

The Financing
of United Nations
Peacekeeping Operations

The Need for a
Sound Financial Basis

Susan R. Mills



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The Financing of United Nations Peacekeeping Operations

The Need for a Sound Financial Basis

The increased international attention which has been given since 1988 to the successes of United Nations peace-making and peace-keeping has served to focus attention as well on the grave financial situation of the United Nations. Not since the early 1960's, when peace-keeping operations precipitated a financial crisis for the United Nations, has the world community shown more than cursory interest in the financial stability of the United Nations.

Summary of Financing Methods

Contrary to the general perception, not all United Nations peace-keeping operations are financed by special arrangements separate and distinct from those of the Organization's ordinary expenses under its regular budget. In fact, of the seventeen peace-keeping operations initiated by the United Nations during its forty-four year history, six were or are being financed from the United Nations regular budget. If only for that reason - but there are other reasons as well - the Organization's capacity to maintain its peace-keeping operations is profoundly affected by the financial "health" of the United Nations in respect of the regular budget.

Two of the other eleven peace-keeping operations initiated by the United Nations over the past forty-four years, namely, the United Nations Yemen Observation Mission (UNYOM) and the United Nations Temporary Executive Authority/United Nations Security Force in West New Guinea (UNTEA/UNSF), were financed by the parties

most directly concerned. For UNYOM, the costs were borne by Egypt and Saudi Arabia, while the costs of UNTEA/UNSF were shared by Indonesia and the Netherlands. One peace-keeping operation, that is, the United Nations Force in Cyprus (UNFICYP), has been financed, since its inception in 1964, from voluntary contributions. The remaining eight peace-keeping operations were or are being financed by special assessments on all Member States.

Put another way, of the nine United Nations peace-keeping operations which are currently operational, three - the United Nations Truce Supervision Organization (UNTSO), the United Nations Military Observer Group in India and Pakistan (UNMOGIP) and the United Nations Good Offices Mission in Afghanistan and Pakistan (UNGOMAP) - are financed from the United Nations regular budget; one - UNFICYP - is financed, as indicated above, from voluntary contributions; and five - the United Nations Disengagement Observer Force (UNDOF), the United Nations Interim Force in Lebanon (UNIFIL), the United Nations Iran-Iraq Military Observer Group (UNIIMOG), the United Nations Angola Verification Mission (UNAVEM) and the United Nations Transitional Assistance Group (UNTAG) - are financed through special assessments.

The history of peace-keeping operations, with its interplay of financial and political considerations, as well as the basic legal arrangements for United Nations financial operations, serve to explain how and why this mixed system of financing peace-keeping operations has developed.

Legal Regime Governing Assessments

Article 17, paragraph 2, of the Charter of the United Nations provides: "The expenses of the Organization shall be borne by the Members as apportioned by the General

Assembly." The apportionment of expenses is normally made on the basis of a scale of assessments, approved by the General Assembly on the advice of the Committee on Contributions, a group of experts elected by the General Assembly. Each Member State is assessed on the basis of its capacity to pay, measured essentially on the basis of national income. Under the scale which applies to the period 1989-1990^{1/}, assessments range from one-one hundredth of one percent (0.01 per cent) for 79 Member States, to twenty-five percent (25 per cent) for the largest contributor, the United States.

Under the Financial Regulations and Rules of the United Nations, Member States have the legal obligation to pay their assessed contributions, whether for the regular budget or for peace-keeping operations assessed on a special basis, in full within thirty days of receipt of a letter from the Secretary-General informing them of the amount of their assessment. Throughout the Organization's history, however, most Member States have not fulfilled that legal obligation, either in terms of the completeness or the timeliness of their payments.

Article 19 of the Charter of the United Nations provides that a Member State 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. This is the only sanction which can be applied for failure to pay assessed contributions.

Over the years, this sanction has been applied from time to time to various Member States. The General Assembly has also chosen not to apply this sanction, by avoiding any votes at all (see discussion below). Experience has shown that the threat of the application of Article 19, or the actual use thereof, has not constituted an adequate incen-

tive to pay to those Member States who do not wish to do so.

First Peace-keeping Operations

UNTSO and UNMOGIP

The first United Nations peace-keeping operation to be established was UNTSO, created by decision of the Security Council in 1948. As the United Nations regular budget was, for all practical purposes, the only method in use at the time to finance the activities of the Organization, the General Assembly decided that provision for the costs of UNTSO should be made in the regular budget and thus should be shared among all Member States on the basis of the regular scale of assessments. The same approach was followed in 1949, when UNMOGIP was formally established.

No other United Nations peace-keeping operation was established until 1956. Even before that time, beginning in the early 1950's, the Secretary-General had been obliged to draw the attention of Member States (then totalling 78) to the fact that the Organization was encountering financial difficulties caused by the late payment of assessed contributions as well as the high level of unpaid contributions to the regular budget.

