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## POLITICAL ECONOMY OF THE UN FINANCING

### Introduction

With the recent successes in UN peace initiatives in Afghanistan and Iran-Iraq war, the credibility problem that the organization was suffering from has been partly overcome. The UN seems to be coming back again to its designated pedal. This, however, has added new burdens on its precarious financial position. The stationing of Observer Mission in Afghanistan and mobilization of funds for refugee repatriation, peacekeeping operations in the Gulf, implementation of the UN plan for the independence of Namibia, UN peace initiatives in Western Sahara and Kampuchea, meeting of recent natural disasters in several parts of the world--all these new responsibilities demand sufficient financial resources.

The balance-sheet of the UN finances shows a continued shortfall. But this should not have been the case in view of the fact that the whole UN system spends about \$4-5 billion a year — a small amount by global standard. Writing back in 1964 when some crisis first erupted over UN financing, John Stoessinger stated : "Seldom have so many important people argued so tenaciously about so little money."<sup>1</sup>

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1. John Stoessinger and Associates, *Financing of the United Nations System* (Washington : Brookings Institution, 1964 ), p.3.

Behind the problems around 'so little money' lies, in fact, the greater canvas of politics that centres around the UN and its activities today. While international organizations tend to develop certain degree of corporate interests and viewpoints, they ultimately serve as instruments of the foreign policy of member states. The UN is no exception. The result is the unravelling of conflict of interests in UN politics among the member states that tended to cripple the UN as a global organization. The UN has already experienced the spectre of, or threat of withdrawal, either of membership or of financial contributions by countries including the key founding members.

With a token check of several millions already delivered to the UN, the US State Department reportedly plans to repay its over \$600 million dues by 1991. The move has offset the impending bankruptcy of the UN for the time being, but the crisis is far deeper in view of delinquency in payments by a majority of member states. Why do the member states behave so in relation to the UN contributions? Does the amount of respective contributions really pose a burden relative to their ability? Or, do the national gains derived out of the UN payments fall short of expectations by the member states? These are some of the issues that the present paper makes an attempt to deal with.

The first part of the paper briefly outlines the system of UN financing to put things in perspective. The second part deals with the nature and magnitude of the financial crisis and the third part analyses the political economy of the UN financing. Finally follows a conclusion.

### **The UN Expenditures and the System of its Financing**

Different sources indicate different amounts of total expenditures of the UN system. One UN publication of 1984 suggests that the entire system spends about \$4.0 billion a year, with about \$2.6



billion of it coming from voluntary contributions and the rest in the form of mandatory assessments.<sup>2</sup> Another recent book<sup>3</sup> written by a former UN staff suggests that the UN organizations spend about \$ 5.52 billion a year (Table-1), of which \$ 1850 million (33.5%) are of regular budget and the remaining \$ 3672 million (66.5%) come from extra-budgetary/voluntary sources. These include all the main entities and organizations of the UN system except the international financial institutions. To get a perspective, one can compare that the total UN expenditures constitute about one-fifth of the European Community budget<sup>4</sup>, or that it is less than the annual budget of the State of Louisiana in the US with a population of only 4 million.<sup>5</sup> One year's current global military expenditure (well over one trillion dollar) could pay for the entire UN system for about two centuries, or while the world per capita expenditure on defence constitutes over \$ 200 a year, per capita expenditure by the UN system stands at even less than one dollar. While the UN system was responsible in 1968 for the reallocation of about 0.12 percent of the total GNPs of its member states,<sup>6</sup> the share came down to well below its half today. This is the 'high price' the international community pays for upholding global peace and prosperity.

UN finance usually comes from both assessed contributions and voluntary funds for three broad categories of functions: (a) general and regular expenditures, (b) peace-keeping operations and (c) development assistance. For meeting the regular expenditures of the UN and its Specialized Agencies, member states pay the fixed amount of contributions. According to Article 17 of the Charter, all members are required to contribute to the regular budget compulsorily as apportioned by the General Assembly. The criterion is the 'ability to pay' as measured by comparative esti-

2. UN Department of Public Information, *Image and Reality* (New York : 1984), p. 29.
3. Yves Beigbeder, *Management Problems in United Nations Organizations* (London : Frances Pinter, 1987), Table O.1, pp.4-5.
4. *Ibid*, p. 2.
5. UN Department of Public Information, *op. cit.*, p. 39.
6. Mahdi Elmandjra, *The United Nations System : An Analysis* (London : Faber and Faber, 1973), p. 222.

