
June 1998

UNITED NATIONS

Financial Issues and U.S. Arrears





**United States
General Accounting Office
Washington, D.C. 20548**

**National Security and
International Affairs Division**

B-280216

June 18, 1998

The Honorable Jesse Helms
Chairman, Committee on Foreign Relations
United States Senate

The Honorable Benjamin Gilman
Chairman, Committee on International Relations
House of Representatives

The Honorable Harold Rogers
Chairman, Subcommittee on Commerce, Justice,
State and Judiciary
Committee on Appropriations
House of Representatives

According to the United Nations Secretary General, the U.N.'s financial situation is precarious, due to the nonpayment or late payment by the United States and other U.N. members of their assessed contributions. Department of State officials have asserted that unpaid U.S. assessments (arrears) limits the U.S.' ability to effectively pursue its interests through the United Nations. This report responds to your concerns regarding the validity of these claims. Specifically, you asked us to assess (1) the U.N.'s financial status and (2) the impact of U.S. arrears on selected U.N. decisions, including U.N. resolutions dealing with Iraq and U.S. efforts to secure a change in its regular budget assessment rate. Our observations concerning the impact of U.S. arrears on selected U.N. decisions is limited to those specific decisions we examined and cannot be generalized to the broader range of issues and proposals that have been debated at the United Nations. We briefed members of your staff about these issues on February 13 and 24, 1998. This report summarizes and updates the information provided at those briefings.

Background

The U.N. Charter—an international treaty—provides that the expenses of the organization shall be borne by the members as apportioned by the General Assembly. The U.N.'s basic operations, including most headquarters activities, are funded through regular budget assessments paid by its member states. Member states are assessed separately for

peacekeeping operations and international criminal tribunals,¹ but at different rates than for the regular budget. The United Nations uses the budget levels set by the General Assembly as the basis for assessing its members and planning its activities. The unpredictability of U.N. members' payments is not a factor in developing its budgets.

The United States is the U.N.'s largest contributor and, in 1997, it paid about 89 percent, or \$627.8 million, of its assessments of \$707.7 million. In 1997, the United Nations assessed its 185 members a total of \$2.4 billion for its regular, peacekeeping, and tribunal budgets. The United States is assessed 25 percent of the U.N.'s regular budget and about 30.5 percent of peacekeeping budgets. In addition, the United States is assessed 25 percent for one-half of the international criminal tribunals' budget and about 30.5 percent for the other half. According to the United Nations, the United States has on average paid about 90 percent of its regular budget assessment over the last 17 years.

Regular budget assessments are due on January 31 of each year and are considered to be in arrears if they are not paid by December 31. Assessments for peacekeeping missions and the tribunals are due within 30 days of the billing dates. Article 19 of the U.N. Charter states that a member that is in arrears in the payment of its financial contributions to the United Nations will have no vote in the General Assembly if the amount of arrears equals or exceeds the assessments due for the preceding 2-full years. Security Council rights, such as the power of a permanent member to veto any resolutions, are not affected by article 19.

Since 1983, the United States has paid its calendar year assessments with funds appropriated for the following U.S. fiscal year. For example, calendar year 1998 assessments, which were due by January 31, 1998, will be paid after October 1, 1998, with fiscal year 1999 appropriations. In addition, since the early 1980s, the United States has withheld portions of its assessed contributions for legislative and policy reasons. For example, in 1994, Congress enacted legislation to cap the U.S. peacekeeping assessment at 25 percent.² The United Nations counts the difference as arrears.

¹The United Nations has established two international criminal tribunals—the International Criminal Tribunals for the former Yugoslavia and Rwanda—to investigate and prosecute persons responsible for genocide and other serious violations of international humanitarian law committed in those regions.

²22 U.S.C. 287e note.

Results in Brief

Our analysis indicates that the United Nations has been able to pay its external creditors and its personnel costs while maintaining an overall positive cash balance. Although the United Nations has reported a negative year-end cash balance in its regular budget account for the past several years, it has been able to cover operating expenses by deferring payments to countries contributing troops, equipment, and other services to peacekeeping efforts—essentially borrowing from these countries—and spending cash kept in peacekeeping accounts. These peacekeeping accounts are reimbursed as U.N. members pay their regular budget assessments.

The U.N.'s financial problems have been primarily caused by the accumulation of unpaid assessments and the late payments of assessments by a large number of members. Although some members pay their assessments by the due date, most make partial payments throughout the year. A large number of members also have unpaid assessments from prior years (arrears). According to the U.N. Under Secretary General for Management, in comparison to past years, a growing number of members are now paying more or all of their assessments. For example, over the past 3 years, the Russian Federation has paid over \$300 million of its unpaid assessments from prior years. Despite this improved payment pattern, in recent years, the U.N.'s regular budget account has run out of cash around the end of August and, to continue operations, cash is borrowed from its peacekeeping mission accounts.

As of February 28, 1998, the United Nations reported that 166 member states owed about \$2 billion for arrears; 6 countries owed about 91 percent of this amount: the United States (64.2 percent), Ukraine (11.2 percent), Russian Federation (7 percent), Japan (4.4 percent), Belarus (2.7 percent), and Brazil (1.4 percent). The other 160 countries owed about 9 percent of the unpaid contributions. In some cases, unpaid contributions have been the result of the members' inability to pay. For example, Brazil, Belarus, and Ukraine have experienced financial difficulties for several years and have not paid their assessments in full or on time. Japan makes partial payments during the assessment year. The U.N.'s records show that the United States is about \$1.3 billion in arrears for the regular and peacekeeping budgets and is not in arrears for the international criminal tribunals. Of the amount in arrears as of February 28, 1998, the United States has agreed to pay \$723 million—\$60 million for the regular budget and \$663 million for peacekeeping. The United States has not agreed to pay \$567 million based on legislative requirements or policy determinations.

According to the U.N. Under Secretary General for Management, the continuing large amount of arrears (both the failure to pay assessments in full and to pay them on time) has created a structural deficit that could develop into a serious financial crisis if members begin demanding payment of amounts due them for providing goods and services to U.N. peacekeeping operations. The structural problem arises from the fact that U.N. programs and activities are implemented on the basis that 100 percent of the budgeted amounts will be assessed to members, and that assessments will be paid in full and on time. Although member states, including the United States, approved these activities, they are not being fully funded in a timely manner. Moreover, the U.S.' practice since 1986 of withholding part of the assessed contributions until certain conditions have been met, sometimes for many months beyond the due date, has exacerbated this problem. This condition has prevailed for many years.

According to the U.N. Under Secretary General for Management, the only way for the United Nations to circumvent the chronic deficits in the regular budget is to borrow from peacekeeping accounts; and with peacekeeping funds diminishing, "the time is fast approaching when this will no longer be feasible." Our analysis shows that year-end cash balances in the peacekeeping accounts have declined from \$923 million in 1995 to a projected \$761 million in 1998.

The U.S. arrears situation at the United Nations has contributed to a difficult environment for advancing U.S. positions and has distracted the debates away from the merits of the particular issues. However, on specific cases we examined, arrears sometimes had a clear impact on outcomes and sometimes did not. In the security arena, the ultimate outcome of the cases we examined did not appear to be affected by the U.S. arrears, whereas other U.S. interests, such as obtaining a lower regular budget assessment rate clearly were.

The U.S. arrears situation was raised by Iraq during the Security Council debate concerning Iraq's compliance with weapons inspections and distracted attention from Iraq's violations. Nonetheless, Security Council resolutions were firm, consistent, and unanimous in condemning Iraq and maintaining the weapons inspections in accord with U.S. positions. According to U.S. officials, the resolutions did not reflect the increased difficulty that arrears caused in obtaining Security Council support.

On other issues we examined, the arrears issue had a clearly negative impact. For example, while consensus had not been reached among the

members to reduce the U.S. regular budget assessment rate from 25 to 22 percent, according to U.S. mission officials, the inability to resolve this issue legislatively in 1997 ensured that agreement on reducing the rate would not be reached. In addition, documents we obtained cited U.S. arrears as the primary reason the United States lost its seat on the Advisory Committee on Administrative and Budgetary Questions—whose role is to report to the Fifth Committee on its examinations of the regular, peacekeeping, and international criminal tribunal budgets and other accounts of the United Nations. Moreover, U.S. officials have been informed by representatives of other U.N. members that the United States will not regain the Advisory Committee seat until its arrears are paid in full.

By April 4, 1998, 39 U.N. members in arrears had lost their vote in the General Assembly under article 19. By May 11, 1998, that number was reduced to 27 as payments were made by member states, thus permitting them to regain their voting privileges. Our analysis of U.S. payments due through 1998—including the estimated payments of between \$363 and \$393 million the United States says it intends to make from its 1998 and prior year appropriations—indicates that the United States could be sufficiently in arrears to lose its General Assembly vote in January 1999 if it does not legislate or pay an additional amount between \$211 and \$241 million by December 31, 1998. We noted that other members, including France, the former Soviet Union, and China—have been in a similar situation for their refusal to pay certain assessments but were allowed to continue their voting privileges. In the case of China, the General Assembly authorized the United Nations to place the amounts owed in a special account. However, according to U.S. officials, to date, U.S. efforts to have such an account established for the amounts in dispute have been rebuffed. Recently, the General Assembly allowed three other U.N. members that failed to pay their dues—Comoros, Liberia, and Tajikistan—to continue their voting privileges because of conditions beyond their control.

The briefing sections provide more information on the U.N.'s financial status and the impact of U.S. arrears on the U.S.' ability to prevail on U.N. decisions significant to U.S. interests. Appendixes I through III list unpaid contributions by U.N. account, unpaid contributions by U.N. member state, and reimbursements owed to U.N. members for peacekeeping contributions.

Agency Comments and Our Evaluation

The Department of State and the United Nations provided written comments on a draft of this report. The Department of State commented that, while the facts of the report are accurate, the report was narrowly focused and has not captured the atmosphere at the United Nations toward the United States and loss of influence and prestige of the United States within all the bodies of the United Nations that has been caused by U.S. arrears. Specifically, State believes that it is impossible and imprudent to assess the impact of the arrears by studying only selected activities in the Security Council and on the recent effort to change the regular budget assessment.

Our report states that despite the fact that the United States is the largest contributor to the United Nations, the arrears problem has contributed to a difficult environment for the State Department and the U.S. Mission to operate in. It also makes clear that our observations concerning the impact of U.S. arrears are limited to outcomes for the specific decisions we were asked to examine. We do not attempt to generalize these observations to the broader range of issues that the United States is involved with at the United Nations.

