Financing the United Nations Secretariat: Resolving the UN’s Liquidity Crisis

Wasim Mir

Executive Summary

The UN is currently facing its most challenging financial situation in nearly two decades. Despite taking emergency measures to reduce spending, the UN Secretariat’s severe liquidity problems have been getting progressively worse, to the point where they are starting to affect the UN’s ability to carry out mandates. The main cause of this crisis is the late payment and nonpayment of member-state contributions to the UN regular budget. By late 2019, the bulk of outstanding contributions were attributable to a handful of member states, led by the United States and Brazil.

As well as being the biggest contributor, the US has been the biggest debtor to the UN regular budget for many years. This is due, in part, to the US government’s strategy of aligning UN contributions with the US financial year and withholding payments to signal its disapproval of specific UN activities. Additionally, while Brazil used to consistently pay its contribution to the UN regular budget, its payments have become more erratic due to a combination of a growing budget deficit and an increase in Brazil’s share of the UN regular budget.

Since the main cause of the UN Secretariat’s liquidity crisis is the changing pattern of member states’ payments due to domestic factors that are beyond the UN’s control, UN member states need to consider alternative solutions. The secretary-general has proposed addressing this issue by replenishing the reserves, incentivizing member states to be timelier with payments by invoking Article 19 of the UN Charter to revoke a member state’s ability to vote sooner, and limiting the General Assembly’s use of creative measures to reduce spending.

Even though these proposals have only garnered limited support from member states, they should be looked at again alongside alternative approaches, which could include allowing the UN Secretariat to borrow commercially to fund its core operations and giving the UN Secretariat the ability to pool the cash balances of UN peacekeeping missions, the regular budget, and associated reserves. Because of the detrimental impact this financial crisis has had on the UN’s ability to deliver important mandates, member states need to take action as soon as possible.
Introduction

Over the last year, the UN has faced its most challenging financial crisis in over two decades. As a result, the Secretariat has come close to defaulting on salaries and payments for goods and services according to a 2019 statement by the UN secretary-general.1 The main cause of this crisis is the late payment and nonpayment of member-state contributions to the UN regular budget. The two biggest debtors to the UN are the United States and Brazil, which together account for over four-fifths of the outstanding contributions. In both countries, domestic factors have led to a combination of late payments and withholding.

Given this challenging backdrop, UN member states need to think carefully about how they can best support the secretary-general in managing the liquidity challenges in the coming years. In 2019, the secretary-general put forward a range of ideas for easing this financial pressure, such as replenishing the reserves. To date, however, member states have not been able to reach consensus on these proposals. They now need to urgently consider the best way forward by revisiting some of the proposals from the secretary-general and considering alternative options to relieve this financial pressure.

Timeline of the UN Secretariat’s Liquidity Crisis

The UN Secretariat has faced a severe liquidity crunch every autumn since 2015, which has caused it to draw down its reserve funds and operate with a cash deficit. This deficit was at its worst in November 2019, when it reached $520 million (see Figure 1).2 At that point, the UN controller noted that these cash shortages had constrained the UN’s “ability to carry out its mandate.”3

---

1 UN Secretary-General, “Statement Attributable to the Spokesman for the Secretary-General on the Regular Budget,” New York, October 8, 2019.
The Secretariat’s severe liquidity problems have been getting progressively worse. Every year, the UN Secretariat appears to be going into the red earlier and staying in the red for longer. In both 2018 and 2019, the UN Secretariat exhausted all of the regular budget’s liquidity reserves, despite taking emergency measures to reduce spending. The UN ended 2019 with a negative cash balance of $306 million. This is in sharp contrast to a decade earlier when the UN ended 2010 with a positive cash balance of $412 million, pointing to a clear deterioration of the UN’s liquidity over this period.