**Table—I**  
**Distribution of Budgetary Resources of the Main Entities and Organizations of the United Nations System (1984)**

| Organizations & Entities                 | Expenditures (estimates)<br>Regular budget (millions<br>of US dollars) | Expenditures (estimates)<br>Extra-budget-resources<br>(millions of US dollars) | Total   | Percentage |
|--|--|--|---------|------------|
|  | I  | II   | I+II    |            |
| UPU                                      | 10.6   | 0.4  | 11      |            |
| IMO                                      | 12.9   | 7.7  | 20.6    |            |
| WMO                                      | 19.1   | 22.5   | 41.6    |            |
| WIPO                                     | 19.8   | 2.5  | 22.3    |            |
| ITU                                      | 51.1   | 37.8   | 89      |            |
| ICAO                                     | 29.8   | 60.5   | 90.3    |            |
| Total small agencies                     | 143.3  | 131.4  | 274.8   | 4.9        |
| IAEA                                     | 95.1   | 42.8   | 137.9   |            |
| (A) Partial total                        | 238.4  | 174.2  | 412.7   | 7.5        |
| ILO                                      | 127.3  | 118.7  | 246.1   |            |
| UNESCO                                   | 210.3  | 108.7  | 319.3   |            |
| WHO                                      | 260.1  | 229.8  | 489.9   |            |
| FAO                                      | 210.5  | 326.8  | 537.3   |            |
| (B) Partial total four large<br>agencies | 808.2  | 784  | 1,592.4 | 28.9       |
| (C) UN (total)                           | 800.6  | 1,117.7  | 1,918.4 | 34.7       |
| UNIDO                                    | 62.5   | 95.4   | 157.9   |            |
| UNCTAD                                   | 59.3   | 40.1   | 99.4    |            |
| UNHCR                                    | 57.3   | 403.8  | 461.1   |            |
| ECA                                      | 24.6   | 13.5   | 38.1    |            |



Table—1 Contd.

56

|   |       |         |         |      |
|---|-------|---------|---------|------|
| ECLAC   | 28.7  | 37.5    | 66.2    |      |
| ESCAP   | 19.9  | 45.4    | 65.3    |      |
| ECWA  | 30.6  | 1.3     | 31.9    |      |
| ECE   | 60.3  | 1.3     | 61.6    |      |
| Political affairs, Security<br>Council and peace-keeping<br>operations (excluding<br>UNRWA) | 57.6  | 179.3   | 236.9   |      |
| Disarmament, political<br>questions, trusteeship &<br>decolonization                        | 6.3   | —       | 6.3     |      |
| UNEP  | 9.5   | 53.9    | 63.4    |      |
| JIU   | 8.9   | 19.3    | 28.3    |      |
| UNDP  | —     | 96      | 96      |      |
| UNICEF  | —     | 380.5   | 380.5   |      |
| UNFPA   | —     | 135.5   | 135.5   |      |
| UNRWA   | 5.6   | 248.2   | 253.8   |      |
| (D) Total operational progs   | 5.6   | 860.2   | 865.8   | 15.7 |
| (D) (bis) Total humanitarian<br>progs (UNHCR+UNRWA)   | 62.9  | 652.0   | 714.9   | 13.0 |
| (E) WFP   | —     | 736.8   | 736.8   | 13.3 |
| (F) Miscellaneous Total<br>(A+B+C+D+E+F)  | 1,850 | 3,671.9 | 5,521.0 | 100  |

Source : Cited in Yves Beigbeder, *Management Problems in United Nations Organizations* (London : Frances Pinter, 1987), Table. 0.1.