The United Nations agreed with the factual information presented in the report, and reiterated its view that the U.N.'s financial situation is precarious and that borrowing from one account to cover deficits in another is imprudent. The Department of State and the United Nations also provided technical comments that we incorporated as appropriate. Department of State and U.N. comments are reprinted in appendixes IV and V, respectively.

Scope and Methodology

To determine the U.N.'s financial status, we reviewed audit reports and U.N. budgets and analyzed data on cash flow projections, unpaid contributions, and internal borrowing. We also met with the U.N. Under Secretary General for Management, other U.N. officials, and the U.N. Board of Auditors. We did not include the U.N. specialized agencies or other affiliated agencies in our review.

Because we are an agency of the United States, we do not have direct audit authority to review the operations of international organizations, including the United Nations. This lack of audit authority resulted in certain limitations being placed on the scope of our work. Although U.N. officials consented to our study and Secretariat staff were helpful and forthcoming in interviews, the United Nations did not provide access to

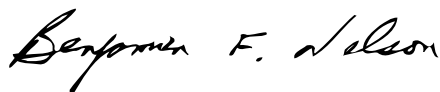
internal financial documents nor information about what is owed to other peacekeeping contributors for specific peacekeeping missions. Also, information on year-end cash balances prior to 1994 was not available. These restrictions did not allow us to verify the U.N.'s cash flow estimates and total amounts owed to member states for troops and contingent-owned equipment.

To determine the impact of unpaid contributions on U.S. policy interests, we reviewed recent U.N. Security Council and General Assembly decisions, delegation statements before the U.N. Security Council and General Assembly, and U.S. policy statements. We also interviewed U.S. officials at the Department of State and the U.S. Mission to the United Nations responsible for managing U.S. participation in the United Nations. We did not independently verify the information obtained from the United Nations and the State Department.

We conducted our work from February to April 1998 in accordance with generally accepted government auditing standards.

We are providing copies of this report to the Secretary of State, the U.S. Ambassador to the U.S. Mission to the United Nations, the U.N. Secretary General, and the Chairman, U.N. Board of Auditors. This report will also be made available to others on request.

Please contact me at (202) 512-4128 if you or your staff have any questions about this report. Major contributors to the report were Harold Johnson, Tetsuo Miyabara, Zina Merritt, Michael Rohrback, and David Bruno.



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Abbreviations

ACABQ	Advisory Committee on Administrative and Budgetary Questions
ICTR	International Criminal Tribunal for Rwanda
ICTY	International Criminal Tribunal for the former Yugoslavia
MINUGUA	United Nations Mission for the Verification of Human Rights and of Compliance with the Commitments of the Comprehensive Agreement on Human Rights in Guatemala
MINURSO	United Nations Mission for the Referendum in Western Sahara
MONUA	United Nations Observer Mission in Angola
ONUCA	United Nations Observer Group in Central America
ONUC	United Nations Operation in Congo
ONUMOZ	United Nations Operation in Mozambique
ONUSAL	United Nations Observer Mission in El Salvador
UNAMIC	United Nations Advance Mission in Cambodia
UNAMIR	United Nations Assistance Mission for Rwanda
UNAVEM	United Nations Angola Verification Mission
UNDOF	United Nations Disengagement Observer Force
UNEF	United Nations Emergency Force
UNFICYP	United Nations Peacekeeping Force in Cyprus
UNIFIL	United Nations Interim Force in Lebanon
UNIIMOG	United Nations Iran-Iraq Military Observer Group
UNIKOM	United Nations Iraq-Kuwait Observation Mission
UNMIBH	United Nations Mission in Bosnia and Herzegovina
UNMIH	United Nations Mission in Haiti
UNMLT	United Nations Military Liaison Team in Cambodia
UNMOT	United Nations Mission Observers in Tajikistan
UNOMIG	United Nations Observer Mission in Georgia
UNOMIL	United Nations Observer Mission in Liberia
UNOMUR	United Nations Observer Mission Uganda-Rwanda
UNOSOM	United Nations Operation in Somalia
UNPREDEP	United Nations Preventive Deployment Force
UNPROFOR	United Nations Protection Force
UNSCOM	United Nations Special Commission
UNSMIH	United Nations Support Mission in Haiti
UNTAC	United Nations Transitional Authority in Cambodia
UNTAES	United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium
UNTAG	United Nations Transition Assistance Group

Background

GAO Background

U.N. operating funds obtained through

- regular budget assessment
- peacekeeping assessment
- international criminal tribunals assessment

United States is the largest contributor to the United Nations

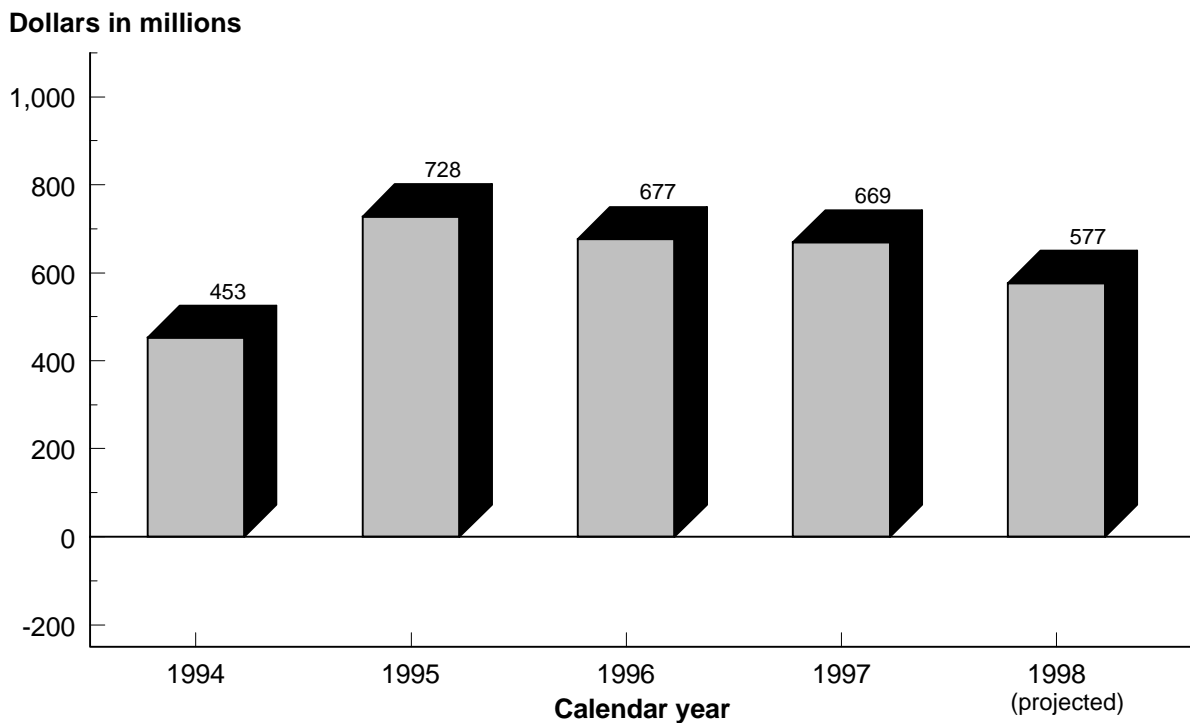
The United Nations obtains its operating funds through (1) regular budget assessments, (2) peacekeeping assessments, and (3) international criminal tribunals assessments. About 98 percent of these funds come from regular budget and peacekeeping assessments and 2 percent from international criminal tribunals' assessments. In 1997, these assessments totaled about \$2.4 billion—\$1.1 billion for regular budget, \$1.2 billion for peacekeeping, and \$35.2 million for the international criminal tribunals. By February 28, 1998, U.N. members owed about \$2 billion in unpaid contributions for 1997 and prior years (arrears)—\$461.3 million for regular budget, \$1.5 billion for peacekeeping, and \$10.7 million for the international criminal tribunals. U.N. members also owed about \$1.2 billion for the current year's assessments.

The United States is the U.N.'s largest contributor. In 1997, the United States paid about \$627.8 million of the \$707.7 million it was assessed to the United Nations—more than any other member state. It paid about \$315.6 million for the regular budget,¹ \$302.4 million for peacekeeping, and \$9.8 million for the international criminal tribunals. However, the United States still owes the largest amount of unpaid contributions, particularly for peacekeeping missions, for 1997 and prior years (arrears).

¹The \$315.6 million for regular budget payments includes a \$27.3 million credit from surplus funds in the U.N.'s Tax Equalization Fund.

Regular U.N. Budget and Peacekeeping Cash Flows

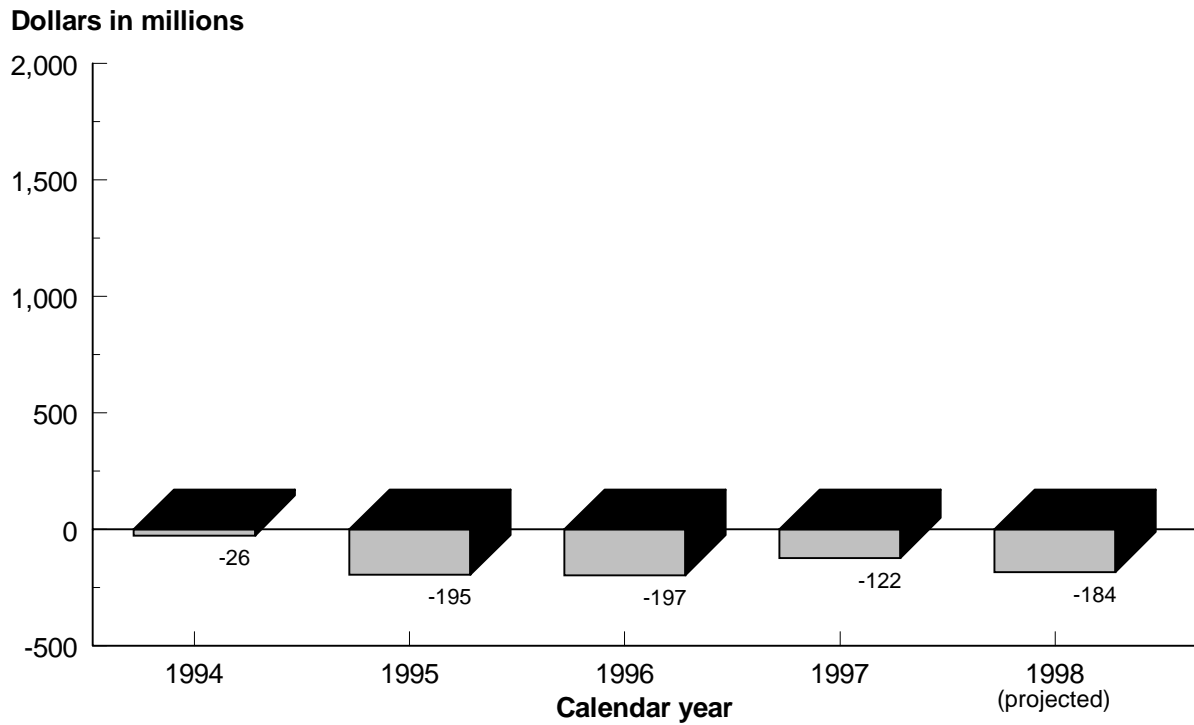
GAO Regular Budget and Peacekeeping Year-End Cash Balances, 1994-98



