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Financing the United Nations

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Introduction

Global problems and crises require global management, a task that the United Nations (UN) undertakes. However, it is an undertaking that also requires the necessary funding.

Financing of the UN is a highly political issue. The key points in the delicate debate are the scale of assessments for each member state, the UN budget and perceived managerial inefficiency. It is a debate about the general fairness of sharing the financial burdens and maintaining an equal power division while being independent of national interests. It is also the debate about the UN itself, its demand for reforms and its importance within the international arena.

The UN Finance System

The financing system of the UN is based on mandatory and voluntary contributions of its 192 member states. The assessed, mandatory contributions apply basically to the regular budget and the peacekeeping operations and only in a small share to the International Tribunals and Capital Master Plan¹, while the voluntary contributions apply to the different UN funds and programs. Only the UN specialized agencies have a mixed funding of assessed and voluntary contributions. Each member state's capacity to pay is the basic principle for the assessed contributions. However, the voluntary contributions have no guidelines and limits. The complete UN funding system currently covers approximately US\$ 26 billion of the estimated total annual expenses of the UN including all the various bodies, agencies, programs and funds worldwide. It is a funding system whose budget is financed in bigger parts by voluntary contributions.

Assessed Contributions to the Regular Budget

The regular budget of the UN is assessed with US\$ 4.9 billion for the current two-year-period of 2008/2009 after a recently approved readjustment in December 2008. The budget covers the activities, infrastructure and staff of the UN headquarters. As mentioned above, the regular budget is financed by the assessed contributions of each member state. The individual calculated percentage is determined every three years by the General Assembly and its 5th Committee (Administrative

and Budgetary). The rate is based on the country's gross national income average of the last three to six years and is calculated according to particular national debt, per capita income and currency fluctuation. The ceiling rate is fixed at 22 %, which is met only by the United States as the biggest donor to the UN budget. The floor rate and minimum due is 0.001 % on the UN budget, which applies to the poorest countries. The top donors besides the United States are Japan, Germany, the United Kingdom, France, Italy, Canada, China, Spain, Mexico, Australia and Brazil.

The regular budget is adopted for a two-year-period by the General Assembly and its 5th Committee on the recommendations of the Advisory Committee on Administrative and Budgetary Questions. The adoption of the budget is based on consensus. Nevertheless, in December 2007 the United States was the only country to vote against the 2008/2009 budget. This was the first time that the regular budget was not adopted by consensus.

Assessed Contributions to Peacekeeping Operations

The budget for peacekeeping operations for the present one-year-period (01 July 2008 – 30 June 2009) is estimated to be US\$ 7.1 billion. This budget currently covers 18 peacekeeping operations directed and supported by the Department of Peacekeeping Operations with some 89,000 uniformed personnel. All missions are approved by the UN Security Council.

As well as the contributions to the regular budget, the contributions to peacekeeping operations are mandatory. The poorest countries have an effective rate of 0.0001% of the budget of peacekeeping operations. The other developing countries pay 20% of their mandatory contribution. The industrialized countries pay the same contribution rate as they do to the regular budget. Only the five permanent members of the Security Council have an additional burden on top of their normal contribution rate, which underlines their special responsibility as permanent members and compensates for the lower dues from the developing countries.

Voluntary and Assessed Contributions to UN Specialized Agencies

The 17 Specialized Agencies of the UN are discrete organizations with an independent legal and financial status, membership and staff. They are closely linked

¹ Renovation of the UN headquarters in New York; see FES Fact Sheet October 2008: The Capital Master Plan to Renovate the UN Headquarters

with the UN through agreements. In 2007, the specialized agencies worked with a total budget of US\$ 5.5 billion, of which US\$ 3.3 billion were covered by voluntary contributions. Beneficiaries of this money are, among others, the Food and Agriculture Organization (FAO), the International Labour Organization (ILO) and the World Health Organization (WHO). The exception is the Bretton Woods Institutions, which have a different funding system.