If this trend continues, the reserves available to the secretary-general may not be sufficient to bridge the gap in available cash left by future liquidity crunches. In July 2019, the UN Secretariat was forced to start drawing on the Working Capital Fund, and by August, the reserves in this fund had been exhausted. As a result, the Secretariat had to begin drawing down funds from the Special Account, but by late September, this was also depleted. The Secretariat then had to borrow from closed peacekeeping missions in order to make payroll and avoid defaulting on vendor payments. By November, the UN had surpassed previous records for cash deficits and exhausted all reserves, including the funds held in the accounts of the closed peacekeeping missions (see Box 1 for more detail on these three sources of cash).

The UN’s deteriorated liquidity stems from changes in member-state payment patterns. The secretary-general issues an assessment letter to every member state at the beginning of each year setting out the amount they are required to contribute toward the UN regular budget. The UN’s financial rules and regulations require member states to pay their assessed contributions within thirty days of receiving the letter. Many UN member states meet this deadline, which is especially commendable given the weak incentives currently in place for member states to make their payments quickly. The Secretariat periodically provides the Fifth Committee of the General Assembly with assessment data, and this has been the only source of information about member states’ contributions to the UN Regular Budget.

Box 1. UN regular budget reserves

**Working Capital Fund:** This fund was established at the UN’s inception in 1946 to provide the secretary-general with cash for the UN Secretariat until the receipt of member-state contributions and to finance unforeseen expenses. It is funded through assessed contributions and was increased by the General Assembly to $150 million in 2006.

**Special Account:** This account was established in 1965 in response to the first major financial crisis faced by the UN. It is the depository for voluntary contributions made in response to the secretary-general’s appeals for funding to help bridge financial difficulties faced by the UN. The level of the fund has fluctuated over time and currently stands at $203 million.

**Closed peacekeeping missions:** Although in principle this is not a reserve, it has been used for this purpose. The UN has been unable to close the accounts of twenty-nine missions that have completed their work because of outstanding assessments that have not yet been paid. The residual budgets of closed missions contain $93 million in cash, which the Secretariat has used to temporarily fund liquidity gaps in peacekeeping missions over the years. In recent years, the Secretariat has also used this cash to bridge liquidity gaps in the regular budget. Although the General Assembly has not prohibited this practice, some member states have argued that it violates UN financial rules and regulations.

---

5 UN General Assembly Resolution 2053 (December 15, 1965), UN Doc. A/RES/2053(XX).
6 A separate Peacekeeping Reserve Fund of $150 million was established in 1992 as a cash-flow mechanism for peacekeeping missions. While it was originally established to address all cash flow challenges faced by peacekeeping missions, the General Assembly subsequently restricted its use to missions going through start-up or expansion. UN General Assembly Resolution 49/233 (March 1, 1995), UN Doc. A/RES/49/233.
Assembly with a list of the member states that have paid their assessments in full by the fall of each year.

At the beginning of 2019, $2.85 billion worth of assessments were issued for the UN regular budget. Although the number of countries paying in full by the end of September went down from 73 percent in 2018 to 66 percent in 2019, there does not appear to be any significant long-term change in the number of countries paying in full (see Figure 2). The outstanding contributions in October 2019 were $299 million higher than they were the previous year and amounted to $1.4 billion in total, indicating that those not paying in full were accumulating greater debts.

Outstanding Member State Contributions

The bulk of outstanding contributions in recent years have been attributable to a handful of member states, led by the United States and Brazil. The UN Secretariat reported to the Fifth Committee on October 4, 2019, that the US owed the UN a total of $1.055 billion and Brazil owed $143 million. At the end of the year, the US still accounted for 82 percent of arrears, even though it had already paid a significant share of its contribution, and Brazil accounted for 5 percent, the next highest (see Table 1).

Figure 2. Member states paying their contribution in full by September 30th each year

![Bar chart showing the number of member states paying their contribution in full by September 30th each year from 2009 to 2019. Source: United Nations.](image)

---


United States: The UN’s Biggest Contributor and Biggest Debtor

As well as being the biggest contributor, the US has been the biggest debtor to the UN regular budget for many years. This trend started in the 1980s with a pattern of withholding and late payments. It continued into the 1990s with the US systematically withholding a proportion of its contribution, which led to the US accruing significant debt and the UN facing severe financial challenges. While the US debt to the UN regular budget decreased in the 2000s, by October 2019 it had again topped $1 billion. This debt consisted of its as yet unpaid assessment for 2019, funds from 2018 that are pending US certification that the UN has certain policies in place (including whistleblower protections), and accumulated funds that the US administration unilaterally withheld from specific programs (see Figure 3a).