Briefing Section II
Regular U.N. Budget and Peacekeeping Cash
Flows

The U.N.'s combined regular budget and peacekeeping cash balance between 1994 and 1997 has ranged from \$453 million to \$728 million at year end. The U.N. Under Secretary General for Management estimates that the United Nations will have a 1998 year-end cash balance, excluding funds for the international criminal tribunals, of about \$577 million. The U.N.'s monthly operating expenses, including staff costs, average about \$200 million, or \$2.4 billion per year. In addition, the United Nations currently owes about \$1.2 billion to members who have contributed troops, equipment, and services to peacekeeping missions. As shown in the following two slides, from 1994 to 1997, the United Nations has had negative regular budget year-end balances and positive peacekeeping balances. It has been able to maintain an overall positive cash balance by deferring payments to countries that contribute to peacekeeping efforts and covering regular budget shortfalls from peacekeeping account funds.

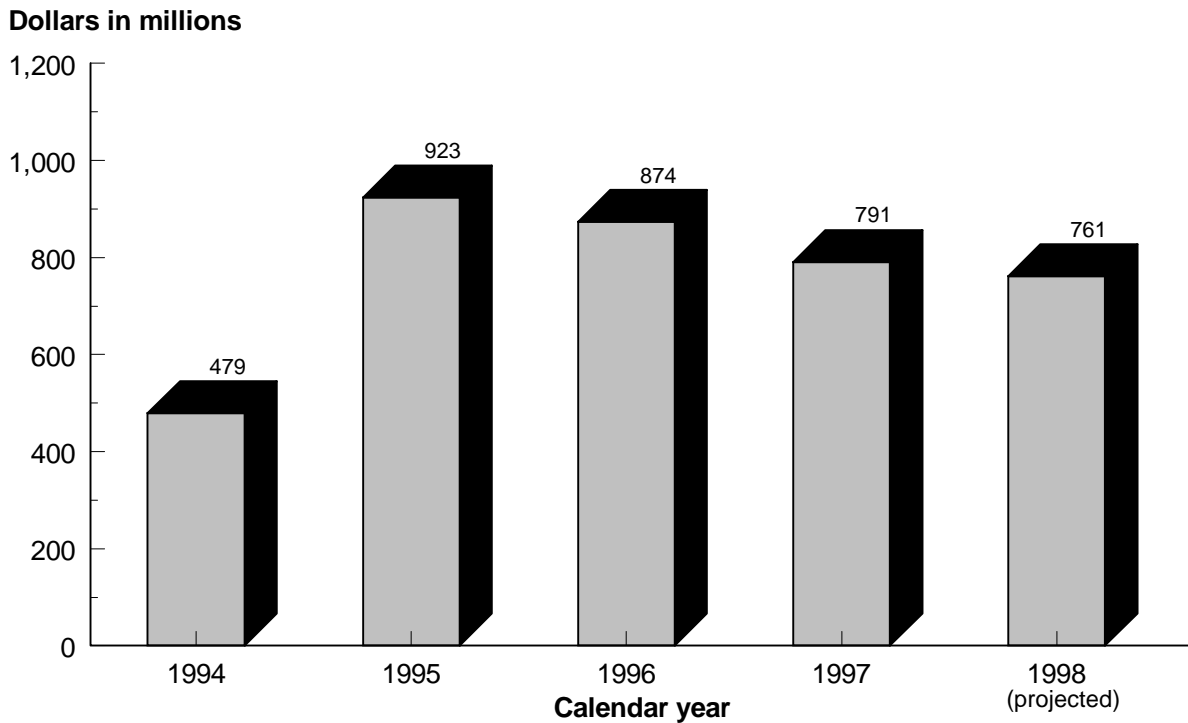
GAO Regular Budget Year-End Cash Balances, 1994-98



Briefing Section II
Regular U.N. Budget and Peacekeeping Cash
Flows

Beginning in 1994, the gap between assessment levels and member states' irregular payments has caused the regular cash account to be in deficit by the end of each year. Based on the payment patterns of the prior 4 years, particularly the last 4 months of each year, the U.N. Under Secretary General for Management projects a regular budget deficit of about \$184 million for the end of 1998. He estimates that during 1998 the United Nations will have to borrow 25 percent of the available cash in the peacekeeping accounts to cover the deficit in the regular budget.

GAO Peacekeeping Year-End Cash Balances, 1994-98



Briefing Section II
Regular U.N. Budget and Peacekeeping Cash
Flows

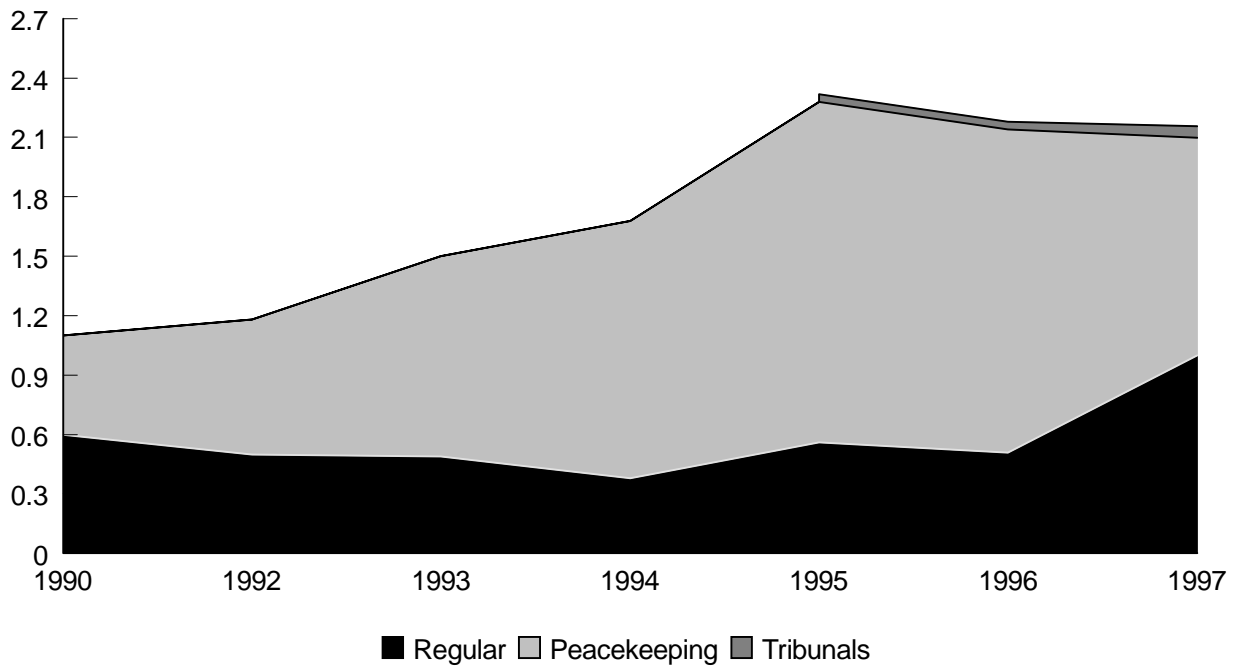
As the number of large and complex peacekeeping operations authorized by the U.N. Security Council grew between 1990 and 1994, so did U.N. member states' peacekeeping assessments. This resulted in significant on-hand cash balances in the peacekeeping accounts for the U.N.'s fiscal years beginning in 1994. Between 1995 and 1997, these operations decreased, as did member states' assessments. As a result, the levels of peacekeeping cash decreased from \$923 million in 1995 to \$874 million in 1996 and to \$791 million in 1997.

According to the U.N. Under Secretary General for Management, forecasting needs for peacekeeping operations is very difficult because the levels of assessments change, the frequency of assessments is unpredictable, the timing of the receipt of credits of unspent funds from closed peacekeeping missions is uncertain, and the troop and equipment requirements change. Based on prior year's payment patterns, the U.N. Under Secretary General projects that the cash in the peacekeeping accounts would be about \$761 million, the lowest level in 4 years, by the end of 1998.

Unpaid Assessments by U.N. Members

GAO Unpaid Assessments by All U.N. Members, 1990-97

Dollars in billions

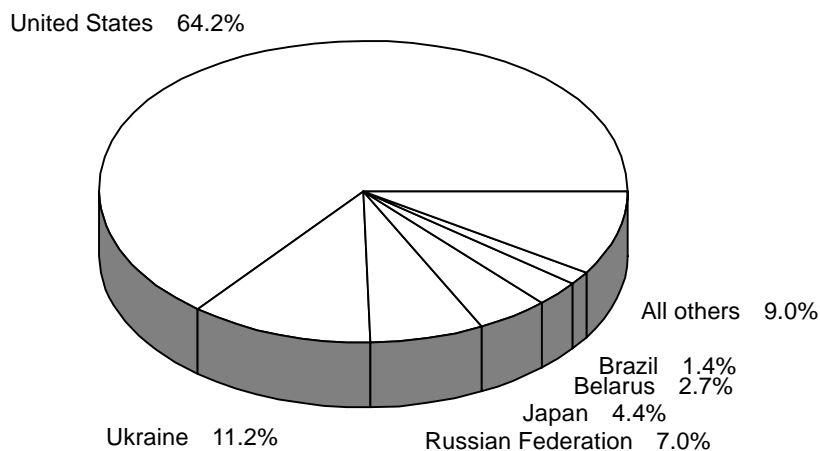


The United Nations depends on the contributions of its 185 member states to maintain its operations. U.N. members have traditionally been slow in making their current year contributions, and as of February 28, 1998, 166 members had arrears. According to statements by the U.N. Secretary General and the Under Secretary General for Management, arrears are the major cause of what they consider to be a precarious financial situation.