UNEF I

On 30 October 1956, when the Security Council was unable to agree on a call for a cease-fire between Egypt and Israel owing to vetoes by some permanent members of the Security Council, it transferred consideration of this matter to the General Assembly, in accordance with the procedure envisaged in General Assembly resolution 377(V) of 3 November 1950, the "Uniting for Peace" resolution. The first emergency session of the General Assembly was convened on 1 November 1956. On 4 November 1956, the General Assembly, in resolution 998 (ES-1), requested the

Secretary-General to submit, within 48 hours, a plan for the setting up of an emergency international United Nations Force.

A first report on the matter was submitted by the Secretary-General on the same day; on 6 November, he submitted a second and final report on the plan.^{2/} In that report, the Secretary-General indicated, *inter alia*, that the question of how the Force should be financed required further study, but he suggested the application, provisionally, of a basic rule that a State providing a Unit to the Force would be responsible for all costs of equipment and salaries, while all other costs should be financed by the United Nations outside its normal budget.

The Secretary-General did not give a reason for this proposal, but it may be inferred that the difficulties already encountered in collecting regular budget assessments might have led him to propose this arrangement. Another reason may have been the expectation that the eventual costs for this Force would be much higher than the costs previously experienced for other peace-keeping operations. In its resolution 1001 (ES-1) of 7 November 1956, the General Assembly, *inter alia*, provisionally approved the basic rule concerning the financing of UNEF, thus endorsing the proposal that such costs should be financed outside the regular budget.

The first emergency session of the General Assembly was closed on 10 November 1956 and was immediately followed by the eleventh regular session of the General Assembly. On 21 December 1956, by its resolution 1089(XI), the General Assembly decided that the expenses of UNEF, other than for such pay, equipment and supplies and services that Member States might supply without charge, would be borne by the United Nations and that such expenses, up to \$10 million, would be apportioned among all Member States on the basis of the regular scale of assessments for 1957.

Almost immediately, a number of Member States refused to pay their share of such assessed contributions, on the basis of what they characterized as positions of principle; the primary reason given by such Member States was that only the Security Council could authorize a peace-keeping operation. The practice of deliberately withholding assessed contributions is not envisaged in the United Nations Charter or in the Financial Regulations and Rules. It is, rather, in contravention of both.

The amounts that these Member States were called upon to pay, but refused to, were not large enough to precipitate an immediate cash crisis, nor to trigger the application of Article 19. Their action did, however, lead to the adoption, in February 1957, of General Assembly resolution 1090(XI), by which the General Assembly authorized commitments above the \$10 million already approved and invited voluntary contributions to cover the additional costs, thus postponing until later that year a decision on how to meet any costs over \$10 million which were not covered by such voluntary contributions.

These withholdings of assessed contributions also led to the beginning of a practice that has, unfortunately, continued to the present time - namely, delays in payment by the United Nations, because of lack of resources, of amounts which the Organization owes to troop-contributing countries.

ONUC

The first genuine cash crisis precipitated by peace-keeping operations started in 1960. On 14 July 1960, the Security Council, in its resolution 143 (1960), authorized the Secretary-General to take whatever steps were required to give the Government of the Congo military assistance. This constituted the authorizing resolution for the United Nations Force in the Congo (ONUC), the largest peace-keeping operation the United Nations has ever mounted to date.

Since the General Assembly was not in session, the Secretary-General immediately sought and obtained, under the annual resolution on unforeseen and extraordinary expenses, the concurrence of the Advisory Committee on Administrative and Budgetary Questions³⁷ to meet the costs of the Force, up to \$40 million, from the Working Capital Fund (then at a level of \$25 million) and then by borrowing from other funds in his custody, pending necessary action by the General Assembly in the autumn of 1960.

In October 1960, the Secretary-General submitted to the General Assembly budget estimates for ONUC for 1960, totalling \$66.6 million. The Secretary-General stated that he recognized the heavy burden that costs of this magnitude would place on Member States. He expressed the hope that Governments would accordingly make generous voluntary contributions to defray part of the costs and that other means would be found to mitigate the effect of additional assessments on those having the least capacity to pay.

An extensive debate on this matter took place in the General Assembly from November to December 1960, in the course of which a number of Member States stated that they would not contribute to any expenses of ONUC because its establishment ran counter to decisions of the Security Council and the General Assembly. There was also wide disagreement on how the costs of ONUC should be financed, ranging from those Member States which considered that the expenses should be included in the regular budget and apportioned on the usual scale of assessments, to those Member States which believed that the costs should be financed entirely from voluntary contributions. Some Member States proposed a number of different financing arrangements between these two opposing positions.

Ultimately, on 20 December 1960, the General Assembly adopted resolution 1583(XV) on the financing of ONUC, in which it decided that the costs of ONUC should

be met from an ad hoc account established outside the regular budget, and that the amounts appropriated for the costs of ONUC would be apportioned among all Member States on the basis of the scale of assessments. The resolution contained the proviso that voluntary contributions which had been received would be used to reduce by 50 per cent the assessments of those Member States assessed at the minimum (at that time, the minimum was 0.04 per cent), and then would be used to reduce the assessments of other Member States receiving technical assistance^{4/} from the United Nations, in increasing order on the scale of assessments until all voluntary contributions had been fully applied. (This variant had been applied in 1959 for the first time to the costs of UNEF.) In this resolution, the General Assembly specifically indicated that the expenses of ONUC constituted "expenses of the Organization" within the meaning of Article 17, paragraph 2, of the Charter and that these assessments were therefore a binding legal obligation on Member States to pay.