Since the 1980s, the US has systematically been late in paying its contributions to international organizations. This is due to domestic budgeting considerations including the US’s alignment of its UN contributions with its own financial year. The US Congress passed the Economic Recovery Tax Act, also known as the “Kemp-Roth Tax Cut,” in 1981. This act introduced sweeping tax cuts, which in turn led to a dramatic increase in the US budget deficit. Concerned by the rising deficit, Congress and the administration committed to making significant reductions in government spending. This led the director of the Office of Management and Budget, David Stockman, to introduce a new budgetary mechanism to garner one-time savings by deferring all payments to international organizations to the next fiscal year.11 While the UN regular budget year runs from January 1st to December 31st, the US government’s fiscal year runs from October 1st of one year to September 30th of the next.

Prior to the Stockman plan, the US would pay its contribution soon after the assessment letter was issued by the UN Secretariat. After the implementation of the Stockman plan, however, the US has consistently been at least nine months late in paying its assessment. As a result, the bulk of US annual contributions are made in the last quarter of the UN’s budget year (see Figure 3b). The United Nations is one of many international organizations, including NATO, the International Atomic Energy Agency (IAEA), the World Health Organization (WHO), and the Organisation for Economic Co-operation and Development (OECD), that receives its budget contributions late due to this change. The US practice of paying its contribution late has now been in place for almost forty years and changing it would require the US Congress to

---


Table 1. Outstanding contributions to the UN regular budget (in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>October 4, 2019</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>$1,055</td>
<td>$ 575</td>
</tr>
<tr>
<td>Brazil</td>
<td>$ 143</td>
<td>$ 37</td>
</tr>
<tr>
<td>Argentina</td>
<td>$ 52</td>
<td>$ 35</td>
</tr>
<tr>
<td>Mexico</td>
<td>$ 36</td>
<td></td>
</tr>
<tr>
<td>Iran</td>
<td>$ 27</td>
<td>$ 10</td>
</tr>
<tr>
<td>Israel</td>
<td>$ 18</td>
<td>$ 9</td>
</tr>
<tr>
<td>Venezuela</td>
<td>$ 17</td>
<td>$ 17</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>$ 10</td>
<td>$ 10</td>
</tr>
<tr>
<td>All Other Member States</td>
<td>$ 29</td>
<td>$ 17</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,387</strong></td>
<td><strong>$ 700</strong></td>
</tr>
</tbody>
</table>
Figure 3. US contributions to the UN

(a) Sources of US debt to the UN

(b) US payments to the UN regular budget by quarter

Source: United Nations

---

provide for two years of funding for international organizations in a single year’s budget.

A second source of US arrears is the process of certification for whistleblower protections. Since 2014, the US Congress has responded to alleged incidents of whistleblower retaliation at the UN by requiring the State Department to certify that each UN agency that receives funding from the US is adhering to best practices for the protection of whistleblowers.13 In 2018, Congress extended this certification to include two additional areas. As such, the State Department now has to certify that the UN has: (1) posted regular financial and programmatic audits on a public website and provided the US government with access to these reports; (2) effectively implemented and enforced best practices for the protection of whistleblowers from retaliation; and (3) effectively implemented and enforced policies and procedures on the appropriate use of travel funds, including restrictions on first-class and business-class travel.

Due to this requirement, the State Department has developed a practice of withholding 15 percent of the amount allocated by Congress for the UN until the certification process has been completed. Since the introduction of this requirement, the State Department has consistently given the UN a clean bill of health for all three requirements, although the process of determining this can take up to a year. This means that, every year since 2014, 15 percent of the US regular budget contribution has been delayed by over a year. This delay appears to have increased in recent years, with the $89 million withheld by the US in 2018 not paid until January 2020—twenty-four months after the UN first issued the assessment.