mates of country's national income, adjusted to its per capita income. At the 34th UNGA session in 1979 the Committee on Contributions summarized the current criteria for assessments. However, over the years, the maximum and minimum rates have undergone changes. The maximum, originally at about 40 percent for the US, dropped first to 33.3 percent and further down and is now 25 percent. The minimum also has gone down from 0.04 percent in 1946 to 0.02 in 1972 and is now 0.01 since 1976. Other criteria, also considered in determining the level of contributions, are the disparity between the economies of the developed and developing countries, special problems of countries with the lowest per capita income and the mitigation of extreme variation between two successive scales of assessment. Table-II shows that the developed countries of the West contribute about three-fourth of the

**Table - II : Member States' Contributions to the UN Budget by Groups of Countries (Percentages)**

|  | 1978-9 | 1986-8<br>(proposed) |
|--|--------|----------------------|
| A. Group of 77                                   | 7.87   | 9.67                 |
| of which OPEC                                    | 1.90   | 3.63                 |
| B. OECD countries                                | 68.39  | 74.00                |
| C. Countries with centrally<br>planned economies | 17.58  | 14.87                |
| D. China   | 5.50   | 0.79                 |

Source ; UN Doc. A/40/11, *Report of the Committee of Contributions, 1985* pp. 14, 19-22 and Annex IV.

budget and the Soviet bloc countries pay 14 percent. On the other hand, the Group of 77 which includes 126 developing countries pays only about 10 percent of the budget. Of this, OPEC countries pay 3.63 percent. It may be mentioned further that 78 developing



countries are assessed lowest, that is, 0.01 percent of the budget. Table-II also shows that the share of the Communist countries has gone down compared with 1978-79, while that of the OECD and OPEC member states has gone up. One analyst observes that the difference between the initial and current criteria reflects the evolution from an essentially East-West confrontation within the UN to a North-South one.<sup>7</sup>

The UN regular budget has witnessed manifold increase in absolute terms since its inception. It has grown from \$ 19.3 million in 1946 with 51 members to \$ 149.7 million in 1970, when it had 111 members and to over \$ 800 million in 1988 with 159 member states.<sup>8</sup> On the other hand, assessed budget of the Specialised Agencies including the IAEA has jumped from a combined \$ 209.4 million in 1970 to well over one billion dollar in 1984 (Table-I).<sup>9</sup> But these increases are merely in absolute figures and not so much in real terms, given the rampant decline in value of US dollar on the one hand and the rapid rise of UN membership on the other.

Political and peace-keeping activities of the UN are financed both through regular budget (only 6-7%) and extra-budgetary resources, over which there is great controversy among some member states. Table-I shows that out of a total of \$ 800.6 million UN regular budget in 1984, only \$ 57.6 million were earmarked for political and peace-keeping operations and an extra \$ 179.3 million were mobilised through extra-budgetary means. However, a special scale of assessment is applied to finance some of the peace-keeping forces in the Middle East. It is based on the regular scale but allows reductions of 80 percent for 84 countries listed as developing and 90 percent for the 46 LDCs. Twenty two industrialized countries

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7. Robert F. Meagher, "United States Financing of the United Nations," in Toby T. Gati (ed.), *The US, the UN and the Management of Global Change* (New York and London; NY Univ. Press, 1983), p. 118.

8. *Ibid.*, p. 122.

9. *Ibid.*



are assessed the same shares they would pay under the regular scale. The remainder of the cost is pro-rated among the big Five to make up for the reductions granted to the developing and least developed nations.<sup>10</sup>

Finally, the financing of development activities in the Third World through different UN Programmes is done mostly through the voluntary funds. However, economic, social and humanitarian activities usually account for a third of all UN expenditures under the regular budget. But, for the UN system as a whole, including all voluntary funds, this percentage rises to well over eighty. For example, the six largest UN Programmes financed from voluntary contributions such as, UNDP, WFP, UNHCR, UNICEF, UNRWA, and UNFPA spend about \$ 3 billion annually for socio-economic and humanitarian activities.