According to the United Nations, as of February 28, 1998, member states owed about \$2 billion in unpaid contributions for 1997 and prior years (arrears)—\$461.3 million for regular budget, \$1.5 billion for peacekeeping, and \$10.7 million for the international criminal tribunals. See appendixes I and II for the status of unpaid contributions for each U.N. account and by member state. According to the U.N. Under Secretary General for Management, in comparison to past years, a growing number of members are now paying more or all of their assessments. For example, over the past 3 years, the Russian Federation has paid over \$300 million of its unpaid assessments from prior years. However, in some cases, unpaid contributions have been the result of the member's inability to pay. For example, Brazil, Belarus, and Ukraine have experienced financial difficulties for several years and have not paid their assessments in full or on time. Other members, such as Japan, make partial payments during the assessment year. Although Italy usually makes its payment in full at the beginning of each calendar year, it has yet to pay its 1998 assessment. Since the early 1980s, a portion of the U.S. payment has been withheld for specific activities or because U.S. law caps the peacekeeping assessment at 25 percent. Other portions have been conditioned on the U.N.'s undertaking reforms.

GAO Outstanding Contributions by Country, 1997 and Prior Periods

\$2.0 billion



Briefing Section III
Unpaid Assessments by U.N. Members

As of February 28, 1998, 166 U.N. members were \$2 billion in arrears to the U.N.'s regular, peacekeeping, and international criminal tribunal budgets. Members owing the most were the United States, with about \$1.3 billion, or 64.2 percent; Ukraine, \$226 million, or 11.2 percent; Russian Federation, \$140 million, or 7 percent; Japan, \$89 million, or 4.4 percent; Belarus, \$55 million, or 2.7 percent; and Brazil, \$29 million, or 1.4 percent. The other 160 countries owed about \$180 million, or 9 percent. The Russian Federation is rapidly paying down its arrears. Ukraine, Belarus, and Brazil have been experiencing severe financial problems and have indicated that they are unable to pay their arrears at this time. According to a State Department official, only the United States has not paid its arrears because of policy reasons.

GAO **Structural Impact of Unpaid
Contributions**

According to the United Nations, unpaid contributions has created a structural deficit and could develop into a serious financial crisis if members demand reimbursement for peacekeeping contributions

Programs and activities are implemented on the basis of full and timely payment of assessments by U.N. members

According to the U.N. Under Secretary General for Management, the continuing large amount of arrears (both the failure to pay assessments in full and to pay them on time) has created a structural deficit that could develop into a serious financial crisis if members begin demanding payment of amounts due them for providing goods and services to U.N. peacekeeping operations. The structural problem arises from the fact that U.N. programs and activities are planned and implemented on the basis that 100 percent of the budgeted amounts will be assessed to members, and that assessments will be paid in full and on time. The unpredictability of U.N. members' payments is not a factor in developing its budgets. As noted, this condition has prevailed for many years, and arrears have continued to accumulate.

According to U.S. Mission officials, the U.S. payment practice of starting regular budget payments no earlier than October 1, 8 months after they are due, and completing regular budget payments up to 22 months after due dates has a much more serious affect on the U.N.'s cash flow and ability to meet its obligations than do the arrears. The U.N.'s cash flow problems stem largely from this U.S. delay in payments. The United States is the only major country that regularly schedules payments with this delay factor.

GAO U.N. Calculation of Regular Budget Arrears, 1997 and Prior Periods

(as of February 28, 1998)

Dollars in millions

Member state	Arrears	Percent of total arrears
United States	\$373	80.9
Withheld amount	(313)	
Undisputed amount	(60)	
Brazil	17	3.7
Others (71 members)	71	15.4
Total	\$461	100

Note: The United States withheld \$162 million for legislative and policy actions and \$151 million is conditioned on the State Department's certification that certain legislative requirements have been fulfilled.

Briefing Section III
Unpaid Assessments by U.N. Members

The U.N.'s records show that the United States owes about \$373 million for regular budget arrears. Of this amount, as of February 28, 1998, the United States has agreed to pay \$60 million and withhold \$313 million for legislative requirements or policy determinations; \$151 million of which will be paid when specific conditions are met. Table III.1 shows the U.S. withholdings for the U.N. regular budget.

Table III.1: U.S. Regular Budget Withholdings as of February 28, 1998

Dollars in millions	
Purpose	Withheld amount
U.S. legislative withholdings	
Construction of the Conference Center for the Economic Commission of Africa (Addis Ababa) in the late 80s during the famine	\$29
U.N. assistance to the Palestine Liberation Organization	17
Sunquist Amendment prohibiting a portion of the U.S. payment to the U.N. because of kickbacks paid from Soviet nationals' salaries to their governments for their salaries	6.3
Kasten Amendment of the mid-1980s preventing payment for excessive U.N. post adjustments	1
Assessment rate increase in early 1980s following the breakup of Czechoslovakia	0.7
Subtotal	\$54
U.S. policy withholding	
Withheld payment to the U.N. Tax Equalization Fund because of the asserted excessive tax reimbursements paid to U.S. nationals employed by the United Nations	\$100
Law of Sea Preparatory Commission	8
Subtotal	\$108
Funds withheld until U.N. meets reform conditions^a	
Office of Internal Oversight Services ^b	\$51
U.N. regular budget not to exceed \$2.533 billion	100
Subtotal	\$151
Total	\$313

^aThese amounts are not disputed.

^bThis amount was paid in March 1998.

Source: Department of State.

GAO U.N. Calculation of Peacekeeping Arrears, 1997 and Prior Periods

(as of February 28, 1998)

Dollars in millions

Member state	Arrears	Percent of total arrears
United States	\$917	59.6
Withheld amount	(254)	
Undisputed amount	(663)	
Russia	136	8.8
Japan	89	5.8
Others (159 members)	396	25.8
Total	\$1,538	100

Note: The United States withheld \$254 million for legislative and policy actions. This amount does not include \$14 million to be paid from fiscal year 1998 appropriations.

Briefing Section III
Unpaid Assessments by U.N. Members

The U.N.'s records show that the United States owes about \$917 million for peacekeeping arrears. Of this amount, as of February 28, 1998, the United States has agreed to pay \$663 million and withhold \$254 million for legislative requirements or policy determinations. Table III.2 shows the U.S. withholdings for U.N. peacekeeping.

Table III.2: U.S. Peacekeeping Withholdings as of February 28, 1998

Dollars in millions	
Purpose	Withheld amount
U.S. policy cap on peacekeeping assessment at 30.4 percent versus the 31.7 percent set by the General Assembly to cover peacekeeping contribution shortfalls following the breakup of the Soviet Union	\$123
U.S. legislative cap on peacekeeping assessments at 25 percent after October 1, 1995, versus U.N. assessment of 30.4 percent	128
U.S. policy withholding of U.S. payment for the United Nations Mission for the Referendum in Western Sahara (MINURSO) pending outcome of U.S. negotiations	3
Total	\$254

Source: Department of State.

Reimbursements Deferred to Peacekeeping Contributors

GAO Countries Not Paid for Peacekeeping Contributions

Borrowing from peacekeeping accounts prevents full reimbursement of countries contributing troops, equipment, and other assistance to U.N. peace operations

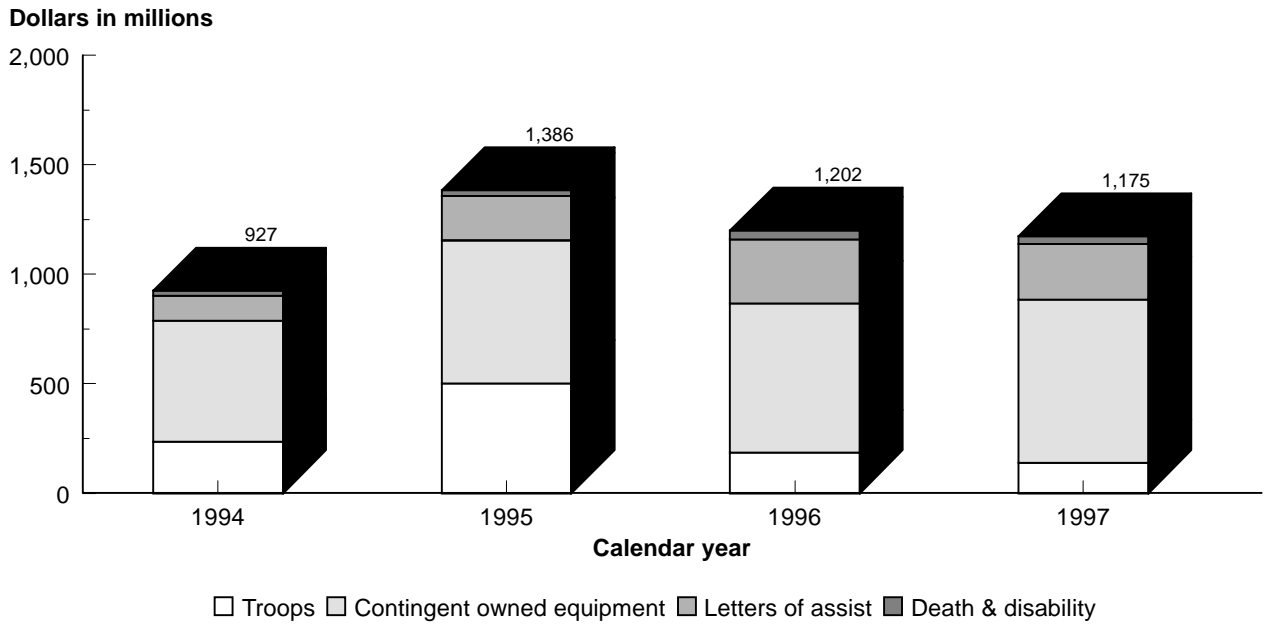
- Largest reimbursements owed to France and the United States
 - Largest reimbursements for troops owed to Pakistan, Bangladesh, and Finland
 - Countries are reimbursed as payments are remitted
-

**Briefing Section IV
Reimbursements Deferred to Peacekeeping
Contributors**

Although the United Nations has been able to pay for external services provided by contractors and personnel costs, it has not paid all U.N. members for troops, equipment, and other services contributed for peace operations. The U.N.'s regular budget cash deficits have led to prolonged periods of borrowing from its peacekeeping accounts to maintain its operations. These funds are reimbursed to the peacekeeping accounts as U.N. members pay regular budget assessments. The availability of peacekeeping cash from which to borrow has sustained the United Nations. However, the U.N.'s ability to borrow will, over time, diminish because funds flowing in from the assessments for peacekeeping missions have declined. The following slides and appendix III show the amounts owed by the United Nations to peacekeeping contributors.

