

# CRS Report for Congress

## U.N. Regular Budget Funding: Issues for Congress

Vita Bite  
Analyst in International Relations  
Foreign Affairs and National Defense Division

May 15, 1995



# U.N. REGULAR BUDGET FUNDING: ISSUES FOR CONGRESS

## SUMMARY

All U.N. member states are assessed a percentage share of the U.N. budget to provide funds to carry out the organizations's operations. Throughout most of its history the United Nations has been plagued by financial difficulties caused largely by some member states' failure to pay their assessments on time and in full. The financial situation has been particularly acute as the United Nations has taken on more tasks in recent years.

In the 1990s, the United Nations is playing an especially active role in providing peacekeeping operations, advancing human rights, and providing humanitarian assistance. The United Nations has also taken some steps, as the United States has been pressing it to do, to improve management and budgeting practices which have been of particular concern to the U.S. Congress. Indeed, in 1994, Congress pressed for establishment of an independent office of U.N. inspector general by enacting legislation withholding a portion of the U.S. assessed contribution to the U.N. regular budget until the establishment of such an office.

The United States has been and remains by far the single largest contributor to the U.N. regular budget. It is assessed 25 percent of that budget, or \$315 million for calendar year 1995. At the same time, since 1986, the United States has had the largest outstanding shortfall in its contributions to the United Nations. Currently, more than \$212 million is outstanding (arrears). Efforts by both the Bush and Clinton Administrations to pay some of the arrearages resulted in partial payments in FY1991-1993, but Congress did not appropriate funds for that purpose in FY1994 and FY1995. Pressure to reduce Federal Government expenditures and the budget deficit, as well as for additional U.N. reforms are likely to continue to affect congressional decisions on U.N. system funding in the coming years. The arrearage issue is likely to remain a difficult and unresolved problem for some time to come.

Various proposals have been made to improve the U.N. financial situation, ranging from urging states to pay in full and on time, to pay up arrearages, to charging interest on those arrearages, to increasing the Working Capital Fund that provides some cash reserves, to allowing the United Nations to borrow commercially, to changing assessment rates on member states. With the exception of the proposal to establish the office of inspector general, the U.S. Government and Congress have not shown much interest in these proposals to improve U.N. regular budget financing. That office has now been established and has begun its work. However, some observers are concerned that the activity and pace of that office have been too little and too slow.

Continuing pressure to reduce the budget deficit and Federal expenditures are likely to affect congressional actions on U.N. funding and increase pressure for reduced U.N. budgets. Congress has also been particularly concerned about the slow pace of reform and change at the United Nations. Withholding of funding remains a congressional option favored by some Members to continue pressure on the United Nations to speed up changes.

## CONTENTS

INTRODUCTION .....	1
BACKGROUND .....	2
DETERMINATION OF THE SIZE OF THE U.N. REGULAR BUDGET AND CONTROL OF ITS GROWTH .....	3
INFLUENCE OF MAJOR CONTRIBUTORS ON BUDGET DECISIONS .....	4
CONGRESSIONAL ISSUES AND CONCERNS .....	6
WITHHOLDING/ARREARAGES .....	6
RATE OF ASSESSMENTS .....	11
ASSURING PAYMENTS IN FULL AND ON TIME .....	15
IMPACT OF CONTINUING SHORTFALLS/ARREARAGES .....	18
ACCOUNTABILITY FOR BUDGET EXPENDITURES .....	19
CAPACITY OF THE UNITED STATES TO TRACK, MONITOR, AND EVALUATE U.N. FINANCIAL ACTIVITIES .....	21
APPENDIX I. BRIEF OVERVIEW OF PROPOSALS FOR IMPROVING U.N. FINANCING .....	23
GENERALLY .....	23
U.S. GOVERNMENT RESPONSE TO PROPOSALS .....	24

## TABLES AND FIGURES

Table 1. U.N. Regular Budgets, 1984-1995 .....	3
Figure 1 and Table 2. U.N. Assessed Contributions Outstanding to U.N. Regular Budget from All Member States at End of Calendar Year .....	9
Figure 2 and Table 3. U.S. Assessed Contributions Outstanding to U.N. Regular Budget Compared to Total Outstanding at End of Calendar Year .....	10
Table 4. Assessments of Major Contributors to the U.N. Regular Budget .....	12
Table 5. Summary of Selected Recent Findings and Recommendations for Improving U.N. Regular Budget Financing .....	26

## **U.N. REGULAR BUDGET FUNDING: ISSUES FOR CONGRESS**

### **INTRODUCTION**

As the United Nations nears its 50th birthday, the world's nations have given the organization unprecedented tasks in dealing with many global and regional problems. At the same time, however, many member states have not shown an equal willingness to provide increased financial resources, or even to pay their current assessments on time and in full. The United States has accumulated outstanding contributions (arrearages) to the U.N. regular budget (as of April 15, 1995) of \$212.126 million, and owes its full current assessment (for calendar year 1995) of \$315.027 million. The United States has had the largest accumulated arrearages to the U.N. regular budget since 1986. Congress for its part appears increasingly reluctant to pay the arrearages and increasingly likely to make current U.N. funding contingent on reform actions at the United Nations.

A major issue facing the United Nations, the United States, and Congress is the extent to which the United Nations currently has the financial resources and the capacity to manage those resources efficiently to meet the demands which are increasingly placed on the organization. Because of late payments and nonpayment of assessed contributions by member states, the United Nations operates under a constant shortage of funds to meet its basic expenses. In the view of some, the unremitting precariousness of the financial situation of the organization, makes efficient financial management difficult, and paralyzes the U.N. ability to carry out its rapidly expanding activities. Unless these problems are resolved and more reliable financing and monitoring mechanisms are put in place, the United Nations is unlikely to be able to play the strong role which many governments claim that they want it to play.

On the other hand, some feel that the United Nations is a seriously flawed organization to which only the most minimal powers and resources should be given. Many of these critics question whether the United Nations has the capability to undertake the fundamental reform and restructuring required to transform it into a financially and administratively effective and efficient organization.

The United States has been and remains the single largest financial contributor to the U.N. regular budget. The United States is assessed 25 percent of the U.N. regular budget, or \$315.027 million for calendar year 1995. What does this mean? It means that the United States has a great deal of direct and indirect influence over U.N. financial matters. At the same time, with a budget system diffusely controlled by 185 member states, the U.S. capacity to track, monitor, and evaluate U.N. financial activities is very limited and haphazard at best.

The intense scrutiny which the United Nations is likely to undergo during its 50th anniversary year may offer an opportunity to devise new and innovative approaches both at the United Nations and in the way that the United States handles U.N. funding. There is no shortage of proposals and recommendations for improvements or changes. (See the appendix for a brief discussion and summary chart of some proposals.) The proposals on the whole, however, are not particularly innovative or far-reaching. Moreover, they do not address the need for additional revenues or provide new sources of revenues. Most proposals look to tightening the existing system to help it work better. There has been very little public debate about any of these proposals.

This report will look only at the United Nations regular budget, not at the whole U.N. system--that is, it will not cover U.N. specialized agencies, especially assessed peacekeeping budgets or voluntary programs.<sup>1</sup>

## BACKGROUND

The United States is required by Article 17 of the U.N. Charter (a treaty ratified by the United States on August 8, 1945) to contribute to the expenses of the organization "as apportioned by the General Assembly."<sup>2</sup> Section 8 of the U.N. Participation Act (P.L. 79-264, as amended) authorizes an annual appropriation of the funds necessary for the U.S. payment. U.S. assessed contributions are included within the State Department's budget. Congress authorizes those funds as part of the biennial Foreign Relations Authorization Act and appropriates the money annually in the Departments of Commerce, Justice, State, the Judiciary, and Related Agencies appropriations legislation.