Notwithstanding this statement of principle, the Member States which had indicated they would not pay the expenses of ONUC did not pay their assessments. The legal and constitutional aspects of the issue were put to the test, when the General Assembly requested, received and accepted in 1962 an advisory opinion from the International Court of Justice, which held that the expenses of both UNEF and ONUC constituted "expenses of the Organization" within the meaning of the Charter. The Member States that had withheld their contributions still would not pay.

Indeed, beginning in 1960, Member States have overtly acknowledged many times that the financial problems of the United Nations are, in fact, only the symptoms of a political crisis. Though symptoms, they have nonetheless been real and acute.

The Bond Issue

At the end of 1961, having been warned by the Secretary-General that the Organization was facing imminent bankruptcy, the General Assembly found a temporary solution to the financial crisis precipitated by UNEF and ONUC. It authorized the Secretary-General to issue bonds, beginning in 1962, up to an amount of \$200 million, and to use the proceeds therefrom to cover the cash operating requirements of the Organization, essentially those of the peace-keeping operations.

Ultimately, only \$169 million of such bonds were actually sold. The interest and principal of the bonds have been repaid, over a twenty-five year period, beginning in 1963, by including provisions for that purpose in the regular budget of the United Nations.

The bond issue, in turn, precipitated a new kind of financial crisis for the Organization. A number of Member States, including but not limited to those which had refused to pay their assessed contributions for the UNEF and ONUC peace-keeping operations, began also to withhold a portion of their assessed contributions to the regular budget, in amounts which they considered represented their proportionate share of the repayment of the bond issue. The Member States concerned also characterized these withholdings as "withholdings on the basis of positions of principle." While initially, the amounts so withheld were cumulatively relatively small, over the years such withholdings (together with withholdings of amounts for other activities to which certain Member States have objected) led to a substantial shortfall in the payment of assessed contributions under the regular budget as well.

The Article 19 Crisis

By 1964, the total withholdings of the Union of Soviet Socialist Republics, in respect of both the regular budget

and specially assessed peace-keeping operations, had exceeded the equivalent of two years' assessed contributions; accordingly, the provisions of Article 19 should have been applied. When the nineteenth session of the General Assembly convened in September 1964, it became apparent that the membership was unwilling to risk "the ultimate confrontation."

As a result, it was decided, by a "gentlemen's agreement," that the General Assembly would transact no business that would require putting a question to a vote. Among the many consequences of this decision was that no scale of assessments for the following year was adopted; it was also not possible to approve either a regular budget for 1965 or a budget for UNEF (ONUC having been phased out in 1964). The General Assembly did, however, adopt a decision by consensus to the effect that the financial difficulties of the Organization should be solved through voluntary contributions by Member States.

Coping With The Cash Shortfall

The Working Capital Fund is a mechanism to enable the Secretary-General to meet operating expenses under the regular budget until sufficient assessed contributions have been received. The Working Capital Fund is designed as a form of cash reserve to enable the Secretary-General to meet the Organization's day-to-day expenditure obligations. The Working Capital Fund is also intended to be used to meet unforeseen and extraordinary expenses, such as those for peace-making or peace-keeping operations for which provision has not previously been made, until such time as the General Assembly can convene and decide how such expenses should be met. Over the years, the Working Capital Fund has been increased, from some \$20 million in 1947, to its present authorized level of \$100 million, to which it was raised in 1982.

The Special Account is another mechanism that has been used to cover the cash shortfall. In 1965 and again in 1972, the General Assembly requested the Secretary-General to establish a Special Account, into which Member States were encouraged to make voluntary contributions "so that the future may be faced with renewed hope and confidence,"^{5/} such contributions to be used for "clearing up the past financial difficulties of the United Nations and especially for resolving the short-term deficit of the United Nations."^{6/} These euphemistic descriptions mean, in plain language, that the Special Account was intended to allow those Member States which had withheld their assessed contributions to peace-keeping operations to maintain their positions of principle but, at the same time, to make voluntary contributions which could be used to meet some of the expenses incurred for assessed peace-keeping operations which otherwise could not be paid.

Initially, a number of Member States made substantial contributions to the Special Account, a portion of which was used to finance the costs of UNEF in 1965. Although the General Assembly has appealed annually since 1965 to Member States to make voluntary contributions to this account, no substantial contributions were received between 1974 and 1982. In 1982, however, China contributed \$5 million and in 1986 the Union of Soviet Socialist Republics made a contribution of \$10 million to this account. Over the years, the interest accumulating on the contributions received has allowed the resources in the Special Account to grow to some \$122 million by 30 June 1989.