Finally, since the 1980s, the US administration and Congress have used the withholding of funding from the UN regular budget as a tool to influence decisions.14 In the 1990s, for example, Congress capped the US contribution to the UN regular budget at 22 percent at a time when the US assessment rate was 25 percent to signal that in its view the US was paying more than its fair share of the UN budget. As a result, by 1999, the United States came close to losing its vote in the General Assembly under Article 19 of the UN Charter because it was excessively in arrears (see Box 2).15 The US government has also withheld funding to signal its disapproval of specific UN activities over the last three decades. For example, since the 1980s, Congress has required the administration to withhold a share of assessed contributions to the UN regular budget for selected activities or programs related to Palestine.16 Since 2008, this has included withholding funding equivalent to the US share of the cost of the UN Register of Damage Caused by the Construction of the Wall in the Occupied Palestinian Territory.17

At the beginning of 2017, the US had approximately $150 million in outstanding contributions. The total amount withheld has subsequently risen to approximately $240 million. While not entirely clear, the increased withholding on the part of the current administration appears to be linked to human rights issues. In 2014, Congress passed a law that the US can only contribute funds to the Human Rights Council if the State Department

---

**Box 2. Charter of the United Nations, Chapter IV, Article 1**

A Member of the United Nations which is in arrears in the payment of its financial contributions to the Organization shall have no vote in the General Assembly if the amount of its arrears equals or exceeds the amount of the contributions due from it for the preceding two full years.

The General Assembly may, nevertheless, permit such a member to vote if it is satisfied that the failure to pay is due to conditions beyond the control of the Member.

---

13 Consolidated Appropriations Act of 2014, Section 7048(a).
17 UN General Assembly Resolution ES-10/17 (December 15, 2006), UN Doc. A/ES-10/361.
determines that US participation is in the national interest and that the council is taking steps to remove Israel as a permanent agenda item. The State Department has not made this determination since 2017, and the US has thus continued to withhold funds equivalent to its share of the budget of the Human Rights Council. Congressional Budget justifications provided by the State Department also indicate that the US administration has recently withheld the equivalent of its share of other human rights mandates and activities, including the budget for the Office of the High Commissioner for Human Rights. These withholdings have led to a general shortfall in the US’s regular budget contribution, even though they are notionally earmarked for specific programs. This is because member states are assessed in relation to their share of the total regular budget, so even if a member state specifies that it is withholding from a specific part of the budget, the Secretariat records it as an overall shortfall in the contribution.

Brazil: Late Payments Driven by Domestic Deficits

Prior to 2013, Brazil consistently paid its contribution to the UN regular budget in full, although it did not always pay within the required thirty days of the issuance of the bill. Brazil’s contributions to the UN regular budget have since become more erratic. Brazil’s arrears peaked in 2015, and while Brazil cleared its regular budget arrears in 2016, they subsequently rose again, reaching $143 million in October 2019 (see Figure 4a). This accumulating debt has been driven by Brazil’s rising budget deficit, a change in the Brazilian assessment rate, and the domestic impact of paying the assessment.

The first factor driving Brazil’s accumulating debt is the slowdown in Brazil’s economic growth after 2010. By 2013, this slowdown had contributed to a growing budget deficit (see Figure 4d). This deficit put pressure on all government budget lines, including the budgets for international organizations, leading to them becoming lower priorities.

The government’s growing budget deficit coincided with an increase in the assessment for Brazil’s contribution to the UN budget. The strong growth Brazil experienced between 2004 and 2011 caused its relative share of the global economy to increase, which resulted in an increase in its expected contribution based on the UN regular budget’s scale of assessment. This change only happened after a delay. There are two reasons why the UN’s scale of assessment takes time to factor changes in relative economic circumstances into calculations of each country’s contribution to the UN regular budget:

1. The UN scale of assessment uses each country’s share of the global economy at the market exchange rate averaged over three- and six-year periods as its basis; and
2. Because of delays in collating global statistics, the most recent economic data incorporated into the assessment is three years old.