Assessed contributions finance the regular budget of the United Nations. They are supposed to provide the organization with a predetermined source of

---

<sup>1</sup> For more on U.N. peacekeeping, including funding issues, see: Browne, Marjorie A. *United Nations Peacekeeping: Issues for Congress*. CRS Issue Brief, IB90103. Updated regularly. For more on funding other organizations in the U.N. system see : Bite, Vita. *U.N. System Funding: Congressional Issues*. CRS Issue Brief, IB86116. Updated regularly.

<sup>2</sup> Article 17 reads:

1. The General Assembly shall consider and approve the budget of the Organization.
2. The expenses of the Organization shall be borne by the Members as apportioned by the General Assembly.
3. The General Assembly shall consider and approve any financial and budgetary arrangements with specialized agencies referred to in Article 57 and shall examine the administrative budgets of such specialized agencies with a view to making recommendations to the agencies concerned.

income from its member states to enable it to carry out programs authorized by that membership.<sup>3</sup>

### **DETERMINATION OF THE SIZE OF THE U.N. REGULAR BUDGET AND CONTROL OF ITS GROWTH**

The U.N. regular budget is authorized by the General Assembly for a two-year period or biennium--that is, the General Assembly estimates income and fixes spending limits for two years. There is also a six-year medium term plan which provides the policy framework for the regular budget. The budget is proposed by the U.N. Secretary-General after the requests of individual U.N. secretariat departments are scrutinized. The draft budget is then reviewed by the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and the Committee for Program and Coordination (CPC). U. S. representatives participate on both committees. The draft budget is then reviewed by the General Assembly's Fifth Committee (Administrative and Budgetary), and finally by the General Assembly itself. Since 1988, the U.N. regular budget has been approved unanimously, that is, without a dissenting vote by any U.N. member state.

For more than a decade, the United States and other major contributors have put pressure on the United Nations to limit budget growth. As a result, zero-real-growth budgets have been the norm for the past decade. Inflation and exchange rate fluctuations have accounted for most of the changes in recent budgets. Thus, for example, the 1990-91 approved budget was a 12 percent nominal increase over the 1988-89 budget, but reflected negative growth in real terms (see table 1, below).

The budget proposed for the 1996-97 biennium is reportedly \$2.51 billion--a reduction in real terms from the 1994-95 biennium.

**Table 1. U.N. Regular Budgets, 1984-1995**

<b>Biennium</b>	<b>U.N. Regular Budget</b>
1994-95	\$2,580,200,000
1992-93	\$2,411,404,000
1990-91	\$2,167,974,500
1988-89	\$1,772,313,700
1986-87	\$1,711,801,200
1984-85	\$1,608,954,000

<sup>3</sup> For recent contributions to the U.N. regular budget see *United Nations Regular Budget Contributions: Members Compared, 1989-1994*, by Marjorie A. Browne [Washington}, 1995. 7 p., CRS Report 95-571.

The United States has insisted on zero-real-growth budgets to reduce inefficiencies and duplication, and to force U.N. high priority activities to be financed by reductions in low priority programs. To achieve this, the principle of zero real growth is an absolute must. It forces the organization to establish priorities. As new needs arise, they must be ranked among existing programs. Those which are deemed to have high priority are given funds. Others are allocated less resources.

Critics of this principle, however, feel that zero-real-growth budgets have hurt the development of the U.N. organization, and, perhaps, the implementation of needed reforms and introduction of technology which might be cost-saving in the long run. In this view, zero-real-growth budgets have not taken account of the expanded membership of the organization nor changed in its activities from mainly servicing meetings and conferences to a much more operational organization--overseeing increasing peacekeeping functions, and human rights missions, for example. Proponents of this view argue that when demand for U.N. action is growing, zero real growth suppresses the U.N. capacity to take on new initiatives. In addition, there is an urgent need to upgrade technology--to computerize and improve communications so the organization can better and more rationally and efficiently expend its budget.

During 1993 General Assembly debate on the 1994-95 U.N. operating budget, the Secretary-General proposed what he deemed a modest 1 percent real growth in the budget. He justified such an increase in terms of the massive expansion in U.N. workload, both qualitative and quantitative, and especially given the six-fold increase in peacekeeping operations. Most major contributors, with the United States in the lead, refused to even consider real growth in the budget. Consequently, the proposed \$2.749 billion budget was scaled back to \$2.58 billion (below the \$2.702 billion level originally established in the budget outline). Part of the reason for refusing to approve the Secretary-General's request stemmed from the late submission of budget documents, as well as some changes in the budget methodology used by the Secretary-General. In addition, however, major donors felt that zero real growth in U.N. budgets must be maintained. Member states are also insisting on more consultations with the Secretary-General during the budget process and earlier issuance of budget documents.

## **INFLUENCE OF MAJOR CONTRIBUTORS ON BUDGET DECISIONS**

Congressional concern about lack of control of U.N. budget procedures by major financial contributors led in the 1980s to enactment of the Kassebaum Amendment (section 143 of P.L. 99-93). This measure called for withholding 20 percent of U.S. assessed dues until the United Nations instituted procedures which give voting rights on budgetary matters proportionate to a member's budget contributions.

Partially in response to this congressional action, the U.N. General Assembly in December 1985 established a Group of High-Level Intergovernmental Experts to review the efficiency of the administrative and financial functioning of the United Nations. In December 1986, the U.N. General Assembly generally adopted the recommendations of this Group in Resolution 41/213. This resolution, strongly supported by the U.S. delegation, established a budget mechanism containing a budget ceiling, a contingency fund to accommodate additional expenditures ("add-ons"), and a consensus budget decision process through a strengthened Committee for Program and Coordination (CPC).

In the years immediately preceding adoption of this resolution, the U.N. budget had been approved by a majority of the membership, but not by a majority of those members providing the bulk of funds for the U.N. budget. In the late 1970s and early 1980s U.N. budgets were voted by a numerical majority in the General Assembly which contributed, however, only a small portion of the budget. During that period most major contributors either voted against or abstained on the budget--that is, those countries which supplied the majority of funds did not support the budget as adopted.

Since 1988 the U.N. budget has been approved by consensus. This means that no country has voted against the budget as adopted. Therefore, it would seem that member countries should be willing to pay for the budget that they did not feel the need to vote against. The consensus budget procedures, while theoretically giving each member state a potential veto, is, however, a very fragile instrument. If any state were to vote against the budget proposal, it would simply break the consensus and might lead the United States to invoke the Kassebaum Amendment and place a hold on 20 percent of the U.S. contribution.<sup>4</sup>

The consensus was nearly upset in 1993 when the Secretary-General's budget proposal for the 1994-95 biennium included a 1 percent real increase. The possibility of a break in the continued implementation of consensus-based budget procedures, raised the possibility of the United States invoking the current version of the Kassebaum Amendment. Indeed, the Clinton Administration withheld 20 percent of U.S. FY 1995 U.N. assessed contributions pending results of preliminary action on the 1996-97 U.N. budget.