## II

### **Nature and Magnitude of the Financial Crisis**

Although the UN financial problems began from the early 1960s, it cumulated into a full-bloomed crisis in the mid-1980s. For the first time in UN history, the Secretary General and the General Assembly decided to apply cost-reduction measures in capital expenditures, programme implementation and staffing levels. Even the 42nd UNGA session in 1987 was to be wrapped up few days before the usual programme schedule for saving some money. An Expert Group appointed by the General Assembly in 1986 came up with proposals for drastically reforming the UN structure and management system.

The financial problem seems to cut deeper than the usual allegations of the UN being extravagant and inefficient with a bloated bureaucracy. The withdrawal of funds since 1985 by the US, the largest contributor of the UN, actually precipitated the crisis and in July

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10. UN Department of Public Information, *op. cit.*, p. 36.



1988 the Secretary General met with President Reagan to explain that the UN could run out of cash as early as November. Now, as indicated with the recent US initiative of gradual and phased repayment of its arrears, the crisis has temporarily been averted. However, the magnitude of the crisis is far wider than mere US withdrawal and the arrear-holders are many in number.

First a look at the UN short-term deficit. Table-III shows that since 1976, the successive deficit at year-end is on the steady increase. While in 1976 it was a mere \$120.9 million, in 1985 it grew to \$ 407.6

**Table—III : UN Short-term Deficit : 1976 – 87 (in million US dollar)**

| Year | Deficit at Year-end | Amount of UN regular budget |
|------|---------------------|-----------------------------|
| 1976 | 120.9               | 394.7                       |
| 1977 | 129.5               | 394.7                       |
| 1978 | 168.1               | 542.1                       |
| 1979 | 210.4               | 542.1                       |
| 1980 | 238.7               | 670.8                       |
| 1981 | 274.1               | 670.8                       |
| 1982 | 306.6               | 734.8                       |
| 1983 | 343.1               | 734.8                       |
| 1984 | 370.6               | 804.4                       |
| 1985 | 407.6               | 804.4                       |
| 1986 | 390.6               | 831.5                       |
| 1987 | 351.6               | 831.5                       |

- Source : 1) Data on deficit upto 1982 and on UN regular budget upto 1985, cited in Yves Beigbeder, *Management Problems in United Nations Organizations* (London: Frances Pinter, 1987), Table-11.1, P. 149.  
 2) Subsequent data has been taken from UNGA document, *Financial Emergency of the United Nations*, A/C, 5/42/01, 5 November 1987 and *Report of the Group of High-level Intergovernmental Experts*, UNGA Supplement No. 49 (A/41/49).

million. In subsequent years of 1986 and 1987, it showed a somewhat decreasing trend. The combined short-term deficit, projected at 31 December 1987 was estimated at \$ 351.6 million, compared with \$ 390.6 million for 1986. The decrease of an estimated \$ 39.0 million between 1986 and 1987 results from the payment in full by several member states and partial payment by others of amounts previously withheld from their assessed contributions.<sup>11</sup>

Table-IV shows the status of contributions to the UN regular budget as at 31 July 1988. The total contributions payable by member states as at 01 January 1988 stand at more than \$ 1.11 billion, of which \$ 353 million constitute arrears and the remaining \$ 758 million are current dues. But only \$ 509 million (less than 50%) were paid by the member states in 1988, which implies that still more than \$ 602 million remain unpaid. Table-V indicates that only 86 member states fully paid their assessed contributions including all arrears in 1988 and the remaining 73 are defaulters. Of this 39 member states owe more

**Table - IV: Status of Contributions to the UN Regular Budget as at 31 July 1988 (In US dollars)**

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|   |               |
|---|---------------|
| <i>Contributions Payable as at 01 January 1988</i>  |               |
| Prior Years   | 353,430,821   |
| Current Year  | 758,027,428   |
| Total   | 1,111,458,249 |
| • Collections in 1988                               |               |
| (incl. December 1987)                               | 509,408,836   |
| <i>Contributions Outstanding as at 31 July 1988</i> |               |
| Prior Years   | 315,082,814   |
| Current Year  | 286,966,599   |
| Total   | 602,049,413   |

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Source : UN Secretariat, *Status of Contributions as at 31 July 1988*, ST/ADM/SER.B/299, August 4, 1988.

