



**United Nations**  
General Assembly

# General Assembly

TOPIC B:

## **United Nations Facing Liquidity Crisis**

**Undersecretary:**

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# INTRODUCTION

The United Nations has been the main international organization to discuss and resolve matters regarding international peace, security, and overall conflicts. However, its internal organs aren't only focused on peacekeeping, but also on aiding humanitarian, sanitary, and environmental crisis, in addition to creating programs promoting cultural preservation and sustainable development. Nevertheless, the organization does not count on a fixed budget as the governmental bodies of a country do so. Therefore, the budget on which the UN relies varies yearly, as well as the fact that several committees are not funded by the annual budget, but rather by donations from members.

## BACKGROUND RESEARCH

Currently, the United Nations is made up of 193 active members. In order to have the annual fund, each member must make certain payments as a condition to retain his or her membership. The contribution "varies widely and is determined by a complex formula that factors in gross national income and population." (Shendruk, Hillard, & Roy, 2020). Additionally, many of the peacekeeping funds and special committees are funded through discretionary incomes, such as donations from member states. Nevertheless, the United Nations has not been exempt from facing an economical crisis. An example of such was the April 1996 liquidity crisis, in which the organization had to resort to drastic measures and cut back its staff numbers. It took what some would classify as the American path and offered an \$80,000 cash bonus to members who voluntarily left the organization. However, given the current pandemic and the repercussions that it has had on the global economy, the UN is once again facing a liquidity crisis, but without the financial cushion that it had in 1996.

In 2018 the United Nations faced a deficit of \$448 billion, which forced the organization to borrow \$135 million from peacekeeping operations. By 2019 the deficit had reached the amount of \$520 billion, which once again forced a loan from the peacekeeping budget, which was almost depleted. The situation has continued to worsen since the deficit for 2020 is around \$600 billion and with an almost non-existent peacekeeping cash fund. This crisis forced the implementation of "extra-ordinary cost-containment measures to avert a more serious liquidity crisis, including a potential disruption of the opening of the General Assembly debate and the mandated high-level meetings in the fall. In both years, we ended the year with nearly all regular budget liquidity reserves exhausted, thus starting the new year with hardly any liquidity buffer." (Pollard, 2020).

The crisis has not occurred unnoticed, as Secretary-General Antonio Guterres has publicly addressed it and proposed a plan of action for 2021. In the words of the Secretary-General himself "the liquidity crisis has not abated and severely hampers the organization's ability to fulfill its obligations to the people we serve". (Deen, 2020). The strategy adopted in 1996 can not be enforced once again due to the depletion of cash funds from most of the organization's reserves, which has provoked a strain in the Fourth and Fifth Committees of the General Assembly, as well as Peacekeeping Operations. An important operation suffering from this liquidity crisis is the United Nations Integrated Transition Assistance in Sudan, as well as the United Nations Assistance Mission in

Afghanistan, which are aiding people in transitioning and recovering after the damage the Sudan war left, as well as in the battle against terrorism and Taliban.

As of November 24, 2020, only 135 members have paid their full quota for the regular annual budget, which has begun to be reflected in peacekeeping operations and committees. However, the United Nations Administration and Management Committee has found that one of the member states has not paid its quota which exceeds the sum of \$5.1 billion dollars; said member is the United States of America. During the 4th Meeting of the Fourth Committee of the General Assembly, the representative of Guyana stated that “It is unacceptable that this Member State clings on to its special privileges, while slowly bankrupting the organization and the multilateral system...” (GA, 2020). The prospected budget for the 2021 program has a net reduction of 2.8% from 2020’s budget; however, this budget reduction also means the cutting of 25 working spots. The United States has stated in its defense that the country has been the largest contributor to the organization and that solely this year it has given \$2.3 billion dollars in contributions. Meanwhile, the delegate for Japan has expressed his concern that the organization’s programme budget has expanded over the years and said that Member States’ resources — ultimately drawn from their taxpayers — are not unlimited. Resource requirements should be set at realistic levels, while the Secretariat must keep striving to use the approved budget in the efficient, effective and accountable manner (GA, 2020).

## POINTS TO CONSIDER

- This issue is solely an internal matter of the United Nations.
- The liquidity crisis that the organization is facing is like no other that there has been in previous years. The cash buffer that was normally present to use during recessions or liquidity crises has been almost completely depleted.
- Fund cuts mean cutting essential programs for countries, as well as job reductions with no economical compensations.
- The United States along with other 58 member states have failed to pay their annual quota. Four of these states have been successfully exempted from this year's payment through the implementation of Article 19 of the Charter for inability to pay their dues because of financial constraints.
- Keep in mind that countries have been facing their own internal economic crisis and recessions due to the pandemic. Nevertheless, this crisis has deeply affected, as well, those who are in conflict zones or in need of humanitarian aid.

## QUESTIONNAIRE

- A. What is my country's position?
- B. What are my country's policies?
- C. What can my country do to solve this issue?
- D. Which countries can my delegation work with?
- E. What are three possible solutions?

## USEFUL LINKS

- Speakers Voice Fears Over Impact of Liquidity Crisis on Special Political Missions, Peace Operations, as Fourth Committee Continues General Debate | Meetings Coverage and Press Releases. (n.d.). Retrieved November 30, 2020, from <https://www.un.org/press/en/2020/gaspd719.doc.htm>
- UN's \$5.1 Billion Shortfall Threatens Operations Worldwide. (2020, November 06). Retrieved November 30, 2020, from <http://www.ipsnews.net/2020/11/uns-5-1-billion-shortfall-threatens-operations-worldwide/>
- Funding the United Nations. (n.d.). Retrieved November 30, 2020, from <https://www.cfr.org/article/funding-united-nations-what-impact-do-us-contributions-have-un-agencies-and-programs>

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- Concerned that United Nations Cash Flow Problems Are Hampering Programme Delivery, Delegates in Fifth Committee Criticize Non-Payment of Dues by One Member State | Meetings Coverage and Press Releases. (n.d.). Retrieved November 30, 2020, from <https://www.un.org/press/en/20202/gaab4358.doc.htm>
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- Committee , members, Budgetary, Administrative, contribution, General Assembly. (n.d.). Retrieved November 30, 2020, from <https://www.un.org/en/ga/contributions/honourroll.shtml>