During 1993 debates on the U.N. budget significant differences also arose among members as to where the funding emphasis should be. The Secretary-General's proposed budget placed priority on peacekeeping, humanitarian affairs, and human rights activities. This approach was supported by the main donor countries such as the United States and ultimately prevailed. Many

---

<sup>4</sup> A modified Kassebaum Amendment (Section 409, P.L. 103-236) currently gives the President discretionary authority to withhold (after notice to and consultation with Congress) 20 percent of the funds appropriated for U.S. assessed contributions to the United Nations or its specialized agencies, if those organizations fail to continue implementing consensus-based budget procedures which assure that sufficient attention is given to the views of major financial contributors.



developing countries, however, felt that more emphasis and resources should be given to U.N. socio-economic development activities.

## CONGRESSIONAL ISSUES AND CONCERNS

### WITHHOLDING/ARREARAGES

The United Nations has a long history of financial problems--withholding and delayed payments by members have characterized financial affairs at the United Nations almost from birth. What is different in the current situation is that the number of countries paying up fully and on time is declining. By the end of September 1994, only 56 states had paid their regular budget dues in full and 70 states had made no payment toward 1994 assessments.<sup>5</sup> By December 31, 1994 only 74 countries were fully paid up, while 109 had some dues outstanding. (See figure 1 and table 2, p. 8).

A very important factor in the current situation is that the United States is the largest arrearage holder. Since the United States is also the largest contributor, the impact is significant. (See figure 2 and table 3, p. 9.) Most other major donors (those paying 1 percent or more) do not have arrearages. Japan, Germany, France, the United Kingdom, Italy, Canada, and Spain usually have fully paid their assessments by the end of the calendar year (U.N. fiscal year). The Russian Federation, which has had a substantial arrearage to the U.N. regular budget in recent years, made a large contribution in 1994 to bring its outstanding dues to less than the \$500,000. Other countries of the former Soviet Union have (as of December 31, 1994) large sums outstanding, most notably Ukraine (\$41.405 million), Belarus (\$8.134 million), and Kazakhstan (\$7.132 million). Other countries with substantial outstanding dues are: Brazil (\$16.174 million), Yugoslavia (\$9.611 million), and Iran (\$7.884 million). South Africa has \$57.399 million outstanding accumulated since 1974 when the General Assembly refused to seat the delegation representing the apartheid government.

Since 1980, Congress has enacted legislation to withhold the U.S. proportionate share of the assessed U.N. budget contribution for a list of U.N. activities of which Congress and the executive branch do not approve.<sup>6</sup>

---

<sup>5</sup> U.N. Press Release SG/SM5435, Oct. 12, 1994.

<sup>6</sup> These included prohibitions on paying the U.S. proportionate share (25%) for programs benefitting the Palestine Liberation Organization (PLO); the South West People's Organization (SWAPO); for the Second Decade to Combat Racism and Racial Discrimination; for the Committee on the Exercise of the Inalienable Rights of the Palestinian People; for the Special Unit on Palestinian Rights; for the Special Committee to Investigate Israeli Practices Affecting the Human Rights of the Population of the Occupied Territories; for construction of a conference center in Addis Ababa, Ethiopia; for cost of living increases for U.N. employees in New York (known as the "Kasten Amendment"); and for "kickbacks" allegedly paid by some U.N. employees to their home governments (known as the "Sundquist Amendment"). In addition to these statutory

Currently these withholdings cumulatively total about \$138 million. Administration proposals to make arrearage payments have not included these withholdings, and it is likely that some of these arrearages will continue to accumulate, with no foreseeable plans to pay.

Selective withholding has been a problem for U.N. financing throughout its history. The U.S. position in an earlier era was that all expenses of the organization must be paid by all members. This concept is at the center of the notion that providing funds for U.N. activities is the collective responsibility of the membership and must be maintained no matter how individual states may view specific programs supported by the budget. From this perspective, unilateral withholdings are viewed as detrimental for the organization and the premise of collective responsibility for the finances of the organization and undermine the rule of law.

By 1983, however, U.S. Ambassador to the United Nations, Jeane Kirkpatrick, enunciated a far more limited U.S. obligation to make U.N. payments as assessed:

It is sometimes argued that as signatories to the treaty, we assume an absolute legal obligation to pay the assessed share of the budget, it seems to me, after consultation and reflection, that this obligation is real, substantial, and serious, but also that it is not absolute.... I do not suggest the United States should take lightly the obligation to pay its assessed share of the budget. This is a serious, but not, in my opinion, an absolute obligation. To be sure, article 17 of the U.N. Charter requires member states to pay their share of the U.N. budget as assessed by the General Assembly. We should not assume, however, that any expense apportioned by the General Assembly is absolutely valid.<sup>7</sup>

Today some in Congress and the U.S. Government continue to feel that the U.N. Charter obligation to pay dues as assessed by the General Assembly is not absolute.

The consensus based budget process gives the United States a mechanism to oppose specific expenses if it feels that they are not justified. However, the difficulty with the consensus-based mechanism is that if the whole membership cannot be convinced, then U.S. opposition leading to a vote on the budget, might not result in support for the U.S. position. That is, the United States is likely

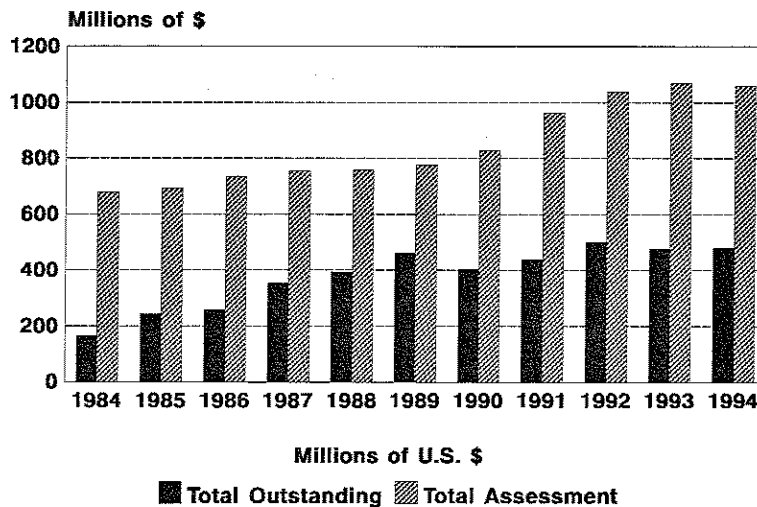
---

withholdings the Administration has, as a matter of policy, also withheld assessments for the U.S. proportionate share of funds for the Preparatory Commission for the Law of the Sea Convention and made adjustments in the U.S. payment to the Tax Equalization Fund relating to tax reimbursements for Americans employed by the United Nations.

<sup>7</sup> See U.S. Congress. House. Committee on Foreign Affairs, Subcommittee on Human Rights and International Organizations. *The U.S. Role in the United Nations*. Hearings, 98th Congress, 1st session. Sept. 27 and Oct. 3, 1983. Washington, U.S. Govt. Print. Off., 1984. p. 54.

to be outvoted. But more than that, breaking the consensus may trigger the Kassebaum amendment and lead to U.S. withholding of 20 percent of its assessed payment, and might result in even greater U.N. financial difficulties.