11. UN General Assembly, *Financial Emergency of the United Nations : Report of the Secretary General*, A/C. 5/42/31, November 5, 1987, p. 3.



than their assessments for the current year. However, the projected full-payers show a better trend than the previous years of 1986-87.

**Table-V : Pattern of Payments at Year-end, 1986-88, in respect of the UN Regular Budget : Summary for all Member States**  
(In thousands of US dollar)

|   | 1986<br>(actual) | 1987<br>(actual) | 1988<br>(projected) <sup>a/</sup> |
|---|------------------|------------------|-----------------------------------|
| Collections during the current year   | 720 198 b/       | 660 709          | 652 232 c/                        |
| Amount outstanding  | 257 846          | 353 431          | 459 196                           |
| Of which :  |                  |                  |                                   |
| For the current year  | 218 660          | 272 676          | 286 950                           |
| For prior years   | 39 187           | 79 755           | 172 246                           |
| Member States which fully paid their assessed contributions for the current year and had no arrears for prior years | 73               | 75               | 86                                |
| Member States which had arrears   | 86               | 84               | 73                                |
| Member States which owed more than their assessments for the current year   | 38               | 38               | 39                                |
| Member States which owed an amount equal to their assessments for the current year                                  | 10               | 8                | 7                                 |
| Member States which owed less than their assessments for the current year   | 38               | 38               | 27                                |

a/ Projected as at 31 July 1988 on the basis of the 1987 pattern of payments, the actual status of contributions as at 31 July 1988 and responses received to the Controller's letter to Permanent Representatives of 8 March 1988.

b/ Includes \$ 25.0 million received in December 1986 towards the 1987 assessment from the Union of Soviet Socialist Republics, the Ukrainian Soviet Socialist Republic and the Byelorussian Soviet Socialist Republic.

c/ Includes \$ 13.4 million received in December 1987 towards the 1988 assessment from the United Kingdom (\$ 9,000,000), Finland (\$ 3,620,640), Singapore (\$ 700,000), Gabon (\$ 104,833), Ethiopia (\$ 11,306), Costa Rica (\$ 8,183) and Guyana (\$ 4,843).

Source : UN Secretariat, *Status of Contributions as at 31 July 1988*, ST/ADM/SER.B/299, 4 August 1988, Annex-VII.



The pattern of projected payments at year-end 1988 by selected groups of countries also shows a better trend (Table VI). The percentage of countries with higher rates of assessment (25.0-0.44) who paid their full dues is greater than those with lower assessments (0.35—0.01). This means that the rate of defaulters among countries with lower assessment scales is much higher than countries with higher contribution rates to the UN budget. But this naturally affects the UN financial position less in absolute terms than withholding of funds by bigger contributors. Table-VII shows that contributions outstanding as at 31 July 1988 from top ten defaulters who pay over 40 percent of the UN budget stand at 94 percent of all the dues—\$ 566 million out of a total dues of \$ 602 million. Of this, USA alone owes about \$ 467 million to the budget, a debt accumulated in just three years. Next come defaulters, such as, South Africa ( \$ 34 million), Brazil ( \$ 18 million) and Iran ( \$ 12 million ).

In respect of peace-keeping operations financed by assessed contributions, it is estimated that as at 31 December 1987, unpaid debts to member states which have participated in those operations under agreements with the UN that provided for reimbursement for the services rendered, mainly provision of troops, will amount to \$ 326 million. At present, these troop-contributing member states continue to bear the full burden of the deficit because the UN has delayed payments to them.<sup>12</sup>

The cumulative debts outstanding by all member states to the UNEF, 1973 and UNDOF as at 30 November 1988 stand at over \$ 48.6 million, of which the five permanent Members of the Security Council owe about \$ 32.2 million, that is, over 66 percent of the total (Table-VIII). USSR is the biggest debtor to these operations which owe about \$ 24 million—50 percent of the total dues. USA also is a defaulter of about \$ 6 million. Similar is the situation with contributions to the UNIFIL as at 31 July 1988 ( Table-IX ). The total