This means the scale of assessment for 2019 includes data on a country’s economy from 2011 to 2016. As a result, even though the Brazilian economy started to slow down in 2013 and contracted in 2015 and 2016, its share of the UN budget continued to rise (see Figure 4c).

The government’s struggle to pay its contributions to the UN in full was compounded by the rapid decline in the Brazilian real against the US dollar in 2015. Because UN budgets are denominated in US dollars, the relative cost to the Brazilian government also increased. Therefore, while the overall size of the UN regular budget contribution has remained relatively stable, Brazil’s contribution more than quadrupled between 2010 and 2016 when measured in domestic currency (see Figure 4b).

This has meant that the Brazilian contribution to the UN has taken up a much bigger share of the government’s budget, which was already strained. The combination of this inability to meet expected contributions and arrears to UN peacekeeping

---

18 Consolidated Appropriations Act of 2014, Section 7049.
Financing the United Nations Secretariat: Resolving the UN’s Liquidity Crisis


Figure 4. Brazil’s contributions to the UN

missions and tribunals brought Brazil very close to triggering Article 19 of the UN Charter and losing its vote in the General Assembly. In order to avoid Article 19 action at the end of 2019, Brazil contributed $106 million, reducing its arrears to $37 million. But given Brazil’s significant debt to UN peacekeeping and recent track record of delayed payments, its debt to the regular budget may start to build again.

Other Debtors

The United States and Brazil are not the only countries that have not paid their contributions to the UN on time and in full in recent years. In fact, the number of countries failing to meet their obligations to the UN increased in 2019 (see Figure 2).

Among relatively big contributors, the main factors behind the growing arrears are domestic economic challenges combined with a weakening currency, similar to the situation faced in Brazil. Examples include Argentina, which has faced a recession in 2018 as well as a fall in its currency relative to the US dollar, and Venezuela, which has faced a severe economic crisis since 2013.

How to Address the UN’s Liquidity Crisis

As the preceding analysis makes clear, the main cause of the liquidity crisis faced by the UN Secretariat is the changing pattern of member states’ payments. This change is driven by domestic factors within these countries, which are beyond the UN’s control.

Over the last two years, the secretary-general has taken extraordinary steps to manage the liquidity crisis caused by late payments by member states.21 These have included reducing spending organization-wide, temporarily delaying the expenditure of funds, postponing construction and maintenance projects, deferring vehicle purchases, holding off payments to other parts of the UN system, and limiting the hiring of staff.22 During the 2019 budget year, the secretary-general instructed managers to limit all official travel to the most essential activities and to further reduce non-post expenses, including by postponing the purchase of goods and services, implementing energy-saving and other measures to reduce utility bills, and curtailting expenses related to the management of facilities. In the fall of 2019, the secretary-general directed managers across the UN Secretariat to postpone conferences and meetings and reduce related expenses by limiting services. Despite considerable pushback from member states, starting in mid-October, the UN Secretariat discontinued all events at headquarters duty stations that took place before or after official meeting hours and during weekends.

While these measures helped the secretary-general keep the UN afloat through the end of 2019, they have had the perverse impact of worsening the crisis in the medium term. For example, by delaying needed upgrades and repairs to facilities, the UN could be increasing future costs.

An even bigger challenge is the obligations placed on the secretary-general by the UN’s financial rules and regulations. These require the secretary-general to return the equivalent of any funds unspent at the end of the subsequent financial period to member states.23 Measures taken by the secretary-general to reduce spending to manage cash-flow challenges one year will therefore directly lead to a reduction in cash available to the secretary-general in subsequent years.

The Secretary-General’s Reform Proposals

Due to the limitations of these short-term steps, effectively managing the liquidity crisis in the medium term will require changes to the UN’s financial rules and regulations. To that end, the secretary-general brought forward ambitious proposals aimed at addressing the financial challenges faced by the UN on both the

peacekeeping budget and the regular budget in March 2019. On the regular budget, he put forward three main proposals:

- He proposed increasing the reserves available to him by raising the Working Capital Fund from $150 million to $350 million, replenishing the UN Special Account, and allowing him to retain end-year underspends. Together, these measures would provide the secretary-general with a greater cushion to manage future liquidity challenges.