**Figure 1. U.N. Assessed Contributions Outstanding to U.N. Regular Budget from All Member States at End of Calendar Year**



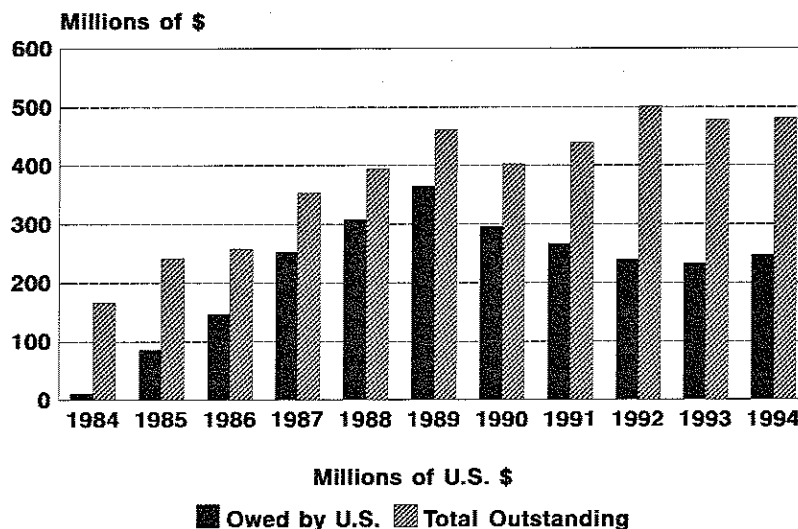
Source: Status of Contributions. U.N. Secretariat.  
U.N. document ST/ADM/Ser.B. As of Dec. 31 of each year.

**Table 2. U.N. Assessed Contributions Outstanding to U.N. Regular Budget from All Member States at End of Calendar Year**

<u>Calendar Year</u>	<u>Total Outstanding</u> (millions of \$)	<u>Total Assessment for That Year</u> (millions of \$)	<u>Outstanding As % of Current Assessment</u>
1984	166.2	677.8	24.5%
1985	242.4	691.9	35.0%
1986	257.8	735.6	35.0%
1987	353.4	756.3	46.7%
1988	394.9	758.0	52.1%
1989	461.2	776.6	59.4%
1990	403.0	826.8	48.7%
1991	439.4	962.7	45.6%
1992	500.6	1,037.5	48.3%
1993	478.0	1,070.0	44.7%
1994	480.0	1,061.0	45.2%

Source: Status of Contributions. U.N. Secretariat.  
U.N. document ST/ADM/Ser. B. As of Dec. 31 of each year.

**Figure 2. U.S. Assessed Contributions Outstanding to U.N. Regular Budget Compared to Total Outstanding at End of Calendar Year**



Source: Status of Contributions. U.N. Secretariat.  
U.N. document ST/ADM/Ser. B. As of Dec. 31 of each year.

**Table 3. U.S. Assessed Contributions Outstanding to U.N. Regular Budget Compared to Total Outstanding at End of Calendar Year**

<u>Calendar Year</u>	<u>Owed by U.S.</u>	<u>Total Outstanding</u>	<u>U.S. % of Total</u>
1984	11.5	166.2	6.9%
1985	85.5	242.4	35.3%
1986	147.0	257.8	57.0%
1987	252.8	353.4	71.5%
1988	307.7	394.9	77.9%
1989	365.1	461.2	79.2%
1990	296.2	403.0	73.5%
1991	266.4	439.4	60.6%
1992	239.5	500.6	48.7%
1993	232.7	478.0	48.7%
1994	247.9	480.0	51.6%

Source: Status of Contributions. U.N. Secretariat.  
U.N. document ST/ADM/Ser. B. As of Dec. 31 of each year.

## RATE OF ASSESSMENTS

The General Assembly adopts the scale of assessments for the regular budget of the United Nations based on the recommendation of an 18-member (including U.S.) expert Committee on Contributions. The Committee determines individual country assessments on the basis of a country's capacity to pay. The capacity to pay is determined using a complex formula that adjusts gross national income upward or downward according to per capita income and other factors, but with the proviso that no contributor pay less than .01 percent nor more than 25 percent of the total.<sup>8</sup>

The United States is the only country that is assessed 25 percent of the regular budget, while about half, or some 91 members pay .01 percent. For some small poor states the floor can represent substantial sums, and a high proportion of national income. The effect of the floor is that for a number of small states the complex and carefully worked out principles embodied in the assessment scheme are not applied at all--they simply pay the floor rate. In practice this means that they pay more than they would otherwise. In some cases it means that they pay the highest rate in relation to national income.

Because of the ceiling, the U.S. contribution of 25 percent is below the true figure of its wealth as a percentage of world GNP. If there were no ceiling, the U.S. assessment might be closer to 30 percent. The difference is made up by other major donors paying more. Thus the United Kingdom is assessed a little over 5 percent rather than a little under 5 percent, and France is assessed a little over 6 percent rather than just under 6 percent.

For 1995, the U.S. assessment is \$315.027 million; for those members paying .01 percent it is \$109,278, or a total of about \$9.9 million for all 91 countries. Regardless of the size of assessment, each U.N. member has one vote on budget decisions, although as described above, U.N. budgets since 1988 have been adopted by consensus.

---

<sup>8</sup> In the past, the United States paid a larger portion of the U.N. regular budget. In 1946, the U.S. contributed nearly 40% of the UN regular budget, and in 1970, the United States contributed more than 31%. In 1971, a Presidential commission recommended that the U.S. assessment be reduced to 25%, and in 1972, Congress urged the Executive to negotiate such a reduction. The admission of West and East Germany to the United Nations in 1973 made possible the reduction in the U.S. assessment without adverse financial impact on the U.N. budget, or higher assessments for other countries. If there were no maximum and minimum assessment levels, and charges were based exclusively on a ratio of a country's gross national product, the United States would be assessed about 28% and some poor countries would be assessed less than .01%. (See Annex IA in United Nations. General Assembly. Report of the Committee on Contributions. New York, United Nations, 1989. pp. 20-27 (Supplement No. 11; A/44/11).

**Table 4. Assessments of Major Contributors to the U.N. Regular Budget**

Member State	Assessments for 1995 (U.S. \$s millions)	1995 (% of Budget)	1996 (% of Budget)	1997 (% of Budget)
U.S.	315.03	25.00	25.00	25.00
Japan	152.44	13.95	15.44	15.65
Germany	97.69	8.94	9.04	9.06
France	69.06	6.32	6.41	6.42
Russian Fed.	62.07	5.68	4.45	4.27
U.K.	57.59	5.27	5.32	5.32
Italy	52.34	4.79	5.20	5.25
Canada	33.55	3.07	3.10	3.11
Spain	24.48	2.24	2.36	2.38
Brazil	17.70	1.62	1.62	1.62
Netherlands	17.27	1.58	1.59	1.59
Ukraine	16.17	1.48	1.41	1.09
Australia	15.95	1.46	1.48	1.48

**Change the Scale of Assessments.** Many have suggested that, in the long term, the United Nations needs to consider changing the assessment scale. Since the United States currently does not pay its full 25 percent, in a sense others are paying a larger share of the budget. This, they say, may be the time to institutionalize what actually takes place. Former U.N. Secretary-General Perez de Cuellar reportedly suggested that it is dangerous and excessive to rely on one Member for such a large share of the budget -- that it gives too much control to that Member and opportunities to hold the organization hostage.<sup>9</sup>

Some have suggested that a 15 percent maximum contribution is more realistic.<sup>10</sup> The international economic situation, especially the status of the

<sup>9</sup> New York Times, April 29, 1986, p. A11.

<sup>10</sup> United States Commission on Improving the Effectiveness of the United Nations. *Defining Purpose: the U.N. and the Health of Nations*. Sept. 1993, p. 35, suggests a 15-20% rate for the United States; Erskine Childers and Brian Urquhart, *Renewing the United Nations System*, Uppsala, Sweden, Dag Hammarskjold Foundation, 1994, p. 154, suggest an assessment of 10-12%.