The cash flow difficulties of the United Nations over the same period have obliged the Secretary-General to use this Special Account as if it were an additional Working Capital Fund, a purpose for which it was not intended. Using both the Special Account and the Working Capital Fund together as reserves, the Organization has just barely managed to meet its day-to-day cash commitments in the

face of extremely high levels of unpaid assessed contributions.

Member States Search For Solutions

From 1956 to the present day, Member States have attempted, largely without success, to reach a consensus on the issue of how expenses for peace-keeping should be met and apportioned. When debates in the General Assembly have failed to produce agreement, the General Assembly has periodically established committees or working groups to study all aspects of the issue. None of these groups has ever reached a genuine consensus, but at varying times, when a large measure of agreement was reached among most of the membership of the Organization, particular approaches have been adopted, at least for a while.

One approach, adopted for the very first peace-keeping operations in the late 1940's, for three other small peace-keeping operations conducted in the 1950's and 1960's, and adopted once more in 1988 for UNGOMAP, has been to include the costs of the particular operation in the regular budget of the United Nations and to apportion the costs among all Member States on the basis of the regular scale of assessments.

A second approach, used initially for UNEF I, was to meet the costs outside the regular budget but to apportion the costs on the regular scale of assessments.

A third approach, used at a later stage for UNEF I and then for ONUC, was to meet the costs outside the regular budget, to apportion a part of the costs on the regular scale of assessments, and then to apportion the remainder on a sliding scale which reduced the assessments on some Member States (generally the less developed), the difference to be made up by voluntary contributions from other Member States. One variant of this approach, used from the mid-1960's on, was to make up the reductions given to less

developed countries by additional assessments on economically more developed Member States. Still another variation was to meet part of the costs directly from other special measures, i.e., voluntary contributions or the bond issue, used for UNEFI and ONUC, and the Special Account, used for UNEF I.

A fourth approach, which has been used only once, for UNFICYP, was to decide that all costs should be met from voluntary contributions. At the time this decision was taken (1964), no other avenue may have seemed capable of commanding support. The difficulties inherent in ensuring continued operations on such an uncertain financial basis are, with the benefit of experience, now so widely understood that this type of approach is unlikely to be used another time.

In 1973, after more than 15 years of inconclusive debate in special committees and in the General Assembly on a wide range of criteria that might be brought to bear in meeting and apportioning the costs of peace-keeping operations, the General Assembly adopted a resolution on the financing of UNEF II, which has been the model followed, in its essential features, for financing all peace-keeping operations established thereafter except UNGOMAP.

General Assembly resolution 3101 (XXVIII) of 11 December 1973 requested the Secretary-General to set up a special account outside the regular budget to cover the costs of the Force. The General Assembly appropriated the full amount required for the operation of the Force and apportioned the total among Member States as follows. The 135 Member States then constituting the membership of the United Nations were divided into four groups: A) the States permanent members of the Security Council; B) economically developed Member States which are not permanent members of the Security Council; C) economically less developed Member States; and D) economically less developed Member States which were specifically

named. (By enumerating which Member States would constitute Groups B and D, the General Assembly also defined by exclusion which Member States would constitute Group C).

The General Assembly also decided that: (i) 63.15 per cent of the total appropriated (which was expressed as a total dollar amount) should be apportioned among the five permanent members of the Security Council (Group A) in proportions determined by the regular scale of assessments then applicable; (ii) 34.78 per cent of the total appropriated should be apportioned among the 23 economically developed Member States not permanent members of the Security Council (Group B) in proportions determined by the scale of assessments; (iii) 2.02 per cent of the total cost should be apportioned, in proportions determined by the scale of assessments, among the 82 Member States characterized as economically less developed (Group C); and (iv) 0.05 per cent should be proportionally apportioned among 25 specifically named least economically developed Member States (Group D).⁷⁷

Over the years since 1973, the relative shares of the total costs has shifted a bit among the four groups, but overall, these basic arrangements remain. Using the current membership of the United Nations and the assessments for UNTAG as an example, the proportions are as follows:

Group A	(5 Member States):	57.69 per cent
Group B	(22 Member States):	39.67 per cent
Group C	(85 Member States):	02.59 per cent
Group D	(47 Member States):	00.05 per cent

The proportions of the total peace-keeping costs currently assigned to each of the four groups are compared in the table below with the proportions of regular budget assessments (comparable data at the time of the first UNEF II assessment are given in parentheses):

	<u>Peace-Keeping</u> <u>(per cent of total)</u>	<u>Regular Budget</u> <u>(per cent of total)</u>
Group A	57.69 (63.15)	46.89 (54.64)
Group B	39.67 (34.78)	39.67 (34.78)
Group C	02.59 (02.02)	12.96 (10.08)
Group D	00.05 (00.05)	00.48 (00.50)

The significant differences in the apportionment of costs is due to several factors. The first is that the methodology by which the General Assembly divides the total cost of peace-keeping operations among the four groups is consciously designed to produce a substantial reduction in the dollar amounts to be borne by the less and least economically developed Member States. Thus, even though the number of Member States in Group D has virtually doubled since 1973, the part of peace-keeping costs to be shared by that group has been maintained at 0.05 per cent. Another factor is that some Member States which have been characterized by the General Assembly as "economically less developed" for the purposes of special peace-keeping assessments, may actually have a greater "capacity to pay" when the relatively more objective criteria utilized by the Committee on Contributions to establish the scale of assessments are applied.