- He proposed incentivizing member states to pay in a timely way by changing the threshold for how much a member state can owe in late payments before it loses its vote in the General Assembly. Under this proposal, if a member state’s arrears equal or exceed one year’s worth of contributions, the UN would use Article 19 of the UN Charter to revoke that member state’s ability to vote (see Box 2). This would incentivize the member states that habitually only pay enough to avoid Article 19 action to pay in a more timely way. However, this would have little impact on the US, as US arrears have not exceeded one year’s contributions in recent years.

- He proposed that the General Assembly limit its use of creative measures to decrease the size of the UN regular budget. Measures such as artificially inflated vacancy rates create perverse incentives for managers, such as by forcing them to keep positions unfilled and thereby endangering the delivery of mandates.

These proposals have secured only limited support from member states. Increasing the reserves available to the secretary-general would mean that countries that already pay their contributions to the UN on time and in full would be required to contribute more. Incentivizing member states to pay on time could also disproportionately impact smaller developing countries. Even without this change, countries that have faced Article 19 action

Figure 5. Evolution of regular budget cash reserves

---


in recent years have largely been small developing countries such as the Gambia, the Marshall Islands, and Papua New Guinea.\textsuperscript{26}

Notwithstanding these setbacks, the case for increasing reserves available to the secretary-general remains strong. The size of the Working Capital Fund has not kept pace with inflation or the growth of the regular budget. At the UN’s conception, the Working Capital Fund of $20 million was more than half the size of the regular budget, covering more than six months of net expenditure. However, it is now equivalent to one-twentieth of the regular budget, covering only three weeks of net expenditure, even following an increase from $100 million to $150 million in 2007. The other reserves available to the secretary-general have also diminished in both real and nominal terms (see Figure 5). The General Assembly has authorized the withdrawal of funds from the Special Account twice in the last decade to finance commitments in the regular budget and capital master plan, reducing the funds available.\textsuperscript{27} The General Assembly should revisit the issue of reserves in a comprehensive way.

**Alternative Approaches: Commercial Borrowing and Pooling of Cash Balances**

With member states reluctant to get behind the secretary-general’s proposals, the General Assembly may need to look at alternative approaches that have not previously been considered. One option would be for the General Assembly to authorize the secretary-general to borrow temporarily on a commercial basis, in effect opening an overdraft line of credit. Borrowing could be secured against future income but would only be sustainable if all member states supported the measure and committed to paying their arrears and any future interest payments.

Many other international organizations are able to borrow commercially, although not to fund their core operations. The European Commission, for example, can borrow from international capital markets to assist countries experiencing financial difficulties. It raises funds by issuing bonds on the international markets on behalf of the whole European Union. Since the EU enjoys a AAA credit rating, countries receiving assistance can benefit from a low interest rate.

However, the UN Secretariat, with its recent liquidity challenges and long history of member-state withholding, may find it expensive to raise funds on international capital markets, especially to fund its core operations. The experience the UN had in the 1960s is also instructive in this respect. In 1961, in the face of significant cash-flow challenges, the General Assembly authorized the secretary-general to issue $200 million in bonds at 2 percent interest.\textsuperscript{28} The face value of the bonds and interest accrued were subsequently paid over a twenty-five-year period, as set out in an annex to the authorizing resolution. Unfortunately, this approach led to a subsequent financial crisis as a number of member states withheld a portion of their assessed contributions to the regular budget in amounts proportional to their share of the repayment of the bonds.\textsuperscript{29} Over time, this led to an accumulation of significant withholding leading to cash-management challenges.

The General Assembly may have paved the way for an alternative option in July 2019 when it agreed to allow the Secretariat to manage the cash balances of all active peacekeeping operations as a pool while maintaining separate funds for each mission.\textsuperscript{30} Prior to this agreement, the cash in each peacekeeping mission was held separately, and each peacekeeping finance resolution clearly prohibited missions from borrowing cash from one another. This reform has already improved the management of cash held in peacekeeping missions.