United States, has changed significantly since the 25 percent ceiling was imposed. The economies of other countries have grown relative to the U.S. economy and many in the United States stress the need for a more rational distribution of financial burden-sharing. Perhaps the scale of assessments needs to more accurately reflect changed global economic prosperity. Such a step would remove the United States from feeling that it is carrying the United Nations and better reflect changes in international economic prosperity in the 1990s. Japan or Germany might be expected to pick up a greater share of the funding in such a scheme.

While there has been some discussion along the margins about changing U.S. regular budget assessment rate, the U.S. Government has not pursued this to any great extent. Most congressional and Administration attention has been on lowering the peacekeeping assessment from its current rate of more than 30 percent to the 25 percent assessment rate of the regular budget. A few Members of Congress, however, continually call for significant changes in regular budget assessment rates. Nevertheless, executive branch officials, have shown little enthusiasm for lowering the U.S. assessment. It would mean less influence and prestige at the United Nations. It might be seen as a signal of decreasing U.S. commitment to the United Nations and even be seen as an admission of a diminished superpower status.

Notwithstanding the overall assessed level,, the Clinton Administration and Congress have been pushing for lowering the assessment for U.S. peacekeeping assessments to 25 percent. The Foreign Relations Authorization Act (P.L. 103-236) prohibited payment of more than 25 percent for peacekeeping operations beginning in FY1996. The National Security Revitalization Act (H.R. 7), as passed by House in February 1995, limits U.S. assessed contributions to U.N. peacekeeping activities to 20 percent of the total, but allows the President to increase this to 25 percent if he reports his intention to do so to Congress and states his reasons for taking such action. These actions in peacekeeping funding may possibly signal the opening of consideration within the U.S. Government of changes in regular budget assessments as well.

Any discussion about changing assessments opens a larger issue of power relationships within the United Nations, especially in the Security Council. In the view of many, the current makeup of the Security Council does not reflect contemporary global power relationships, especially in an economic context. Overall contribution to the U.N. budget by the permanent members of the Security Council has significantly declined since the early years of the United Nations. In 1951 the five permanent members of the Security Council contributed more than 70 percent of the U.N. budget, while today they contribute less than 43 percent.

Oil producing countries--Saudi Arabia, Venezuela, Nigeria, etc.-- (given relatively low oil prices) have seen a drop in their assessments in recent years. Newly industrializing countries such as the Republic of Korea have had modest assessment raises in recent years. Organization for Economic Cooperation and



Development (OECD) countries for the most part have seen either stable or rising assessment rates.

Japan and Germany, currently assessed 13.95 percent and 8.94 percent, respectively, or nearly 23 percent between them, appear to be strong candidates for picking up a larger share of U.N. budget. By 1997, they will be assessed 15.65 percent and 9.06 percent, respectively, and together will pay almost as much as the United States. A permanent seat on the Security Council, however, may well be the price for their greater financial contribution. Discussions about expanding the Security Council are continuing, but the question remains difficult.<sup>11</sup>

Another suggestion has been to review the minimum 0.01 percent paid by about half of U.N. members. Some feel that the floor is too low and that too many states are assessed at that rate. In this view, the \$109,278 is a token amount for some members, such as Bolivia, Cameroon, and Sri Lanka, who may spend many times that amount maintaining missions in New York.<sup>12</sup> Raising the assessment floor, however, would impose a severe financial hardship on some of the smallest and poorest countries and, moreover, would not do a great deal for the U.N. budget. Even if the assessment for some of these states were doubled (leaving only the countries designated as least developed at the .01 percent level), it might only add about \$4 million to the U.N. budget.

Some have also suggested that the assessments of some of the large- to middle-sized developing countries in the next higher assessment tier might be reviewed and raised slightly. Among the countries in such a group are: Republic of Korea (0.80 percent assessment), Brazil (1.62 percent assessment), Indonesia (0.14 percent assessment), Turkey (0.34 percent assessment), Malaysia (0.14 percent), and Singapore (.14 percent assessment). In addition to adding small sums to the U.N. budget, such a step might also limit pressures from some of these states to increase U.N. programs and expand the U.N. budget. Many of these countries argue, however, that they are already burdened with substantial

---

<sup>11</sup> Currently, the Security Council consists of five permanent members with veto power and 10 others without veto, elected on a regional basis, for two-year terms. While many agree that the Security Council should be enlarged given the growth in U.N. membership and the role and importance of the Council, there is disagreement as to how this might be done. Among the questions which need to be answered are: How many seats should be added? Should there be permanent membership without veto or permanent membership rotated among regional groups? How should the new seats be allocated given that most developing countries feel that they are currently seriously under-represented on the Council? Countries which are often named as likely candidates for membership are Japan and Germany as well as such regionally important countries as Brazil, Nigeria, and India.

<sup>12</sup> Lister, Frederick K. *Fairness and Accountability in U.N. Financial Decision-making*. New York, UNA-USA, 1986. p. 32. (At head of title: U.N. Management and Decision-making Project, UNA-USA.)

external debt and low per capita income levels, and could not possibly pay a larger U.N. assessment.

Adding Taiwan as a U.N. member state might bring in a little more funding. However, such a proposal raises the difficult issue of adamant opposition by China, a permanent member of the Security Council.

Finally, the system for calculating rates of assessment may need to be reviewed and adjusted. The current methodology (under on-going review by the U.N. Committee on Contributions) is extremely complex with many technical problems, such as insuring real comparability of national income statistics. Some critics also feel that the current assessment system is excessively skewed in favor of reducing and redistributing the assessments of developing countries. On November 30, 1994, the U.N. General Assembly established an ad hoc governmental working group to study the principle of "capacity to pay" as a fundamental criterion in determining scale of assessments for contributions. The working group is to submit a report by May 15, 1995.

An area that has received considerable discussion and some change in recent years has been the length of the base period on which the assessment is calculated. Until 1994 the base period was ten years. Such a long base period has been viewed as particularly unfair to countries undergoing rapid economic changes, such as the countries of Eastern Europe and the former Soviet Union. The economies of those countries collapsed with the fall of Communism. The U.N. assessment base period was reduced to 7.5 years recently, and a 3-year or other short base periods have been proposed.

### **ASSURING PAYMENTS IN FULL AND ON TIME**

While the U.N. assessment system is complex, and the scale may be regressive, even if one could devise a totally fair system, another basic problem would remain--that of securing timely and full payments by governments. Two factors, in particular--different U.S. and U.N. fiscal year schedules and the scope of U.S. legislation appropriating U.N. contributions--further complicate the situation for the United States.

The United States and the United Nations maintain different fiscal or financial year schedules. The U.N. financial year is identical with the calendar year; that is, it starts on January 1 and ends on December 31. The U.S. fiscal year begins on October 1 and ends on September 30. U.S. payments to the U.N. 1994 calendar year budget are made from funds authorized and appropriated for FY1995. Thus, U.S. contributions to the 1994 U.N. budget were at the very earliest available on October 1, 1994, and partial payment was only made in November. In practice, U.S. funds are sometimes not fully available until the next calendar year, because of late passage of appropriations legislation.

U.S. delayed and late payments have had an especially significant impact on U.N. cash flow problems. The impact has been especially severe on U.N.

operations in the second half of the U.N. financial year--the September to December period when the General Assembly meets.