GAO Total Owed to Peacekeeping Contributors, 1994-97

(as of December 31, 1997)



Briefing Section IV
Reimbursements Deferred to Peacekeeping
Contributors

At the end of December 1997, the United Nations owed about \$1.2 billion in reimbursements to U.N. member states for contributions for peacekeeping operations, including troops, equipment—referred to as contingent-owned equipment—letters of assist requesting specific services, and death and disability payments. According to the United Nations, in some cases, the debt poses a hardship for those member states, such as Bangladesh, Pakistan, and Zimbabwe, that cannot afford to go unpaid for long periods of time.

Payments for contingent-owned equipment constituted about 63 percent of the amount the United Nations owed to member states as of December 1997. Before April 1996, the amounts owed for the use of contingent-owned equipment were based on the contributing countries' estimates. In some cases, the United Nations disputed these claims. After an extensive review, the U.N. General Assembly adopted new guidelines for determining reimbursement to member states for contingent-owned equipment provided to peacekeeping missions. These guidelines include standards for record keeping, classification of equipment, and rates for equipment use. Reimbursement rates for troop costs are based on rates established by the General Assembly; currently, this rate is \$988 monthly for each troop of the contributing country's armed forces.

The Secretary General announced in 1996 his intention not to allow the amounts already owed to member states to increase, if at all possible. The Secretary General intends to pay down the level of debt to member states when substantial arrearage amounts are paid. Actual reimbursement for troop costs and contingent-owned equipment will be paid when amounts over and above the day-to-day requirements become available to make a payment. Death and disability payments and payments for letters of assist are normally made to governments shortly after the claims are certified. In 1997, the United Nations paid peacekeeping contributors \$327 million.

GAO Top Five Countries Owed Reimbursement for Contributions to Peacekeeping

(as of December 31, 1997)

Dollars in millions

Country	Troops	Contingent owned equipment	Letters of assist	Death and disability	Total
France	\$2.0	\$125.1	\$16.5	\$7.6	\$151.2
United States	3.5	25.4	80.3	0.0	109.2
United Kingdom	3.1	45.2	15.4	2.2	65.9
Italy	0.4	29.1	29.4	3.6	62.5
Belgium	4.6	39.9	13.5	0.1	58.1
Others	126.4	480.1	99.3	22.5	\$728.3
U.N. total	\$140.0	\$744.8	\$254.4	\$36.0	\$1,175.2

Note: Voluntary contributions are not included. Not all equipment cost are reported to the United Nations. In some cases, countries dispute amounts owed. The United Nations recently adopted new guidelines for reimbursing contingent-owned equipment costs.

**Briefing Section IV
Reimbursements Deferred to Peacekeeping
Contributors**

As of December 31, 1997, the United Nations owed 71 member states about \$1.2 billion for troops, equipment, and other services they had provided to peacekeeping missions. The members owed the most were France, \$151.2 million; the United States, \$109.2 million; the United Kingdom, \$65.9 million; Italy, \$62.5 million; and Belgium, \$58.1 million. The remaining 66 countries were owed \$728.3 million. The largest amount owed for troops alone was to Pakistan for about \$20 million. Appendix III provides a complete listing of countries owed reimbursements for contributions to peacekeeping operations. The United Nations maintained an overall positive cash balance by deferring reimbursement payments to these countries and, in effect, borrowing from these countries to pay current operating expenses of the United Nations. According to U.N. officials, if members' arrears were paid, the funds would likely be used by the United Nations to liquidate these debts.

Impact of Unpaid Contributions on U.S. Interests

GAO Impact of Unpaid Contributions on U.N. Decisions We Examined

U.S. arrears

- appeared not to impact decisions on Iraq, Congo, and Central African Republic, but prevented administrative changes in Lebanon
 - stopped progress towards reducing the U.S. assessment rates
 - was primary cause for losing ACABQ seat
 - could cause loss of Assembly vote
-

Note: Advisory Committee for Administrative and Budgetary Questions (ACABQ).

Briefing Section V
Impact of Unpaid Contributions on U.S.
Interests

The U.S. arrears situation at the United Nations has had an effect on some U.N. decisions of interest to the United States. On U.N. decisions concerning Iraq, the Congo, and the Central African Republic, arrears did not appear to have an impact and U.S. positions prevailed. However, evidence we found suggests that U.S. arrears have created a more difficult environment in which to advance U.S. initiatives in other areas. For example, a U.S. initiative to streamline administrative operations for a peacekeeping operation in Lebanon was deflected when U.S. arrears were discussed. According to U.S. Mission officials, the inability to enact legislation to pay U.S. arrears in 1997 ensured that the assessment rate for the regular budget would not be reduced and caused the United States to lose a seat on the Advisory Committee on Administrative and Budgetary Questions. In addition, the United States could potentially lose its vote in the General Assembly if it does not pay some of its arrears by January 1, 1999. The following slides discuss the impact of U.S. unpaid contributions on U.S. interests.

GAO Impact of U.S. Unpaid Contributions on
Security Decisions

Security Council resolutions condemn Iraq and maintain sanctions; however, arrears cause a distraction

Decisions on Congo, Central African Republic consistent with U.S. position, but arrears discussed

U.S. administrative initiatives on the U.N. Interim Force in Lebanon diverted by arrears

Although U.S. arrears created a more difficult environment to advance U.S. positions, the impact on the security issues we examined appeared to be limited. For example, U.S. arrears were raised by Security Council members when negotiating resolutions on Iraq and according to U.S. officials made their work more difficult. Nonetheless, the Security Council passed resolutions in March 1998 and in December, October, and June 1997 condemning Iraq and reaffirming Iraq's obligation to cooperate fully and unconditionally with the U.N. Special Commission (UNSCOM), which is charged with ensuring that Iraq destroy, remove, or render harmless its chemical and biological weapons. On March 2, 1998, the Security Council passed Resolution 1154, which stressed Iraq's obligations to give UNSCOM immediate, unconditional, and unrestricted access to carry out its work and stated that any violation would have the severest consequences for Iraq. The President of the United States said that this resolution sends the clearest message to Iraq and that if the resolution is complied with it would achieve what the United States wanted. Further indicating that U.S. arrears had a limited impact on decisions regarding Iraq, an ambassador to the United Nations from another country stated that U.S. arrears is a separate issue and is not linked to a situation as critical as Iraq.

The U.S. position that there is no clear mandate or rationale for establishing a peacekeeping mission in the Congo was supported by the Security Council. Further, the United States has been able to sustain its position on the Central African Republic that certain conditions, such as supplying a smaller force than proposed, must be agreed to before the United States can support a peacekeeping mission. These revisions were made to the U.N.'s plan for the peacekeeping mission. In both of these cases, U.S. arrears had a limited impact on the decisions because the United States could veto any new operations and the U.S. power to veto would not be effected by arrears.

U.S. proposals to consolidate the administrative units of the U.N. Interim Force in Lebanon (UNIFIL) with several other U.N. missions in the Middle East were rebuffed, according to a U.S. Ambassador to the United Nations. These discussions were deflected when Security Council members made reference to U.S. arrears. According to State Department and U.S. Mission officials, discussions on other peacekeeping missions have also been interrupted by questions about U.S. arrears.

GAO Impact of U.S. Unpaid Contributions on
Other U.N. Issues

- State Department documents and the U.S. Ambassador to U.N. indicate arrears was primary reason the U.S. lost ACABQ seat in 1996
 - Support for U.S. seat on ACABQ contingent on clearing arrears
 - General Assembly resolution requires study on limiting U.N. procurement to countries current in payments
-

According to the U.S. Ambassador to the United Nations, U.S. arrears was the primary reason why the United States lost its seat on the ACABQ in 1996. State Department documents indicate that a number of factors contributed to this decision, but the deciding factor was U.S. arrears. These documents indicated that other members would not vote for a country in arrears to sit on the most important U.N. budget and financial committee. This committee reports to the Fifth Committee on its examinations of the regular, peacekeeping, and international criminal tribunal budgets and other accounts of the United Nations. It also advises the General Assembly on other administrative and financial matters referred to it. The United States had maintained a seat on the ACABQ since its inception in 1946. To regain a seat on the ACABQ, the United States plans to submit the name of a candidate to the Fifth Committee for a seat that will become vacant on December 31, 1998. Members of the committee are appointed by the General Assembly on the recommendation of the Fifth Committee on the basis of broad geographical representation, personal qualifications and experience. However, some delegations have stated that they will not support a U.S. seat unless the U.S. arrears are paid in full.

With respect to U.N. procurement, an attempt was made in March 1998 to pass a General Assembly resolution restricting U.N. procurement to countries that are current in their assessed payments. However, to gain consensus, the resolution was modified and merely called for a study of this matter. Specifically, the resolution requests the Secretary General to study the practices being implemented at other multilateral organizations. In 1997, the U.N. headquarters procurement division procured about 61.4 percent, or \$189.9 million, of its goods and services from U.S. vendors. In 1996, the U.N. system, including specialized and other affiliated agencies procured about 10.4 percent, or \$276.7 million, from U.S. vendors.

GAO Impact of U.S. Unpaid Contributions on
Reducing the U.S. Assessment Rate

Regular budget

- Some members were open to reducing U.S. scale to 22%
- China and Group of 77 had not agreed
- Contingent on U.S. paying arrears

Peacekeeping budget

- Based on regular budget plus percentage points
 - No agreement to reduce assessment rate
-

According to State Department officials, the United States may have been able to reach its goal of reducing its regular U.N. budget assessment rate from 25 percent to 22 percent had it not been for the U.S. arrears, although opinions on this issue are mixed. The U.S. Ambassador to the United Nations for U.N. Reform and other U.S. officials said major U.N. contributors were somewhat open to the possibility of a 22-percent cap as the maximum assessment for any individual U.N. member. Since the other major contributors would most likely have had to make up for this reduction in funding, State officials said their consent was crucial. However, U.S. officials also stressed that the Group of 77 (a group of developing nations), and China in particular had not reached consensus on the 22-percent cap and their consent was also necessary. U.S. and Chinese representatives had begun to discuss the possibility of a 22-percent ceiling, but the discussions were ended when U.S. legislation to clear the arrears was not enacted in 1997.