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12. *Ibid.*



**Table-VI: Pattern of Payments at Year-end, 1986-88, in respect of the UN Regular Budget :  
Summary for Selected Groups of Member States**

64

|   | (In thousands of US dollars) |                          |                     |
|---|------------------------------|--------------------------|---------------------|
|   | 31 Member States             | 50 Member States         | 78 Member States    |
|   | assessed at<br>0.44-25.0     | assessed at<br>0.02-0.35 | assessed at<br>0.01 |
| <i>Contributions received</i>   |                              |                          |                     |
| As at 31 December 1986  | 675 831                      | 38 393                   | 5 974               |
| As at 31 December 1987  | 612 764                      | 42 395                   | 5 549               |
| As at 31 December 1988 (Projected) a/   | 604 147                      | 41 511                   | 6 574               |
| <i>Contributions outstanding</i>  |                              |                          |                     |
| As at 31 December 1986  | 231 376                      | 21 537                   | 4 934               |
| As at 31 December 1987  | 330 924                      | 17 471                   | 5 035               |
| As at 31 December 1988 (projected) a/   | 440 845                      | 14 275                   | 4 076               |
| <i>Countries which paid their annual assessment<br/>in full and had no arrears at the end of the year</i> |                              |                          |                     |
| 1986  | 18                           | 22                       | 33                  |
| 1987  | 18                           | 21                       | 36                  |
| 1988 (projected) a/   | 20                           | 24                       | 42                  |

a/ Projected as at 31 July 1988 on the basis of the 1987 pattern of payments, the actual status of contributions as at 31 July 1988 and responses received to the Controller's letter to Permanent Representatives of 8 March 1988.

Source: UN Secretariat, *Status of Contributions as at 31 July 1988*, ST/ADM/SER.B/299, 4 August 1988, Annex-VII.

**Table- VII : Ten Top Defaulters in Contributions to UN Regular Budget as at 31 July 1988 (In Million US Dollars)**

| Member State                      | 1988 Scale of Assessment | Contributions Payable as at 01 Jan 1988 | Collections in 1988     | Contributions Outstanding as at 31 July 1988 |
|-----------------------------------|--------------------------|---|-------------------------|--|
| USA                               | 25.00                    | 46,7747,115                             | 8,62,250                | 46,6884,865                                  |
| South Africa                      | 0.44                     | 3,3950,541                              | —                       | 3,3940,541                                   |
| Brazil                            | 1.44                     | 1,7950,028                              | —                       | 1,7950,028                                   |
| Iran                              | 0.63                     | 1,2133,890                              | 25,755                  | 1,2108,135                                   |
| USSR*                             | 10.20                    | 8,4405,824                              | 7,4553,650              | 98,42,164                                    |
| Argentina                         | 0.62                     | 67,42,021                               | 4,32,774                | 63,09,247                                    |
| Mexico                            | 0.89                     | 68,71,369                               | 6,25,955                | 62,45,414                                    |
| Israel                            | 0.22                     | 47,15,611                               | —                       | 47,15,611                                    |
| Poland                            | 0.64                     | 1,0244,272                              | 59,13,600               | 43,30,672                                    |
| Romania                           | 0.19                     | 53,73,946                               | 13,28,600               | 40,45,346                                    |
| Sub-total                         | 40.23                    | 650,124,617<br>(58.5)                   | 83,752,594<br>(16.5)    | 566,372,023<br>(94.1)                        |
| Remaining all other member states | 59.77                    | 461,333,632<br>(41.5)                   | 425,656,242<br>(83.6)   | 35,677,390<br>(5.9)                          |
| Total:                            | 100.00                   | 1,111,458,249<br>(100.00)               | 509,408,836<br>(100.00) | 602,049,413<br>(100.00)                      |

\* USSR excludes Ukraine and Byelorussia, its two Republics who are members of the UN.

Figures in parentheses indicate percentages.