The United Nations may not borrow from commercial or international lending institutions to meet its obligations when assessed contributions are late. In the past, the United Nations relied on its Working Capital Fund (WCF)<sup>13</sup> and voluntary contributions to a Special Account<sup>14</sup> to deal with cash flow problems. In addition, the United Nations has borrowed from peacekeeping funds to cover short-term cash shortages. The Working Capital Fund, however, has been exhausted for years. Moreover, countries have stopped contributing to the U.N. Special Account, feeling that they were simply subsidizing the U.S. shortfall. U.N. peacekeeping funds are also experiencing especially severe cash shortages.

Another complicating factor is to the U.S. domestic process for approving U.N. regular budget payments. The U.S. payment is part of a larger international organization funding account which is part of a comprehensive piece of legislation that includes important international and domestic programs that sometimes compete for the same scarce resources. (U.N. assessed contributions are included in a measure which appropriates funds for the Departments of Commerce, Justice, and State, the Judiciary and related agencies.) During 1994 Senate debate on this bill, Senator Hutchinson proposed and the Senate agreed that not less than \$350 million of the funds provided for assessed contributions to international organizations and contributions for international peacekeeping activities be made available to reimburse U.S. state and local governments for the costs of incarcerating illegal alien felons. Although this provision was not included in the legislation as finally enacted, it demonstrates the vulnerability of support for U.N. funding when other pressing domestic needs remain. As further evidence, in subsequent legislation, Department of Defense appropriations for FY1995 (P.L. 103-335) included a provision rescinding \$4.561 million which had earlier been appropriated for contributions to international organizations. This congressional action allowed an increase in the appropriation for the Asia Foundation from \$10 million to \$15 million.

Some options--at the U.N. level and at the U.S. domestic level--have been suggested to promote timely payments:

**Incentives or disincentives to pay on time.** The United Nations applies neither penalties nor incentives for members to make payments on time. A

---

<sup>13</sup> The Working Capital Fund was raised in 1981 from \$40 million to \$100 million (General Assembly Resolution 36/242 passed by a vote of 117 to 19, with 4 abstentions. The United States voted against it.)

<sup>14</sup> The U.N. Special Account was originally established in 1965 for voluntary contributions by member states to help overcome existing financial difficulties. The U.N. Special Account was reformed in 1972 to clear up past financial difficulties and resolve the short-term deficit of the organization.

number of organizations in the U.N. system, however, have used incentive and/or disincentive schemes to improve timely and full payment of assessed dues. Two small organizations, the International Telecommunications Union (ITU) and the Universal Postal Union (UPU) charge interest for contributions not received by January 1st.

Other organizations have also developed incentive mechanisms. The International Civil Aviation Organization (ICAO) distributes interest income to member states on a weighted scale based on the date of payment and amount of payment. A number of other organizations have also recently considered incentive mechanisms including the International Labor Organization (ILO) and the World Health Organization (WHO).<sup>15</sup>

At the United Nations, however, the Secretary-General has not succeeded in gaining support for an incentive/disincentive mechanism. Many feel that this type of "carrot and stick" approach would not have a significant impact on changing current U.N. funding patterns. The United States does not favor charging interest for late payments; yet, many other countries do.

**Make changes in the U.S. budget-appropriations process by which the United Nations is funded.** U.N. funding is a small item in a complicated U.S. budget and appropriations process. Indeed, even among those who closely follow foreign affairs, very few understand how the United Nations is funded by the U.S. Government or even what U.S. legislation provides funds for the United Nations regular budget.

One suggestion has been that the United States make its U.N. payments earlier--either making payments to the United Nations budget from the previous fiscal year, or as it did earlier, making quarterly payments. In that way the United Nations would receive funds throughout its fiscal year rather than at the end of the U.N. fiscal year, or even in subsequent fiscal years.<sup>16</sup>

Another approach would be to put international organization funding, as an international legal obligation, in a separate budget category--perhaps as a "mandatory" appropriation--similar to interest on the national debt or Social Security payments, and thus not subject to budgetary tinkering. Still another approach would be to have separate international organization funding legislation. That way payments to these organizations would not compete with domestic and other international programs in the same bill. This, however, would focus more direct attention on international organizations, something that could have an uncertain impact on U.N. funding levels.

Ultimately continuing arrears could lead a country to lose its vote in the General Assembly. Article 19 of the U.N. Charter states that a U.N. member

---

<sup>15</sup> U.N. Document A/ C. 5/43/29, p. 7-8.

<sup>16</sup> For example, in U.S. FY1990 the United States completed its payments to the U.N. 1989 budget in August 1990.

"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."

### **IMPACT OF CONTINUING SHORTFALLS/ARREARAGES**

As a result of appropriation shortfalls, withholdings to encourage reforms, and other statutory and other withholdings described above, the United States developed shortfalls that, as of April 15, 1995, total \$212.126 million.

Initially, many felt that U.S. withholdings of funds in the 1980s had some positive impact in providing the necessary catalyst for the United Nations to undertake serious reform initiatives. Such reforms, it was felt would result in a stronger and more efficient organization. Prodded by this pressure, the United Nations did undertake some reform measures.

For the long-term, however, the impact of on-going U.S. shortfalls may be less positive. Many feel that inadequate funds, uncertainty of resource availability, and depleted reserves are damaging the capacity and potential of the United Nations. Efficiency in financial management, future planning, and restructuring are difficult to carry out when the organization does not know when or how much will be provided by the major contributor. Thus, many feel that long-term and continuing withholding may indeed be jeopardizing reform momentum and worthwhile U.N. activities.

Continuing U.S. withholding, erratic payments, and arrearages may have an adverse impact not only on the organization, but also on U.S. influence and prestige within the United Nations. Indeed, there is growing frustration within the United Nations and among member nations with U.S. funding action. U.S. reliability and credibility, as well as its commitment and adherence to Charter principles are both brought into question. Some observers, who concede that further reforms are needed at the United Nations, nevertheless, question whether such goals can be achieved by unilateral U.S. actions which violate American treaty commitments and isolate the United States. Some fear that U.S. efforts in the 1980s have given reform a bad name--the United States pressed for changes and when implemented, did not pay up. Success of reform efforts was predicated on the assumption by others that the United States would resume full payment of assessments and begin eliminating past arrearages. There are some in Congress again considering reducing U.N. funding. Many observers fear that real and lasting reforms are unlikely to take full effect in an organization paralyzed by financial instability.

U.S. representatives freely acknowledge that U.S. failure to pay all assessed contributions damages U. N. ability to carry out its responsibilities, and have

expressed commitment to meet current assessments and arrears.<sup>17</sup> At the same time U.S. officials have also stated that no major U.N. activities were stopped or staff laid off, because of lack of funds. There are no major congressional or Administration efforts to come up with funds or initiatives to change the way the U.S. Government approaches funding for the U.N. regular budget.

## ACCOUNTABILITY FOR BUDGET EXPENDITURES

Congress and the U.S. Government view greater U.N. accountability and oversight as an absolute core requirement for setting U.N. financing back on solid ground. Under pressure from U.S. officials and Members of Congress an office of inspector general was established at the United Nations. However, concerns about the independence and activity of the office continue.

The U.S. General Accounting Office (GAO), in an October 19, 1992 report, found that "current U.N. internal and external audit and evaluation structures do not ensure program accountability or provide member states with adequate oversight of the United Nations finances and operations."<sup>18</sup> The GAO recommended the establishment of an independent, central audit and evaluation authority headed by an official appointed by the U.N. Secretary-General and confirmed by the General Assembly. Some months later, Richard Thornburgh, ending his term as U.N. Under Secretary-General for Administration and Management, submitted a report to U.N. Secretary-General Boutros-Ghali recommending establishment of a U.N. inspector general office.<sup>19</sup>

The Foreign Relations Authorization Act, Fiscal Years 1994 and 1995, as passed by the House in June 1993, (and later enacted in P.L. 103-236) required withholding of 10 percent for FY1994 and 20 percent for FY1995 of assessed contributions for the U.N. regular budget until the President certified to Congress that the United Nations had established an independent office of inspector general.<sup>20</sup> In November 1993, U.S. U.N. Representative Madeleine

---

<sup>17</sup> See, for example, the statement by Madeleine Albright before the General Assembly's Fifth Committee on November 16, 1994 (US/UN Press Release #208-93)).