The special peacekeeping assessment scale is based on a complex formula adopted by the General Assembly in 1973.¹ The underlying rationale for the formula was that (1) permanent Security Council members should pay more than others to recognize their veto power over peacekeeping missions and (2) developing countries should be given some relief. Since this special scale was adopted, the United States has paid in excess of 30 percent for peacekeeping missions. However, beginning in October 1995, U.S. law limited the amount that the United States could pay to 25 percent.² The United Nations, however, continues to assess the United States at the higher special peacekeeping rate—currently about 30.5 percent. If the regular budget were capped at 22 percent, the U.S. peacekeeping assessment would automatically be reduced; however, using the U.N. formula, the amount would still likely exceed 25 percent. According to officials at the U.S. Mission to the United Nations, discussions had begun with China and the Russian Federation to see if they would agree to pay a greater portion of the reductions for developing countries. U.S. Mission officials also said that although no agreement has yet been reached, both have agreed to the principle that the permanent members of the Security Council should pay a minimum or floor amount.

¹The U.S. assessment is calculated by taking the regular budget assessment of 25 percent and adding to it the proportionate share of the reductions allowed for developing countries. The five permanent members of the Security Council pay for the reductions allowed for developing countries in proportion to their regular budget assessment. For a discussion of how the peacekeeping and regular budget are calculated, see *United Nations: How Assessed Contributions for Peacekeeping Operations Are Calculated* (GAO/NSIAD-94-206, Aug. 1, 1994).

²22 U.S.C. 287e note.

GAO Impact of U.S. Unpaid Contributions on
Reopening Scale of Assessments

Reopening 1999-2000 scale

- Requires legal obligation to pay arrears by May 1998
- No assurance that ceiling will be lowered to 22%

Several outstanding issues

- How to allocate lowered U.S. share
 - How to adjust the scale for Japan and China
 - How to deal with residual arrears
-

In December 1997, the General Assembly adopted a resolution establishing the scale of assessments for 1998-2000. The resolution (1) set the U.S. assessment at 25 percent; (2) lowered the assessment rates for 133 countries; and (3) stated the United Nations would “consider reviewing the scale for the years 1999-2000 during its resumed fifty-second session,” in light of all relevant factors, including the status of contributions. According to U.S. and U.N. officials and documents, the Fifth Committee may, but is not bound to, request that the Committee on Contributions

reopen discussions depending on whether the United States enacts legislation to provide sufficient funding to pay all arrears, including disputed amounts.

Officials indicated that the timing of enacting such legislation is important because the Fifth Committee meets in a resumed session in May 1998 and sets the agenda for the Committee on Contributions' annual meeting in mid-June. The European Union delegate has said that European Union countries would only agree to reopen the discussions after the United States has enacted legislation enabling it to clear its arrears in full.³ Unless these conditions have been met assessments, the Committee on Contributions will not discuss the issue and will be unlikely to convene again in 1998.

If discussions on the scale of assessment are reopened, the probability of lowering the ceiling to 22 percent is remote, according to U.S. officials. Consensus is required to readjust the scale of assessments. Therefore, any country on the Fifth Committee can block proposed changes by dissenting, as the United States could have done when the decision was adopted to leave the U.S. contribution rate at 25 percent. Several issues would have to be resolved in this regard. First, any reduction of the U.S. assessment rate would require other members to make up the difference and negotiations would be complicated. Members of the European Union would most likely have to increase their assessments, and poorer and heavily indebted countries have already accomplished their objective of substantially lowering their assessment rates, an act they would not easily reverse.

Japan will be assessed at 20.5 percent for the year 2000 and it has stated a desire to reduce this rate by renegotiating the discounts given to developing countries. As for China, its regular budget assessment rate is less than 1 percent, and it has dismissed any idea that its assessment rate should be increased. Moreover, U.N. members would have to decide how to deal with U.S. residual arrears, or amounts that the United States have refused to pay because of U.S. legislative or policy reasons. The General Assembly could authorize the United Nations to place the amounts owed by the United States in a special account. However, according to U.S. officials, their efforts to have such an account established for the amounts in dispute have been rebuffed.

³Clearing arrears in full would mean that the United States would have to pay the arrears amount calculated by the United Nations, including the amounts deducted by the United States for legislative and policy withholdings.

GAO Impact of U.S. Unpaid Contributions on
General Assembly Vote

Under Article 19 of U.N. Charter

- Vote lost if arrears exceed assessments for preceding 2 years
- All Security Council rights retained

U.S. arrears (\$1.5 billion) projected to exceed its 2-year assessment (\$1.3 billion) by November 1998

- Assumes 1998 appropriation disbursed and no 1999 disbursement
-

Briefing Section V
Impact of Unpaid Contributions on U.S.
Interests

Article 19 of the U.N. Charter states that a member that is in arrears in the payment of its financial contributions to the United Nations will have no vote in the General Assembly if the amount of arrears equals or exceeds the assessments due for the preceding 2-full years. Security Council rights, such as the power of a permanent member to veto any resolutions, are not affected. The United States received notice that it would not be in jeopardy for 1998.

By the end of 1998, however, the United States could have arrears exceeding its assessments for the last 2 years, based on estimates by the Department of State and the U.S. Mission. In this regard, the assessment for 1997 and 1998, including the regular budget, peacekeeping, and tribunals, is about \$1.3 billion (\$708 million for 1997 and \$572 million for 1998). Based on the existing U.S. arrears (as determined by the United Nations) and an estimated U.S. payment of between \$363 million and \$393 million from its 1998 and prior year appropriations, the U.S. arrearage would be about \$1.5 billion by January 1, 1999. The United States could retain its vote by paying between \$211 and \$241 million from funds reallocated from other accounts within the existing appropriations or paid from fiscal year 1999 appropriations for the United Nations before the end of 1998. Table V.1 shows the projected U.S. arrears on January 1, 1999.

Table V.1: Projected U.S. Arrears on January 1, 1999

Dollars in millions	
Assessments and payments	Range
U.S. payments due through 1998 (arrears plus 1998 assessment)	\$1,884
Less estimated payments made during 1998 (fiscal year 1998 and prior years appropriations)	393-363
Subtotal: Arrears balance on January 1, 1999	\$1,491-\$1,521
Less cumulative assessments for most recent 2-year period	\$1,280
Net shortfall on January 1, 1999, to retain voting privilege	\$211-\$241^a

^aThis amount could be paid from the fiscal year 1999 appropriation for the United Nations or other yet-to-be-enacted legislation to pay U.S. arrears.

GAO Voting Rights Have Been Denied, but
Some Exceptions Have Been Made

39 members lost voting rights in 1998

Comoros, Liberia, and Tajikistan retain
voting rights due to conditions beyond
their control

Article 19 not applied to any members
when the Soviet Union and France
refused to finance UNEF and UNOC

As of February 4, 1998, 39 members had lost their vote under article 19. By May 11, 1998, that number was reduced to 27 as payments were made by members, thus permitting them to regain their voting privileges. Other U.N. members, such as France, the former Soviet Union, and China have been in similar situations for their refusal to pay certain assessments but were allowed to continue their voting privileges. In the case of China, the General Assembly authorized the United Nations to place the amounts owed in a special account. However, according to U.S. officials, to date, U.S. efforts to have such an account established for the amounts in dispute have been rebuffed. Recently, the General Assembly agreed to allow three other members—Comoros, Liberia and Tajikistan—to maintain their voting privileges because their failure to pay was due to conditions beyond their control.⁴

In the past, a number of governments have contested U.N. arrears, and the General Assembly has agreed to either waive article 19 or forgive the debt owed. For example, in 1964-65, although the former Soviet Union, France, and several other countries supported the resolution creating the United Nations Emergency Force in the Middle East (UNEF, later referred to as UNEF I) and the United Nations Operation in Congo (ONUC), they refused to pay for peacekeeping operations and U.N. regular budget expenses related to the operations. By 1964, arrears of the former Soviet Union exceeded the level permitted to maintain its voting rights in the General Assembly. France became subject to the article 19 sanction by January 1, 1965. The U.S. Representative to the United Nations announced before the General Assembly that there could be no double standard in the United Nations. If any member state could insist on making an exception to its obligations with respect to certain activities, “the United States reserves the same option to make exceptions.” The General Assembly decided to waive all member’s arrears for these operations. The arrears for these countries are still counted in the total unpaid contributions owed, but are not included in calculations for article 19.

⁴Article 19 of the U.N. Charter provides that the General Assembly may permit these members to vote if it is satisfied that the failure to pay is due to conditions beyond the control of the member.

Status of Unpaid Contributions by U.N. Account, as of February 28, 1998

U.N. account	Arrears	1998 Unpaid contributions ^a	Total
Regular budget	\$461,265,034	\$781,526,082	\$1,242,791,116
Peacekeeping missions			
UNEF/UNDOF	13,340,226	16,375,356	29,715,582
UNIFIL	109,735,917	60,304,686	170,040,603
UNIMOG	124,691	0	124,691
UNAVEM, UNAVEM II, UNAVEM III, MONUA	115,085,899	34,337,444	149,423,343
UNTAG	410,972	0	410,972
UNIKOM	9,794,359	5,654,260	15,448,619
MINURSO	48,009,658	8,795,977	56,805,635
ONUSAL, ONUCA	3,273,521	0	3,273,521
UNTAC, UNAMIC	46,276,497	0	46,276,497
UNPROFOR	691,186,539	0	691,186,539
UNOSOM, UNOSOM II	290,371,428	0	290,371,428
ONUMOZ	38,595,279	0	38,595,279
UNFICYP	14,920,258	13,663,103	28,583,361
UNOMIG	6,389,790	8,854,960	15,244,750
UNMIH	8,269,744	0	8,269,744
UNOMIL	8,169,798	0	8,169,798
UNAMIR, UNOMUR	26,802,341	0	26,802,341
UNMLT	13,913	0	13,913
UNMOT	1,853,084	2,912,941	4,766,025
UNPREDEP	7,212,272	24,894,744	32,107,016
UNSMIH	9,446,798	0	9,446,798
MINUGUA	324,737	0	324,737
UNMIBH	33,988,318	86,216,525	120,204,843
UNTAES	54,219,277	12,605,397	66,824,674
International criminal tribunals			
ICTY	6,922,707	48,292,999	55,215,706
ICTR	3,765,214	50,802,376	54,567,590
Total	\$2,009,768,271	\$1,155,236,850	\$3,165,005,121

Note: See contents page for list of abbreviations.

Source: United Nations.

