republic of Korea, the Russian Federation, Singapore, Sweden, Switzerland, Thailand and the United Kingdom.

There were some encouraging signs of progress in the financial position of the Organization in 2006 **(See Chart 30)** and I am particularly heartened by the number of Member States that are meeting their financial obligations to the Organization in full.

On a less positive note, however, the financial position of the regular budget at 16 May 2007 **(See Chart 7)** was weaker than at the same date in 2006. Of the \$1.31 billion outstanding on 16 May 2007, 7 countries accounted for over 96 per cent of the total and just 2 countries for over 78 per cent. Clearly, the final outcome for 2007 will depend in large measure on action to be taken by these particular Member States.

As always, Mr. Chairman, the financial health of our Organization depends on Member States meeting their financial obligations in full and on time.

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