<sup>18</sup> U.S. General Accounting Office. *U.N. Audit and Evaluation*. GAO/NSIAD-93-72R. Oct. 19, 1992, Washington. p. 5.

<sup>19</sup> Thornburgh, Dick. *Report to the Secretary-General of the United Nations*. March 1, 1993. 32 p.

<sup>20</sup> The President was to certify that an Inspector General has been appointed by the U.N. Secretary-General with the approval of the General Assembly and the appointment was based mainly on the appointee's integrity and demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, or investigations; that the Inspector General was authorized to make investigations and reports relating to the administration of the programs and operations of the United Nations; have access to all records, documents, and materials relating to programs and

Albright proposed to the U.N. General Assembly the establishment of an independent office of inspector general. The U.N. General Assembly on July 29, 1994 adopted a resolution (A/RES/48/218B) establishing an Office of Internal Oversight Services (OIOS). On August 12, 1994 the General Assembly approved the appointment of Karl Theodor Pashke as the Under-Secretary-General for OIOS for one fixed term of five years, effective October 1, 1994.<sup>21</sup> The Secretary-General also established a special reporting facility<sup>22</sup> to provide direct, confidential access by staff members and others who wish to report possible misuse of funds, waste, or abuse of U.N. facilities or privileges, or who wish to make proposals for improvements in program delivery.

The State Department, on September 23, 1994 certified that an independent office of inspector general (named the Office of Internal Oversight Services (OIOS)) had been established, its head appointed with the approval of the General Assembly, and established procedures for its functioning.

Some Members of Congress have, however, not been convinced that the Office has sufficient independence and resources to be fully effective.<sup>23</sup> There is considerable controversy in Congress about the performance to date of this office and its head, Karl Theodore Paschke. Critics feel that the Paschke's pace is too slow and that the United Nations is not providing sufficient resources for the office. Others, however, argue that continuing U.S. arrearages make it difficult to expand the staff and activity of this office.

Other recent U.N. actions, appear to demonstrate continuing efforts to create a more accountable organization. On October 24, 1994, the Under-Secretary-

---

operations, and direct and prompt access to any official of the United Nations; procedures were in place to protect the identity, and prevent reprisals against any staff making a complaint, or providing information to, or cooperating in any investigation or inspection by the Inspector General; procedures were in place to ensure compliance with the recommendations of the Inspector General; and procedures were in place to ensure that all annual and other relevant reports submitted by the Inspector General are available to the General Assembly without modification.

<sup>21</sup> United Nations document ST/SGB/273, Sept. 7, 1994. The OIOS is to have operational independence under the authority of the Secretary-General and have the authority to initiate, carry out, and report on all actions necessary to carry out its responsibilities in monitoring, internal audit, inspection, evaluation, and investigations. The Office is to submit a detailed annual report of its activities and recommendations as well as significant problems in carrying out its functions to the Secretary-General for transmittal as received to the General Assembly. The Under-Secretary is also to comment on the scope of his activities and the adequacy of resources for the purpose intended.

<sup>22</sup> U.N. document ST/AT/397, Sept. 7, 1994.

<sup>23</sup> Senator Pressler who was a major proponent for creation of this office has also been very critical of its functioning thus far. See, for example his statement in the Congressional Record, September 29, 1994, v. 140, pp. S13703-4.

General for Administration and Management, Joseph Connor, told the Fifth Committee that a transparent and effective system of accountability and responsibility would be established in 1995. The system is to include the establishment of clear responsibility for program delivery and a mechanism for ensuring that program managers are accountable for effectively managing their human and financial resources. Performance evaluation for all officials and effective training of staff in financial and management responsibilities is to be included. It is also to include measures to make U.N. legislative mandates clearer. Efforts would be made to improve the procurement system by creating competitive and transparent bidding system.<sup>24</sup>

### **CAPACITY OF THE UNITED STATES TO TRACK, MONITOR, AND EVALUATE U.N. FINANCIAL ACTIVITIES**

If Congress continues to make full U.N. funding contingent on specific performance by the United Nations on particular financial and other reforms, the U.S. Government must have the ability to evaluate progress, or lack of progress, in these areas. In the late 1980s, Congress found it difficult to assess whether the requirements of the Kassebaum measure had been substantially met and therefore whether full U.S. funding could be restored as the United Nations began reforming its budget and administrative procedures.

This issue area also touches on Administration and congressional consultation. Congress has been increasingly concerned that it be fully informed in a timely fashion about developments at the United Nations, so that Members can make rational funding decisions. The Clinton Administration, like most other administrations, has not necessarily come back to discuss and explain U.N. developments to Congress. The Administration is largely responding to congressional actions in this area rather than initiating consultation.

For FY1996, the Administration did not request any funding for arrearages. Clearly, the FY1997 target date for paying up U.S. arrearages is not likely to be met. Moreover, the Administration is not making clear to Congress the full arrearage picture. While the annual congressional presentation documents provide information on the arrearages which the United States intends to pay (\$63.229 million), it does not include figures for the statutory and policy withholdings which are steadily growing and currently make up the largest part of the U.S. arrearage (about \$126 million).

In peacekeeping, Congress has instituted requirements for regular reporting to Congress as U.N. peacekeeping actions unfold. (Section 407 of P.L. 103-236 required more detailed annual reports, monthly consultations and reports, as well as interim reports and notices to Congress on U.N. peacekeeping activities, and quarterly notices on U.S. assistance for such U.N. activities.) Questions remain, however, whether the State Department has the resources and the trained personnel to respond to these added reporting and notification

---

<sup>24</sup> U.N. Press Release GA/AB/2954, Oct. 24, 1994.



requirements in peacekeeping as well as for U.N. financial and reform developments. A corresponding question is whether Congress has the resources to analyze and make full and informed use of the information provided.

It is not evident that the U.S. Government has evaluated whether past U.S. withholdings achieved goals intended. Such an assessment would examine several questions: For example, did the Kassebaum Amendment produce sustained U.N. reform? Some reforms did take place, but has U.N. funding been placed on firmer footing since those reforms? Has U.S. reform pressure without an improved payment record simply given reform a bad name within the organization and among other member states? Have the other withholdings for PLO programs, Law of Sea Commission, or for the tax equalization fund had any impact on those programs at all?

## APPENDIX I. BRIEF OVERVIEW OF PROPOSALS FOR IMPROVING U.N. FINANCING

### GENERALLY

Most proposals are based on the general premise that changes and reforms at the United Nations are necessary and will take place. (See table 5, p. 26, for a summary of some recent proposals.) Most of the specific proposals calling for reform of the way assessed budgets are financed are not new, they have been around for years. Most of them are not radical and do not call for any significant changes in the way that financing is done. Some of the current proposals were made by then U.N. Secretary-General Perez de Cuellar, and were repeated in large part by current U.N. Secretary-General Boutros-Ghali in his Agenda for Peace proposal.