The table contained in the Annex shows, in descending order, the thirty Member States which pay the largest percentage assessments to the regular budget. It also shows the percentage share of total costs paid by the same Member States for specially assessed peace-keeping operations and the group to which they are assigned for that purpose. From that table it can be seen that:

- (a) The five permanent members of the Security Council pay a higher percentage share, in some cases, a significantly higher share, of peace-keeping costs than of regular budget costs;

- (b) Of the 22 Member States considered by the General Assembly as "economically developed" for the purposes of sharing peace-keeping costs, only 17 are among the top 30 contributors to the regular budget;
- (c) In contrast, eight Member States are among the top 30 contributors to the regular budget of the United Nations, yet are deemed to be "less economically developed" in the context of special assessments for peace-keeping. For these Member States, the application of this arrangement significantly reduces, that is, by 80 per cent, the percentage of peace-keeping costs they are called upon to carry.

Current Financial Status of Peace-keeping Operations

As indicated above, three current peace-keeping operations are financed under the regular budget of the United Nations. Since 1985, for reasons mostly unrelated to peace-keeping operations, the United Nations has been coping with a financial crisis of unprecedented dimensions with respect to the regular budget, a crisis which has forced the Secretary-General to implement drastic economy measures to avert bankruptcy. Although no programme financed from the regular budget has been immune from the effects of these economy measures, every effort has been made to reduce their impact on the peace-keeping operations so financed.

The financial status of the peace-keeping operations financed from special assessments has also continued to be precarious. The level of unpaid assessments, whether due to "withholdings on the basis of positions of principle" or

otherwise, remains extremely high, as shown in the table below:

	Cumulative Assessments through Current Mandate	Outstanding Contributions as of 30 June 1989	Percentage of Contributions Unpaid
	(millions of US dollars)		
UNEF/UNDOF ^{a/}	878.8	58.6	6.7
UNIFIL ^{b/}	2,251.3	304.6	13.5
UNIIMOG ^{c/}	114.8	33.9	29.5
UNAVEM ^{d/}	9.0	4.7	52.2
UNTAG ^{e/}	409.6	252.2	61.6

a/ Assessments through 30 November 1989.

b/ Assessments through 31 July 1989.

c/ Assessments through 30 September 1989.

d/ Assessments through 2 January 1990.

e/ Assessments through 31 March 1990.

In this connection, it should be noted many of the Member States which had withheld contributions to the regular budget and to peace-keeping operations have shifted their positions since 1973 and have paid up amounts previously withheld, some in full and others in significant part.

The decision to pay past withholdings and arrears which has attracted the most publicity has been that of the Union of Soviet Socialist Republics, which announced in April 1986 that it would begin to pay its current peace-keeping assessments in full and would take steps to liquidate its arrears, both for specially assessed peace-keeping operations and for the regular budget, over the next few years.

Since that announcement, the USSR has reduced the level of its arrears under current peace-keeping operations^{8/} from some \$164.5 million at the end of 1985, to \$151.4 million, as of December 1988; at 30 June 1989, the USSR arrears (that is, unpaid assessments for prior mandate periods) for peace-keeping operations totalled \$139 million and its unpaid current assessments for such opera-

tions, including UNAVEM and UNTAG (both established in 1989), totalled \$65.6 million. At the same time, the USSR has also reduced its arrears under the regular budget from some \$40.8 million at the end of 1985 to \$7.2 million at 31 December 1988. At 30 June 1989, the USSR had not yet paid some \$44.5 million of its 1989 assessment for the regular budget. It is expected, however, that by the end of 1989 or shortly thereafter, the USSR will have no outstanding contributions to the regular budget and will have reduced further its arrears for peace-keeping.

Over the same period, that is, since late 1985, the United States, which is assessed at the highest rate for the regular budget and for specially assessed peace-keeping operations, has fallen significantly behind in its payment of assessed contributions to both. At the end of 1985, United States unpaid contributions to UNEF/UNDOF and to UNIFIL totalled only \$31,514. At 31 December 1988, United States unpaid assessments for those operations totalled \$83.2 million and for UNIIMOG, \$10.9 million. By 30 June 1989, United States unpaid assessments for those three operations totalled \$126.3 million, and for UNAVEM and UNTAG, an additional \$105.8 million remained unpaid. United States outstanding contributions for the regular budget, which had been minimal prior to 1985, rose from \$85.5 million at the end of 1985 to \$307.7 million by 31 December 1988, and to \$495.1 million by 30 June 1989. These shortfalls, particularly for the regular budget, are far greater than the previously outstanding contributions that have been paid by other Member States.