Source : UN Secretariat, *Status of Contributions as at 31 July 1988*, ST/ADM/SER. B/299, 4 August 1988.

debts outstanding by all member states come to about \$ 277.3 million, of which the big Five owe close to \$ 197 million. Here also Soviet Union is the biggest defaulter with \$ 129.6 million in unpaid dues (46.7% of the total), followed by the US with \$ 64.5 million (23.3%). Therefore, the total debts of the three forces—UNEF (1973), UNDOF



and UNIFIL, owed by the USSR and USA stand at \$ 153.6 million and \$ 70.5 million respectively. To these are added the costs of UNEF from 1956 to 1967 which stood approximately at \$ 200 million and those of ONUC (Congo) during 1960-64 over \$ 400 million respectively.<sup>13</sup> Soviet Union also refused to pay for these operations because of political reasons and US paid much more than its dues. In order to finance these operations, the UNGA in 1961 authorized issuing of UN Bonds and accordingly the Organization sold almost \$ 170 million worth of Bonds to 64 countries to finance the deficits out of UNEF (1956) and ONUC operations. Funds for repayment

**Table—VIII : Status of Contributions to the UN Emergency Force (UNEF, 1973) and the UN Disengagement Observer Force (UNDOF) as at 31 July 1988 (in US dollar)**

| Member States                               | Contributions Payable upto 30 Nov. 1988 | Collections in 1988 | Contributions Outstanding upto 30 Nov. 1988 |
|---|---|---------------------|---|
| All Member States                           | 68,621,226(100.00)                      | 20,009,695(100.00)  | 48,611,531(100.00)                          |
| Of which                                    |   |                     |   |
| Permanent Members of the Security Council : |   |                     |   |
| China                                       | 43,541,049(63.4)                        | 11,344,934(56.7)    | 32,196,115(66.2)                            |
| France                                      | 336,198(0.5)                            | 336,198(1.7)        | —   |
| UK  | 2710,870(4.0)                           | 1,355,435(6.8)      | 1,355,435(2.8)                              |
| USSR  | 3,106,726(4.5)                          | 2,072,595(10.4)     | 1,034,131(2.1)                              |
| USA   | 26,085,252(38.0)                        | 2,170,396(10.8)     | 23,913,856(44.2)                            |
|   | 11,302,003(16.4)                        | 5,410,210(27.0)     | 5,891,693(12.1)                             |

Figures in Parentheses indicate percentages

Source: UN Secretariat, *Status of Contributions as at 31 July 1988*, ST/ADM/SER. B/299, August 4, 1988.

13. Yves Beigbeder, *op. cit.* p. 147.

**Table—IX : Status of Contributions to the UN Interim Force in Lebanon (UNIFIL)**  
**as at 31 July 1988 (in US \$)**

| Member States  | Contribution Payable upto 31 July 1988 | Collections in 1988 | Contributions Outstanding upto 31 July 1988 |
|--|--|---------------------|---|
| All Member States                                      | 381,715,015 (100.00)                   | 104436910 (100.0)   | 277,278,105 (100.00)                        |
| Of which - Permanent Members of the Security Council : |  |                     |   |
| China  | 675,072 (0.2)                          | 675,072 (0.6)       | —   |
| France   | 10,631,139 (2.8)                       | 10,631,139 (10.2)   | —   |
| USSR   | 160,340,712 (42.0)                     | 30,716,258 (29.4)   | 129,624,454 (46.7)                          |
| UK   | 9,181,332 (2.4)                        | 6,412,694 (6.1)     | 2,768,683 (1.0)                             |
| USA  | 83,261,295 (21.8)                      | 18,740,990 (18.0)   | 64,520,305 (23.3)                           |

Figures in parentheses indicate percentages.