Status of Unpaid Contributions for Regular Budget, Peacekeeping Missions, and International Criminal Tribunals by Member State, as of February 28, 1998

Member state	Arrears	1998 estimated assessment	Total unpaid
United States	\$1,290,335,659	\$414,602,512	\$1,704,938,171
Japan	89,032,241	255,151,287	344,183,528
Ukraine	225,889,568	9,059,415	234,948,983
Russian Federation	139,994,014	12,910,755	152,904,769
Germany	10,359,020	86,412,206	96,771,226
Italy	5,201,455	76,626,355	81,827,810
Belarus	54,906,593	1,926,309	56,832,902
United Kingdom	0	49,279,146	49,279,146
Brazil	29,429,892	17,634,465	47,064,357
Spain	0	36,406,393	36,406,393
France	6,558,519	28,570,973	35,129,492
Iran (Islamic Republic of)	14,261,888	3,533,086	17,794,974
Yugoslavia	14,923,183	699,957	15,623,140
Belgium	100	15,434,470	15,434,570
China	0	13,410,655	13,410,655
Poland	10,519,746	2,830,088	13,349,834
Argentina	3,645,610	8,934,864	12,580,474
Iraq	11,455,764	1,014,776	12,470,540
Republic of Korea	147,318	10,803,316	10,950,634
Mexico	3,994	10,903,364	10,907,358
Canada	0	10,478,377	10,478,377
Saudi Arabia	936,673	6,794,956	7,731,629
Libyan Arab Jamahiriya	5,612,883	1,821,998	7,434,881
Kazakhstan	5,922,823	1,446,060	7,368,883
Azerbaijan	6,470,523	700,263	7,170,786
Georgia	6,454,415	677,032	7,131,447
Israel	3,105,087	3,829,380	6,934,467
Turkey	1,775,926	5,142,735	6,918,661
Uzbekistan	5,569,889	579,034	6,148,923
Netherlands	0	5,975,607	5,975,607
Greece	740,201	4,912,061	5,652,262
United Arab Emirates	3,490,032	2,048,641	5,538,673
Australia	30,202	5,434,779	5,464,981
Portugal	226,019	5,034,383	5,260,402
Republic of Moldova	4,385,872	501,889	4,887,761
Indonesia	2,313,116	2,013,650	4,326,766
Sweden	155,538	4,079,441	4,234,979

(continued)

**Appendix II
Status of Unpaid Contributions for Regular
Budget, Peacekeeping Missions, and
International Criminal Tribunals by Member
State, as of February 28, 1998**

Member state	Arrears	1998 estimated assessment	Total unpaid
Austria	\$552,409	\$3,443,610	\$3,996,019
Croatia	2,834,625	619,192	3,453,817
Venezuela	770,268	2,637,096	3,407,364
Lithuania	2,542,047	525,119	3,067,166
Latvia	2,665,928	398,424	3,064,352
Tajikistan	2,926,802	93,533	3,020,335
Peru	1,853,330	989,097	2,842,427
Bulgaria	2,077,813	525,119	2,602,932
Denmark	0	2,542,622	2,542,622
Nigeria	1,434,385	771,409	2,205,794
Norway	17	2,003,516	2,003,533
Finland	0	1,999,782	1,999,782
Thailand	78,548	1,839,122	1,917,670
Democratic P. R. of Korea	1,549,277	361,592	1,910,869
Armenia	1,589,107	287,133	1,876,240
Chile	825,498	997,924	1,823,422
Cuba	1,305,060	454,509	1,759,569
Syrian Arab Republic	999,068	721,648	1,720,716
Kyrgyzstan	1,504,679	175,142	1,679,821
Qatar	1,257,949	384,516	1,642,465
Estonia	1,282,779	268,368	1,551,147
Bosnia and Herzegovina	1,440,010	58,380	1,498,390
Romania	341,932	1,141,308	1,483,240
Uruguay	870,772	570,348	1,441,120
Algeria	174,040	1,262,388	1,436,428
Ecuador	984,638	256,141	1,240,779
Turkmenistan	1,145,561	17,398	1,162,959
Guatemala	938,516	221,295	1,159,811
Liberia	1,098,338	23,536	1,121,874
Czech Republic	420,214	636,663	1,056,877
Philippines	65,644	895,328	960,972
Somalia	949,296	11,464	960,760
New Zealand	0	819,219	819,219
Central African Republic	781,523	22,773	804,296
Egypt	0	802,872	802,872
Comoros	771,264	11,464	782,728
Slovenia	93,454	689,001	782,455
Oman	67,918	581,964	649,882

(continued)

**Appendix II
Status of Unpaid Contributions for Regular
Budget, Peacekeeping Missions, and
International Criminal Tribunals by Member
State, as of February 28, 1998**

Member state	Arrears	1998 estimated assessment	Total unpaid
El Salvador	\$433,583	\$139,685	\$573,268
Sao Tome' and Principe	547,933	11,464	559,397
Gambia	547,897	11,464	559,361
Yemen	423,949	113,252	537,201
Colombia	32,759	499,322	532,081
Morocco	46,354	476,925	523,279
Congo	477,296	35,154	512,450
Nicaragua	476,935	23,536	500,471
Dominican Republic	310,346	186,145	496,491
Panama	279,760	185,968	465,728
Costa Rica	254,716	197,760	452,476
Honduras	401,225	46,764	447,989
Haiti	413,753	22,773	436,526
Chad	419,738	11,464	431,202
Grenada	419,672	11,464	431,136
Cape Verde	419,035	11,464	430,499
Guinea Bissau	417,561	11,464	429,025
Burundi	417,496	11,464	428,960
Dominica	412,392	11,464	423,856
Seychelles	394,260	22,773	417,033
Bolivia	307,864	91,225	399,089
Gabon	365,388	31,490	396,878
Sierra Leone	380,774	11,464	392,238
Togo	364,314	22,773	387,087
Vanuatu	366,418	11,464	377,882
Angola	260,374	113,252	373,626
Cambodia	357,050	11,922	368,972
Lebanon	180,338	186,078	366,416
Sudan	263,476	101,943	365,419
The Former Yugoslav Republic of Macedonia	309,927	53,380	363,307
Trinidad and Tobago	346,026	10,488	356,514
Rwanda	329,283	22,773	352,056
South Africa	0	350,730	350,730
Equatorial Guinea	337,370	11,464	348,834
India	0	344,554	344,554
Afghanistan	281,390	45,393	326,783
Djibouti	312,175	11,464	323,639
Mongolia	304,386	15,516	319,902

(continued)

**Appendix II
Status of Unpaid Contributions for Regular
Budget, Peacekeeping Missions, and
International Criminal Tribunals by Member
State, as of February 28, 1998**

Member state	Arrears	1998 estimated assessment	Total unpaid
Niger	\$293,140	\$22,773	\$315,913
Guinea	280,380	34,086	314,466
Luxembourg	64,043	244,375	308,418
Democratic Republic of the Congo	209,095	93,225	302,320
Bahrain	84,891	207,608	292,499
Solomon Islands	278,449	11,464	289,913
United Republic of Tanzania	236,859	45,393	282,252
Mauritania	266,213	11,464	277,677
Saint Vincent and Grenadines	253,407	11,464	264,871
Cameroon	77,912	162,913	240,825
Madagascar	201,229	24,485	225,714
Mali	185,719	34,086	219,805
Ireland	0	214,281	214,281
Viet Nam	201,133	11,293	212,426
Bahamas	36,953	169,836	206,789
Fiji	161,042	40,764	201,806
Côte d'Ivoire	50,996	139,685	190,681
Malaysia	0	188,840	188,840
Paraguay	25,885	162,913	188,798
Ghana	108,144	80,038	188,182
Singapore	0	187,745	187,745
Tunisia	149,656	31,680	181,336
Bhutan	160,235	11,464	171,699
Senegal	105,439	61,853	167,292
Burkina Faso	152,601	7,247	159,848
Suriname	113,414	45,393	158,807
Zimbabwe	45,272	99,474	144,746
Maldives	137,355	2,464	139,819
Kenya	61,129	78,650	139,779
Hungary	0	135,014	135,014
Kuwait	26,907	108,045	134,952
Swaziland	109,643	23,536	133,179
Bangladesh	19,714	113,252	132,966
Lesotho	106,248	22,773	129,021
Barbados	35,938	91,225	127,163
Papua New Guinea	48,966	76,312	125,278
Pakistan	52,171	66,795	118,966
Botswana	1,690	110,516	112,206

(continued)

**Appendix II
Status of Unpaid Contributions for Regular
Budget, Peacekeeping Missions, and
International Criminal Tribunals by Member
State, as of February 28, 1998**

Member state	Arrears	1998 estimated assessment	Total unpaid
Myanmar	\$11,046	\$100,767	\$111,813
Antigua and Barbuda	86,118	22,773	108,891
Mauritius	4,656	103,839	108,495
Belize	105,669	948	106,617
Iceland	21,530	74,776	96,306
Jordan	2,317	90,053	92,370
Marshall Islands	89,941	1,406	91,347
Guyana	78,772	11,922	90,694
Namibia	736	76,320	77,056
Jamaica	1,842	65,806	67,648
Andorra	9,493	51,762	61,255
Saint Lucia	57,107	2,464	59,571
Benin	41,906	14,773	56,679
Albania	24,462	28,154	52,616
Ethiopia	45,330	5,706	51,036
Uganda	14,045	25,872	39,917
Cyprus	0	38,269	38,269
Zambia	8,654	26,984	35,638
Sri Lanka	17,236	14,587	31,823
San Marino	8,769	21,649	30,418
Brunei Darussalam	7,163	21,235	28,398
Malawi	13,130	14,652	27,782
Malta	11,362	15,674	27,036
Samoa	23,719	2,464	26,183
Mozambique	24,288	1,741	26,029
Slovakia	0	25,867	25,867
Lao People's Democratic Republic	23,843	948	24,791
Nepal	12,576	3,087	15,663
Monaco	0	12,155	12,155
Saint Kitts and Nevis	8,963	948	9,911
Eritrea	6,228	1,794	8,022
Micronesia	3,956	2,922	6,878
Liechtenstein	0	4,804	4,804
Palau	1,861	1,471	3,332
Total	\$2,009,768,271	\$1,155,236,851	\$3,165,005,122

Source: United Nations.