On average, some 42 per cent of the budget of each specially assessed peace-keeping operation is devoted to operating costs (the costs of civilian personnel, housing and rations for troops, etc.) and the other 58 per cent represents the reimbursements to be made to governments for the troops and equipment they supply to the operation. As mentioned earlier, peace-keeping operations financed from

special assessments are able to continue in spite of very high levels of unpaid contributions only through the forbearance of the countries to whom the Organization owes reimbursements. In other words, the troop-contributing countries have been willing to wait for the moneys owed to them, which the United Nations pays as and when enough contributions are received for each operation. With the rising level of unpaid assessed contributions for current peace-keeping operations (from a total of some \$262.1 million at the end of 1985 to some \$355.2 million at 31 December 1988, to some \$654 million at 30 June 1989),^{9/} the patience of troop-contributing countries may be tried even more in the future.

Total unpaid assessed contributions to the regular budget have increased from \$242.4 million at the end of 1985 to \$394.9 million in December 1988, and to \$745.4 million at 30 June 1989. In contrast to the situation for specially assessed peace-keeping operations, shortfalls in payment of regular budget assessments result in an immediate cash shortage in respect of the United Nations day-to-day operating requirements, since most of the regular budget is devoted to payroll and payment to vendors. It is for this reason that the United Nations has been obliged to use the Working Capital Fund and the Special Account as cash reserves. By so doing, the Organization has been able to avoid bankruptcy so far - but just barely.

Thus, just as the United Nations is being called upon to assume new and expanded roles in peace-making and peace-keeping, its very viability - not to mention its capacity to fulfil its roles in relation to peace - is seriously jeopardized - once again.

Issues Currently Under Debate in the General Assembly

During the forty-third session of the General Assembly (which was suspended near the end of December 1988 but resumed in February 1989), Member States began to grapple with a number of issues which directly concern the financial aspects of peace-keeping operations. As indicated below, the debate at the forty-third session of the General Assembly was not conclusive and these issues will be examined again during the General Assembly's forty-fourth session. To date, it is still not certain whether agreements will be reached on these issues at that time - and whether any such agreements will constitute solutions or merely palliatives.

The General Assembly debate, while focusing at first primarily on the financing of UNIIMOG and UNGOMAP, was initiated in a wider context, in full awareness of: (a) the problems of past operations which are outlined above; (b) the imminent launching of a new operation in Namibia that, in scope and cost, was expected to exceed any operation undertaken previously; (c) the possibilities of new operations in Cambodia and the Western Sahara, perhaps in 1989; and (d) lastly, but of overriding concern, the precariousness of the financial situation of the United Nations overall.

Five of the many issues discussed deserve particular mention. The first of these is the question of voluntary contributions of goods and services, also referred to as "contributions in kind." Throughout the Organization's history, a number of Member States have made contributions in kind to peace-keeping operations. Virtually every peace-keeping operation has benefited from such contributions. Most often, such contributions have consisted of major equipment (e.g., medical equipment and supplies, ground transport equipment and the use of aircraft) or of services

(e.g., airlifting of troops and equipment to the site of the peace-keeping operation). Contributions in kind have normally been made by Member States at the very beginning of an operation and have therefore been taken into account before the budget for a peace-keeping operation was developed and submitted to the General Assembly for approval. Contributions in kind have thus been excluded from the costs to be apportioned among Member States and have constituted, in real terms, additional resources provided to the operation.

Some Member States are now proposing that contributions in kind be accepted not as additional resources but as offsets to the assessments of the Member State making the contribution, or as an element to reduce the budget of the particular peace-keeping operation. Such a proposal raises both political and financial problems. Among the political aspects are whether the specific contribution (equipment, supplies or services) would be suitable for the particular operation or acceptable to the countries which are the focus of the peace-keeping operation. Among the financial problems, one is the method of valuing the contribution in kind (if it is an item for which it is difficult to make market comparisons). Another is the question of how, if this approach were to be widely used, adequate cash would be obtained to meet the other costs of the peace-keeping operation.

A second issue, related to the first, is that of voluntary contributions in cash. The use of voluntary contributions in cash to cover part of the costs of a peace-keeping operation, in lieu of assessments on Member States, was abandoned after UNEF I and ONUC (see above). Beginning in 1973 with UNEF II, voluntary contributions in cash have been invited by the General Assembly, on the understanding that they are to be treated as advances to provide working capital to meet the start-up costs and cash flow variances of a particular peace-keeping operation until sufficient assessed

contributions are received to maintain the operation. At that time they are repaid to the donor(s).

Proposals are now being made by some Member States that voluntary contributions in cash be used to reduce the costs of the operation to be assessed on all Member States. As with contributions in kind, these proposals raise political as well as financial problems. The political problem is that such an approach would tend to weaken the principle, now generally accepted after many difficult years, that the entire membership of the United Nations has the collective responsibility to share the costs of peace-keeping operations. Among the financial problems is the fact that so long as a significant portion of assessed contributions for peace-keeping remain unpaid, the cash shortfall will continue to threaten the Organization's capacity to carry out the operation. Reducing the overall assessment on Member States by treating voluntary contributions as income may actually exacerbate the cash shortfall, if it leads some Member States to conclude that the timely and full payment of their assessed contributions is no longer essential for the financial viability of peace-keeping operations.