A Ford Foundation-sponsored report, co-chaired by Paul Volcker and Shijuro Ogata, focussed specifically on the U.N. regular budget, and made recommendations that have been endorsed by many other groups. Richard Thornburgh, on leaving his post after one year as U.N. Under Secretary-General for Administration and Management, submitted a report calling for U.N. management reform including establishment of an office of inspector general. Former U.N. officials Erskine Childers and Brian Urquhart issued a study calling for renewing the U.N. system through a major overhaul including improvements in financing. The U.S. Commission on the Effectiveness of the United Nations, with members appointed by the President and Congress in its final report included some discussion of U.N. financing.

Almost all of these proposals, while indicating the need for various improvements and reforms, also see as the most basic need for governments to pay in full and on time--that is, to meet the financial obligations which all states undertake to fulfill at the time they become members.

None of the proposals relating to assessed budgets would bring in much new revenue. The existing proposals do not really give details as to the amount of money that might be raised by charging interest on unpaid assessments for example. The amount would of course depend on the interest rate and the amount on which it is levied. Charging interest on unpaid assessments may be more of an inducement to pay on time than really meant to produce extra revenues.

In addition, the Secretary-General and others have proposed a number of rather creative proposals--taxes on arms sales and international air travel. Such proposals would all require some kind of bureaucracy and enforcement mechanism, and are probably unworkable at this point. The Secretary-General also suggested tax exempt contributions from businesses, foundations, and private individuals. This might mean a significant loss of control of the United Nations by member states. It might mean there would be other non-governmental masters for the United Nations. Thus, governments have not been particularly enthusiastic about non-governmental sources of U.N. revenue

raising. Such options would give the United Nations system some financial independence from contributing governments and might also impinge on governmental tax bases, if, for example, donations by businesses or individuals to the United Nations were to be domestically tax deductible.

### **U.S. GOVERNMENT RESPONSE TO PROPOSALS**

The U.S. Government has not shown much enthusiasm for many of these proposals, except for praising and emphasizing the need to reform the U.N.'s financial management system by establishing an Inspector General's Office.

The Bush Administration attitude overall was rather negative to most proposals, including those for increasing the Working Capital Fund and imposing interest charges on arrears. The Clinton Administration has talked about regularizing U.S. payments. Nevertheless, while Ambassador Albright has stated that the United States is creating havoc by not paying on time, the Administration has not come up with any proposals to do so. Indeed, while the Administration requested some monies to pay for partial U.N. arrearages, Congress has not appropriated any money for this purpose for FY1994 or FY1995.

Except for the proposal to establish an office of inspector general, Congress has not expressed wide support for other ideas. In order for most proposals to be put into effect, congressional acquiescence would be needed. Any proposals involving higher contributions or earlier payments would not likely be embraced in the foreseeable future. For example, quarterly payments would return to the way the United States used to finance the U.N. system. But it would require Congress to change the way in which the U.S. Government pays its U.N. dues. Congress would likely be very reluctant to switch back to a quarterly system of payments. Such a system would mean that three-quarters of U.N. assessed payments would have to be made in an earlier fiscal year. That is, three-quarters of calendar year 1995 payments, paid before October 1, would have to come from FY1995 funds. This would increase the FY1995 international organization account requirement in that single transition year. Currently, FY1995 appropriations provide funding for calendar year 1994 U.N. assessments only.

Increasing the Working Capital Fund would also require a one-time increase in U.N. appropriations (or could be done in multi-year way), something Congress appears not likely to support.

Many in Congress feel there is need for more reforms in the U.N. system before they would be willing to consider changing U.S. funding for the United Nations system. Indeed, the attitude of Congress toward funding the United Nations assessed accounts has undergone a significant change since the 1970s. Before that time, usually Congress appropriated whatever sum the Administration requested for international organization dues. During the 1980s Congress found that it could withhold some funds or reduce amounts

appropriated because of U.S. domestic funding difficulties and to express displeasure with the United Nations. While some Members did express concern about U.S. treaty commitments, the sense that financial obligations must be met as assessed, is no longer entrenched in Congress. Indeed selective withholding continues--for some Palestinian programs, Addis Ababa conference center, and Administration policy withholdings. Some feel it is necessary to maintain financial leverage in order to push for further U.N. reforms. Others, however, have argued that such leverage has limited value in inducing lasting reforms.

**Table 5. Summary of Selected Recent Findings and Recommendations for Improving U.N. Regular Budget Financing**

Subject	Agenda for Peace <sup>1</sup>	Thornburgh <sup>2</sup>	Volcker/Ogata <sup>3</sup>	U.S. Commission <sup>4</sup>	Childers/Urquhart <sup>5</sup>
<b>Basic Problem</b>	Exceptionally high level of unpaid contributions and inadequate reserves	Late and uneven payment of assessments	Assuring timely availability of funds		
<b>General Observations</b>		Simplify budget process. Too much micro-management by General Assembly. Set priorities and give U.N. managers greater flexibility and hold to greater accountability	Maintain consensus procedures for approving budget.  Four quarterly installments, instead of lump sum at beginning of year		Endorses adoption of Volcker/Ogata proposals. U.N. budgets must be made intelligible and annual.
<b>Basic Premise</b>	(Prompt and full payment of assessments)	Prompt and full payment of assessments	All countries must pay on time and in full. Arreages must be paid		
<b>Charge Interest</b>	Charge interest on late payments		Charge interest on late payments		
<b>Working Capital Fund</b>	Increase Working Capital Fund to \$250 million or 1/4 of annual assessment		Raise level of Working Capital Fund to \$200 million		
<b>Assessments</b>	Member States may wish to consider modifications		Base assessments on 3-year base period, rather than 10-year	Revise scale of assessments--U.S. rate for regular budget should be in 15-20% range	Change assessment formula (10-12% ceiling).
<b>Borrowing</b>	Allow U.N. to borrow commercially; authorize borrowing from the World Bank and International Monetary Fund	Short-term borrowing authority	U.N. should not have authority to borrow.		
<b>Inspector General</b>		Create office of Inspector General		Generally endorses proposals and establishment of Inspector General	Improve staffing and procedures for accountability and oversight
<b>National Funding</b>			Rephase appropriations process so that dues can be paid on time	Congress should streamline procedures for dealing with U.N. financing. Keep American public informed about U.S. contributions	Member states must improve domestic financial system for U.N. financing. Correctly inform citizens of annual investment in U.N.
<b>Non-governmental Sources of Funds</b>	Non-governmental sources of funds: levy on international air travel; tax exemptions for U.N. contributions by foundations, businesses and individuals				Nongovernmental sources: levies on arms sales, currency movements, international trade and travel, U.N. lottery to raise revenues and increase citizen participation.

crsphgww

<sup>1</sup> United Nations. General Assembly. Security Council. An Agenda for Peace. New York, United Nations. 24 p. (U.N. document A/47/277; S/24111. June 17, 1992. Supplemented in U.N. document A/50/60; S/1995/1. Jan. 3, 1995.

<sup>2</sup> Thornburgh, Dick. Report to the Secretary-General of the United Nations. Mar. 1, 1993. 32 p. (unpublished)

<sup>3</sup> Volcker, Paul, and Shijuro Ogata, et al. Financing an Effective United Nations. N.Y., Ford Foundation, 1993. 34 p.

<sup>4</sup> United States Commission on Improving the Effectiveness of the United Nations. Defining Purpose: The U.N. and the Health of Nations. Sept. 1993. 116 p.

<sup>5</sup> Childers, Erskine, and Brian Urquhart. Renewing the United Nations System. Uppsala, Sweden, Dag Hammarskjöld Foundation, 1994. 213 p.