Voluntary Contributions to UN Programs and Funds

Activities of UN Programs and Funds are financed by voluntary contributions. The expenditures on UN Programs and Funds were calculated in 2007 with US\$ 12.3 billion. This budget covers, for instance, the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF) and the World Food Programme (WFP).

Financing as a Political Issue

With a total of US\$ 17.8 billion in 2007, the UN programs, funds and specialized agencies required a much bigger budget than the regular budget which was in the same year US\$ 2.1 billion. Since the funding of these institutions are mostly based on voluntary contributions, each nation is in a position to influence the focus of the UN's work significantly. National contributions can turn into a tool for international political leverage. Another considerable factor is the fluctuations of these voluntary contributions. Since no fixed shares and commitments exist, contributions can vary decisively. The individual programs, funds and agencies have to deal with insecurities in their financial planning. The short-term funding contradicts the long-term approach for development.

Financial Crisis of the UN

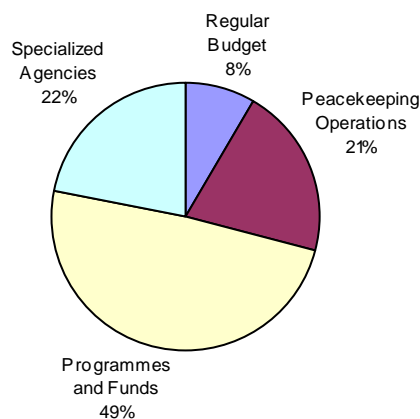
The UN has already faced several severe financial crises, especially due to late or denied payments by the member countries. However, managerial efficiency also presents problems in the funding, as particular national budget resolutions disagree with the UN payment date. In December 2008, 59 member states still owed US\$ 3.4 billion to the UN for the current year, which includes unpaid assessments for the Regular Budget, the Peacekeeping Operations, the International Tribunals and the Capital Master Plan. The biggest debtor is the United States, which accounts for 94% of the debt on the regular budget and more than 40% of the total debt. The arrears jeopardize the work of the UN. Urgent Peacekeeping Operations as well as day-to-day business have to deal with major difficulties. In part, the shortage and stopgap cross-borrowing of money exacerbate existing inefficiencies.

While some member states do not pay because of financial problems, other members, in particular the United States, do not pay for political reasons. Trust between the member states and the trust within the working committees is strained. Often it has been called not a financial but a political crisis.

Issues Ahead

- The development of the total UN budget is critical. While the regular budget remains almost stable in real terms, the expenses for Peacekeeping Operations and UN Programmes and Funds increased dramatically. In addition, the gap between the initial appropriation and the de facto expenditures is increasing as well.
- The reform of the financial architecture of the UN is imminent, since only five member states finance more than 50% of the whole UN budget, and arrears put the UN at risk. Some proposals envision a burden-sharing concept by lowering the ceiling rate up to 10% with small increases for other member states. This concept would also limit the political influence of big donor countries and increase political leverage of other smaller donors. Other proposals suggest a global tax, which may apply to energy fuel, carbon emissions and currency transactions as well as others. This proposal would further be an additional instrument for shaping policy, for instance, on climate change and global financial structures.
- While the number of total UN mandates surpasses 9000, financial engagement of its member states is decreasing. This development is alarming. A review of the mandates is pending but is constantly postponed due to major difficulties in finding compromises among the member states on this issue.
- The 5th Committee will revise the scale of assessment in summer 2009. This revision will be difficult, as it has to deal especially with the global economic crisis and the demand for a more equal assessment system.

Pie Chart 1: Total UN Budget (2007) - Distribution²



Sources:

- The Global Policy Forum
<http://www.globalpolicy.org/finance/>
- UN Peacekeeping
<http://www.un.org/Depts/dpko/dpko/>
- Fifth Committee
<http://www.un.org/qa/fifth63/fin-pres08.pdf>
- Reform the UN
<http://www.reformtheun.org>

² Calculations by the author (Total UN Budget 2007: US\$ 25 billion - Regular Budget: US\$ 2.1 billion; Peacekeeping Operations: US\$ 5.1 billion; Specialized Agencies: US\$ 5.5 billion; Programmes and Funds: US\$ 12.3 billion).