This leads to a third issue, namely, the absence of cash reserves for peace-keeping operations. Unlike the Working Capital Fund, which has been formally established by the General Assembly to serve as a cash reserve for the regular budget, there is no officially sanctioned mechanism to serve the same function for peace-keeping operations in general. The Working Capital Fund may be used, as described above, to meet very early expenses of a new peace-keeping operation until the General Assembly can decide how the costs can be met. But this constitutes a very limited resource. Similarly, it has become the practice since UNEF II, as indicated above, to appeal for voluntary contributions as cash advances for each new peace-keeping operation. Additionally, by suspending the application of certain Financial Regulations for UNDOF and UNIFIL,

the General Assembly has enabled some cash to be retained, temporarily, that would otherwise be returned to Member States (and must be eventually).

None of these mechanisms provides, however, a satisfactory solution for two problems: (a) adequate cash to meet substantial start-up costs for a large peace-keeping operation before the General Assembly can authorize assessments and Member States pay them in sufficient amounts; and (b) adequate cash to meet significant shortfalls when such assessed contributions are paid with substantial delays or not at all. Given the precarious cash situation of the regular budget, its resources do not constitute the reserve or buffer required. While Member States have increasingly come to recognize that this is a major problem, it is not certain that they are ready to address it and solve it.

Over the years, most Member States seem to have accepted the second problem as almost inevitable, namely, that assessed contributions for peace-keeping operations will be paid with substantial delays or not at all, thus creating significant cash shortfalls. As outlined above, it is the troop-contributing Member States which are forced to bear the effects of such shortfalls.

With the explosion of new peace-keeping operations since 1988, and most particularly in the case of UNTAG, there has been increasing recognition by Member States of the other problem, namely, the need for adequate cash to meet substantial start-up costs for a large peace-keeping operation before the General Assembly has authorized assessments. The UNTAG operation, which required especially heavy start-up costs, focused particular attention on this issue because the protracted debate in the General Assembly substantially delayed adoption of the assessment resolution.

To alleviate this problem of cash for start-up costs, pending the adoption by the General Assembly of a solu-

tion, some Member States have made advance payments of their estimated assessments, while a few others have made voluntary contributions. But neither approach can constitute an effective substitute for adequate cash reserves for peace-keeping operations.

A fourth issue which was discussed during the forty-third session of the General Assembly is the composition of the existing groups of Member States for the apportionment of the costs of peace-keeping operations financed through assessed contributions. As described above, the basic approach adopted in 1973 for UNEF II after many years of debate and experimentation has continued essentially unchanged since that time. Some of the anomalies in the system which were outlined above, although recognized, have not been challenged for fear of upsetting a delicate political compromise. As the number and the costs of peace-keeping operations increase, however, some Member States are no longer willing to remain silent.

The four issues summarized above were among those which the General Assembly, at its forty-third session, decided to defer to its forty-fourth session. In the resolution which it adopted on the financing of UNIIMOG,^{10/} the General Assembly requested the Secretary-General to undertake a number of studies on these and related questions, to be submitted to the General Assembly at its forty-fourth session. It remains to be seen whether the General Assembly will come to definitive conclusions on these matters at that session.

A fifth issue - equally unlikely to be resolved by the General Assembly in the near future - is the relationship of the United Nations regular budget to peace-keeping operations. Apart from the direct costs of the three peace-keeping operations financed from the regular budget, many indirect costs for specially assessed peace-keeping operations are met from the regular budget. Such indirect costs include, *inter alia*, the infrastructure of the Secretariat

which oversees the political and military aspects of peace-keeping operations; the political offices engaged in the peace-making operations which precede, and frequently also accompany, peace-keeping operations; as well as the wide range of administrative activities (financial, personnel, logistical) which are required in support of such operations.

Until very recently, no effort was made to attempt to quantify all these indirect costs. However, pressure to do so is mounting because of the keen attention focused on the level of the regular budget, accompanied by strong pressure to reduce that level, as well as the awareness that since 1988, United Nations peace-keeping operations have once more begun to grow in number and size after some ten to fifteen years of relative stability. How to meet these dramatically increasing requirements for the support of peace-keeping operations in the light of current regular budget resources and of demands to reduce them, is a question that must also be faced. In this area, too, the outcome cannot be predicted. But in confronting this issue, Member States--and those who determine their policies--should recognize that while peace-keeping may be expensive, war is much more costly in human as well as financial terms.

* * *

In summary, United Nations peace-keeping operations are growing in number and importance. Member States have yet to agree, however, on how to meet the costs of these activities without provoking repeated financial crises. Until and unless agreement is reached and all parties unreservedly abide by such an agreement, United Nations peace-keeping will continue to be placed in jeopardy.