Reimbursements Owed to U.N. Members for Peacekeeping Contributions, as of December 31, 1997

Dollars in thousands

Member state	Troops	Contingent owned equipment	Letters of assist	Death & disability	Total
Argentina	\$3,608	\$14,371	\$109	\$3,126	\$21,214
Australia	0	5,207	148	0	5,355
Austria	6,047	2,350	1	1,018	9,416
Bangladesh	9,936	7,487	236	714	18,373
Belgium	4,646	39,869	13,473	97	58,085
Botswana	0	1,082	310	0	1,392
Brazil	1,744	14,389	1,851	451	18,435
Bulgaria	0	390	0	512	902
Canada	2,749	29,209	13,084	5,348	50,390
Chile	0	86	0	0	86
China	0	228	16	0	244
Czech	273	13,783	42	0	14,098
Denmark	359	17,440	6,059	0	23,858
Djibouti	0	181	0	0	181
Egypt	3,334	10,309	7,415	188	21,246
Estonia	913	0	0	0	913
Ethiopia	0	185	0	0	185
Fiji	4,520	0	0	0	4,520
Finland	6,515	16,036	1,450	28	24,029
France	2,039	125,136	16,530	7,610	151,315
Germany	114	6,562	27,367	30	34,073
Ghana	4,950	364	0	0	5,314
Greece	0	184	0	0	184
Guatemala	0	19	0	0	19
Honduras	0	40	0	0	40
Hungary	525	9	1	0	535
India	5,949	36,196	5,208	0	47,353
Indonesia	413	6,670	2,409	105	9,597
Ireland	4,943	1,027	51	3,388	9,409
Italy	369	29,070	29,398	3,653	62,490
Jamaica	0	2	0	0	2
Japan	2,364	2,322	0	0	4,686
Jordan	1,990	9,384	1,793	98	13,265
Kenya	0	5,257	2,203	0	7,460
Republic of Korea	441	2,642	148	0	3,231
Kuwait	0	1,458	0	0	1,458

(continued)

**Appendix III
Reimbursements Owed to U.N. Members for
Peacekeeping Contributions, as of
December 31, 1997**

Dollars in thousands

Member state	Troops	Contingent owned equipment	Letters of assist	Death & disability	Total
Luxembourg	0	\$78	0	0	\$78
Malawi	0	140	0	0	140
Malaysia	\$1,581	16,518	\$6,498	0	24,597
Mali	0	46	0	0	46
Morocco	0	3,556	0	0	3,556
Namibia	1,489	3,516	0	0	5,005
Nepal	4,621	520	1,063	0	6,204
Netherlands	37	45,308	5,567	0	50,912
New Zealand	29	1,874	1,033	0	2,936
Nigeria	108	4,516	0	0	4,624
Norway	4,993	13,763	1,373	0	20,129
Pakistan	20,071	25,183	132	\$30	45,416
Philippines	0	115	0	0	115
Poland	5,942	5,470	574	1,326	13,312
Portugal	2,695	4,904	0	0	7,599
Romania	1,448	16,919	0	0	18,367
Russian Federation	6,261	28,572	1,161	64	36,058
Saudi Arabia	0	958	0	0	958
Senegal	0	194	2	1	197
Singapore	0	0	1	0	1
Slovakia	3,337	21,470	111	0	24,918
Slovenia	34	0	0	0	34
Spain	0	20,127	2,543	5,086	27,756
Sweden	305	15,267	5,367	0	20,939
Switzerland	0	2,432	0	0	2,432
Thailand	0	190	1,639	344	2,173
Tunisia	0	286	0	299	585
Turkey	0	4,189	1,548	0	5,737
Ukraine	1,583	17,110	440	95	19,228
United Arab Emarites	0	106	380	0	486
United Kingdom	3,062	45,190	15,420	2,175	65,847
United States	3,498	25,396	80,289	0	109,183
Uruguay	158	9,264	0	100	9,522
Zambia	3,834	7,075	0	0	10,909
Zimbabwe	6,121	5,613	0	71	11,805
Total	\$139,948	\$744,809	\$254,443	\$35,957	\$1,175,157

Source: United Nations.

Comments From the Department of State



United States Department of State

Chief Financial Officer

Washington, D.C. 20520-7427

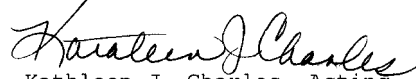
May 28, 1998

Dear Mr. Hinton:

We appreciate the opportunity to review your draft report, "UNITED NATIONS: Financial Issues and U.S. Arrears," GAO Job Code 711330.

Enclosed are the Department's comments. If you have any questions concerning this response, please call Ms. Julia Albrecht, Bureau of International Organizations, at (202) 736-4826.

Sincerely,


Kathleen J. Charles, Acting

Enclosure:
As stated.

cc:
GAO - Ms. Merritt
STATE/IO/S - Ms. Albrecht

Mr. Henry L. Hinton, Jr,
Assistant Comptroller General,
National Security and International Affairs,
U.S. General Accounting Office.

Appendix IV
Comments From the Department of State

Department of State Comments
on the GAO Draft Report,
United Nations: Financial Issues and US Arrears
Job Code 711330

The Department is concerned by the narrow focus of this report. We believe it is impossible and imprudent to try to assess the impact of the arrears, both on the United Nations and on the United States' ability to further its foreign policy goals in the UN, by studying only selected activities in the Security Council and on the recent effort to change the scales of assessment. By omitting the range of economic, social and transnational threat issues with which the UN deals, the report effectively omits issues which command over two-thirds of the UN regular budget. Other issues affected by the US arrears situation include, but are not limited to, procurement practices of the UN, the host country relationship, and the ability of the US to encourage reform in the UN. The narrow focus ignores the broader impact on US interests and relations with other nations and with other international organizations.

It is misleading to rely on resolutions to gauge whether US interests were served and whether arrears affected an outcome. In the Security Council, the United States, as a Permanent Member, has a veto. Negotiations necessarily are conducted with a view to achieving a resolution that will not only achieve the necessary nine affirmative votes but also will avoid a veto from any of the Permanent Members. What is not evident in a resolution acceptable to the five Permanent Members is how negotiations were conducted over specific words and demands of the Security Council. This is where our arrears affect our negotiations with other Security Council members, both permanent and non-permanent.

Likewise, in the committees of the General Assembly, the aim of negotiations is to come to a consensus text and avoid a vote. There we find ourselves forced to spend political capital on issues that heretofore commanded widespread support.

While it is quite hard to quantify, the atmosphere in the United Nations toward the US delegation has certainly made it very difficult for us to negotiate. Anecdotal evidence from staff at the US Mission in New York indicates that at every possible opportunity, other member states use the arrears to skewer US negotiating positions, whether the topic is related to arrears or not. The arrears situation has seriously eroded our influence on reform. Many of the reforms achieved this year in the UN were spearheaded by the US -- zero nominal growth across the UN system, consolidation of several departments, introduction of results-based budgeting, a code of conduct for employees, reduction of personnel ceilings. But there was an expectation in the UN that these reforms would produce a US commitment to paying arrears.

Appendix IV
Comments From the Department of State

-2-

With the US failure to do so, US support for reform is now resented and our advocacy can actually be a disadvantage in the UN Secretary General's further reform agenda.

Resentment toward the US because of arrears also contributed to a UNGA resolution to phase out gratis personnel in peacekeeping, a major means for the US and other Western countries to assure a high level of technical expertise in the UN's peacekeeping office. The majority of members felt that gratis personnel gave the US too much influence in the UN at a time when we were not paying hundreds of millions of dollars of overdue peacekeeping assessments. The result could be a deterioration in the UN's ability to deploy peacekeepers, and a major setback for our reform effort.

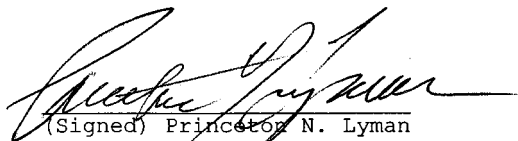
Threats continue to be made to prohibit US vendors from bidding on UN purchases because of our arrears. American vendors sell more to the UN than any other country's vendors, and such action would cost Americans in jobs and earnings. We expect this pressure to grow if the arrears are not addressed.

We see more and more resentment against the US for our insistence on budget discipline when the arrears are not paid. This year, we intend to hold the UN to a fixed budget cap despite any new crises or demands upon it. If the arrears package fails to be passed, we can expect growing pressure to challenge the US on this point, which would endanger our annual payments as well.

Finally, without payment of arrears, and surely if the UN budget cap is exceeded, thus holding up some of our annual payment, we face the possible loss of our vote in the UNGA. This would be a stunning embarrassment for the US, and would lead to further pressures to reduce our influence in the Security Council, and all other fora.

Our conclusion must be that, while the facts of the report are accurate, the report has not captured the atmosphere at the UN towards the United States and loss of influence and prestige of the United States within all the bodies of the United Nations.

Comments of a technical nature in addition to those already provided by USUN officials are provided in the attached annex.



(Signed) Princeton N. Lyman
Assistant Secretary
International Organization Affairs
Department of State

Comments From the United Nations

UNITED NATIONS  NATIONS UNIES

POSTAL ADDRESS—ADRESSE POSTALE: UNITED NATIONS, N. Y. 10017
CABLE ADDRESS—ADRESSE TELEGRAPHIQUE: UNATIONS NEWYORK

13 May 1998

REFERENCE:

Dear Mr. Nelson,

Your report analyzes the relationship of the arrears, or unpaid contributions, and its impact on the Organization. It also provides much in the way of related facts and figures.

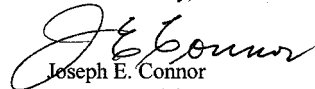
Let me summarize the facts:

- ◆ Regular budget cash will be in a deficit of \$184 million by year end - a persistent situation caused primarily by late and non-payment of dues;
- ◆ Peace-keeping cash is steadily declining and is expected to be around \$760 million at year end;
- ◆ A significant portion of peace-keeping cash will be used (cross-borrowed) to bail out the regular budget cash deficit;
- ◆ Total combined cash is expected to be around \$550 million, following the declining cash pattern of the last several years;
- ◆ Amounts of cash left in the peace-keeping account at December 31, 1997, were not sufficient to pay \$1.2 billion in debt owed to Member States for troops and equipment and death and disability obligations.

In short: cash is down, obligations exceed cash balances; assessments, duly agreed upon by all Member States by consensus, have not been paid. With a decreasing level of peace-keeping activity, the future availability of peace-keeping cash to bail out the regular budget cash deficit is in increasing doubt.

The Secretary-General has repeatedly described the United Nations financial situation as precarious, and the use of cross-borrowing as imprudent. When the facts are given, as they have been in the report, that description is more than apt.

Yours sincerely,



Joseph E. Connor
Under-Secretary-General for Management

Mr. Benjamin F. Nelson
Director, International Relations & Trade Issues
United States General Accounting Office
441-G NW, Room 4964
Washington, DC 10548

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