---

\textsuperscript{26} UN General Assembly, Letter Dated 23 August 2019 from the Secretary-General Addressed to the President of the General Assembly, UN Doc. A/74/327, August 23, 2019.


\textsuperscript{28} UN General Assembly Resolution 1739 (December 20, 1961), UN Doc. A/RES/1739(XVI).


\textsuperscript{30} UN General Assembly Resolution 73/307 (July 11, 2019), UN Doc. A/RES/73/307.
and alleviated the liquidity problems faced by peacekeeping operations. This measure also appears to have helped speed up the rate at which the UN makes outstanding reimbursements to troop-contributing countries and cut the outstanding amounts it owed to member states from $215 million to $70 million by October 2019.\footnote{\textit{UN General Assembly, Financial Situation of the United Nations—Report of the Secretary-General}, UN Doc. A/74/501, October 14, 2019.} To date, this policy does not appear to have had any adverse impact on the ability of missions to implement their respective mandates.

Taking this successful reform a step further, the General Assembly could alleviate the liquidity challenge faced by the UN regular budget by pooling the cash balances of UN peacekeeping missions, the regular budget, and associated reserves. This could improve the liquidity of both the regular and peacekeeping budgets, as they have different budget cycles and therefore face liquidity challenges at different times of the year. Cash management is most difficult from April to July for the peacekeeping budget and from August to December for the regular budget.\footnote{The UN regular budget’s financial year runs from January to December while the peacekeeping budget’s financial year runs from July to June.} In early October 2019, for example, the cash available for peacekeeping operations totaled approximately $2 billion at the same time the UN regular budget faced a cash deficit of $386 million with no reserves in the Working Capital Fund or UN Special Account.\footnote{In the accounts of active missions, closed missions, and the Peacekeeping Reserve Fund.} Pooling the cash balances of UN peacekeeping missions and the regular budget could therefore allow the secretary-general to more effectively manage the cash balances in both the peacekeeping and the regular budgets and help mitigate the exhaustion of cash reserves. A proposal on this could be looked at alongside the budgets of peacekeeping missions in the May session of the Fifth Committee.

**Conclusion**

The liquidity challenges that the UN regular budget has faced in recent years continue to be a problem and will come back to the fore in the second half of 2020. The underlying causes of these challenges are the late payment and nonpayment of assessments by member states. The domestic dynamics that lead to late payment and nonpayment in countries like the US and Brazil will not change quickly, and the Covid-19 pandemic adds another layer of uncertainty. In the very short-term, the pandemic could improve the Secretariat’s liquidity as some spending slows down with meetings canceled and travel restricted. But by the end of the year, the situation may again deteriorate as member states divert resources toward mitigating the impact of Covid-19, leading to even bigger delays in member-state contributions. Therefore, member states cannot ignore the issue in the hope that it will resolve itself.

The secretary-general has already taken extraordinary steps to mitigate the impact of the liquidity crisis but there is a limit to what else he can do. The liquidity crisis has had a detrimental impact on the UN’s ability to deliver important mandates. Its biggest impact will ultimately be on the vulnerable populations served by the United Nations. The optimal solution for resolving the liquidity crisis is for all member states to pay their UN contributions in full and on time, but this is unlikely to happen. Member states therefore need to urgently consider what measures could help mitigate the crisis. They could start by taking another look at the proposals the secretary-general put forward in 2019 to increase the reserves available to him. Member states should also consider whether innovative approaches, such as giving the UN Secretariat access to commercial borrowing or pooling cash balances across the peacekeeping and regular budgets could offer a way forward. Member states should indicate their openness to reexamine the question of liquidity and request the secretary-general to bring forward new proposals as soon as possible.
The INTERNATIONAL PEACE INSTITUTE (IPI) is an independent, international not-for-profit think tank dedicated to managing risk and building resilience to promote peace, security, and sustainable development. To achieve its purpose, IPI employs a mix of policy research, strategic analysis, publishing, and convening. With staff from around the world and a broad range of academic fields, IPI has offices facing United Nations headquarters in New York and offices in Vienna and Manama.