NOTES

- 1/ A new scale of assessments for 1989 through 1991, was adopted by the General Assembly at its forty-third session in December 1988 (General Assembly resolution 43/223 of 21 December 1988).
- 2/ A/3302.
- 3/ An expert group elected by the General Assembly to provide advice to it on administrative and budgetary issues.
- 4/ That is, development assistance.
- 5/ General Assembly resolution 2053(XX) of 15 December 1965.
- 6/ General Assembly resolution 3049 A(XXVII) of 19 December 1972.
- 7/ In introducing the draft resolution that ultimately became General Assembly resolution 3101(XXVIII) on behalf of the Member States which sponsored it, the representative of Brazil stated that the intent of the sponsors, in establishing the total amounts assigned to each group, was to ensure that the vast majority of Member States would receive a more favourable treatment with regard to their share in the financing of the Force than they did under the scale of assessments for the regular budget. The methodology was intended to produce the following results: the Member States in Group D would pay 10 per cent of the assessment rate they paid for the regular budget; the Member States in Group C would pay 20 per cent of their assessment rate for the regular budget; those in Group B would pay the same rate--i.e., 100 per cent--as their regular budget assessment; and the Member States in Group A would pay 100 per cent of their regular budget assessment rate plus the amounts not otherwise apportioned.

- 8/ Excluding unpaid assessed contributions for UNEF I and ONUC.
- 9/ These figures exclude unpaid assessed contributions for UNEF I and ONUC.
- 10/ General Assembly resolution 43/230 of 21 December 1988.

Annex

The Thirty Main Contributors to the United Nations Regular Budget

Listed by Size of Contribution

<u>Member State</u>	<u>Regular Budget Assessment*</u> (per cent)	<u>Peacekeeping Assessment</u> (per cent)	<u>Group</u>
United States of America	25.00	30.76	A
Japan	11.38	11.38	B
Union of Soviet Socialist Republics	9.99	12.29	A
Germany, Federal Republic of	8.08	8.08	B
France	6.25	7.69	A
United Kingdom of Great Britain and Northern Ireland	4.86	5.98	A
Italy	3.99	3.99	B
Canada	3.09	3.09	B
Spain	1.95	0.39	C
Netherlands	1.65	1.65	B
Australia	1.57	1.57	B
Brazil	1.45	0.29	C
German Democratic Republic	1.28	1.28	B
Ukrainian Soviet Socialist Republic	1.25	1.25	B
Sweden	1.21	1.21	B
Belgium	1.17	1.17	B
Saudi Arabia	1.02	0.20	C
Mexico	0.94	0.19	C
China	0.79	0.97	A
Austria	0.74	0.74	B
Denmark	0.69	0.69	B
Iran (Islamic Republic of)	0.69	0.14	C
Czechoslovakia	0.66	0.66	B
Argentina	0.66	0.13	C
Venezuela	0.57	0.11	C

<u>Member State</u>	<u>Regular Budget Assessment*</u> (per cent)	<u>Peacekeeping Assessment</u> (per cent)	<u>Group</u>
Poland	0.56	0.56	B
Norway	0.55	0.55	B
Finland	0.51	0.51	B
Yugoslavia	0.46	0.09	C
South Africa	0.45	0.45	B
Sub-total	93.46	98.06	
Other	6.54	1.94	
Total	100.00	100.00	

* Scale of assessment for 1989-1991.

About the Author

Susan R. Mills, Deputy Controller and Director, Financial Management and Control Division, Office of Programme Planning, Budget and Finance, joined the United Nations in 1963.

Ms. Mills, a citizen of the United States of America, holds a Bachelor of Arts degree with honors in English literature from the College of Arts and Sciences of Cornell University, as well as a Master of Arts in International Relations with honors from the School of Advanced International Studies of Johns Hopkins University.

From 1963 to 1969, Ms. Mills served in the financial department then known as the Office of the Controller, first as a Policy Co-ordination Officer and subsequently, as a Budget Officer.

Between 1969 and 1984, Ms. Mills served as Management Officer in the Administrative Management Service of the Department of Administration and Management. During this period, she was responsible for conducting management reviews of a wide range of the Organization's operations, both at Headquarters and at many duty stations around the world.

From late 1984 until March 1987, when she became Deputy Controller, Ms. Mills was Chief of the Financial Management and Control Systems Unit of the Office of Financial Services. In this capacity, she and her staff were responsible, among other things, for monitoring and developing the United Nations' financial management policies and systems, at Headquarters and at offices away from Headquarters, in order to enhance the efficiency and effectiveness of the Organization's financial operations.

As Deputy Controller, Ms. Mills shares with the Controller, who is also the Assistant Secretary-General for Programme Planning, Budget and Finance, the responsibility for the management of the operations of the Office of Programme Planning, Budget and Finance. The Financial Management and Control Division, of which Ms. Mills is the head, includes the unit responsible for the financial aspects of the United Nations peace-keeping operations.

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