Source : UN Secretariat, *Status of Contributions as at 31 July 1988*, ST/ADM/SER.B/299, August 4, 1988.



of principal and payment of interests on the Bonds are included by the Assembly in each regular budget, with repayment scheduled to be completed in 1990. Still about 15 countries withhold some \$ 43 million in regard to the Bonds. They include China, Mongolia, South Africa, the USSR, the East European countries and Viet Nam. France was on the list until 1971, but now it pays in full.<sup>14</sup>

### III

#### The Political Economy of the UN Financing

Reflecting on the UN financial crisis H.G. Nicholas argued back in 1965, "It is of course obvious that the crisis is only in the most superficial sense a financial one...Basically the dispute is over what the UN should do, not over what it should spend in doing it".<sup>15</sup> After the elapse of almost a quarter century, the statement seems to hold good even today in case of UN financing. That is why, perhaps, speaking of the different approaches which one may follow in order to comprehend the nature and functions of the UN system Inis Claude has suggested: "If one were forced to choose, one should opt to read the membership of the organization and its series of annual budgets rather than its Charter, for the Charter has not proved to be the decisive determinant of the development of the United Nations".<sup>16</sup>

Discussion in the above line may start with the agreed criteria for mandatory contributions to the UN—it is the 'ability to pay' by member states along with other considerations, as mentioned earlier. But this 'ability' is certainly linked with the 'willingness' to pay for the UN, which lack the teeth of effective enforcement measures, although there is the Charter provision of taking actions against the defaulters (Article 19). The current level of UN spending, least

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14. UN Department of Public Information, *op. cit.*, p. 46.

15. Cited in Mahdi Elmandjra, *op. cit.*, p. 216.

16. *Ibid.*, p. 210.

of its assessed part, should not be a problem of ability to finance by member states as a whole, for the UN spends a very miniscule portion of the total World GNP. It is also significant that the assessment rates show wide discrepancies because of the great differences in the level of national income. Therefore, it is very much the 'willingness' of member states to pay that ultimately counts and where the problem begins.

Mahdi Elmandjra in analysing the UN system maintains that the 'willingness' to pay raises two types of questions.<sup>17</sup> The first is related to political opportunity, power relations and control and the second to national sovereignty, national loyalty and commitment to universal objectives. There is a split around the first set of considerations among the 'bigger, and the 'smaller' powers—the former tend to resist the efforts at using the UN system as an instrument of redistribution of power and wealth and naturally are against rapid growth of its financial resources. However, all member states are united around the second set of questions, because as defenders of nation-state system they object to any encroachment to their sovereignty that may result from a too dynamic multi/supranational behaviour of the UN organizations. Therefore, on these considerations the 'willingness' of member states to pay finds a common limit and the rate of defaulters among different groups of countries/contributors, big as well as small, discussed earlier, bears testimony to this proposition. John Stoessinger aptly maintains that :

The tendency of States to exercise great economy vis a vis international institutions reflects the limited character of their commitment to the process of international organization... In any case general international organizations continue to occupy a peripheral rather than a central position in the conduct of foreign relations for many if not most states, and this political fact is expressed in the reluctance of members to provide adequate financial backing for such organizations.<sup>18</sup>

17. *Ibid.*, p. 223.

18. John Stoessinger, *op. cit.*, p. 22.



This fact may be analysed more clearly if one looks at the approaches to UN contributions by different groups of countries, such as, the Western bloc, the Eastern bloc and the Third World, which have developed largely identical objectives in UN politics. Before going into such discussion, it may be noted that the total contributions of the big Five, the Permanent Members of the Security Council, have gradually diminished over the last decades. While in 1946 they have contributed 71.09 percent of the total UN budget, in 1960 it came down to 65.32 percent and again to 62.77 percent in 1970.<sup>19</sup> Finally, their share further declined to only 47.22 percent in 1988.<sup>20</sup> The gradual decrease of contributions by the big Five may be attributed significantly to the rapid increase of UN membership and also to their declining commitment to the UN objectives. However, the great powers cross-cut the above-mentioned three broad groups of countries and each one's approach to UN financing may be analysed.

### *Western Bloc*

Although the Western bloc headed by the US is not a monolithic grouping at the UN, some shared interests over East-West issues and world politico-economic order have emerged. However, the US being the key founding member of the UN and also the largest contributor of the budget naturally would dominate in the discussion. Retrospectively, the US who did not join the League of Nations was the most active of all in founding the UN and framing its Charter. At the Dumberton Oaks Conference in 1944 it was the USA who favoured a strong role for the General Assembly as the most democratic of all UN organs. Again it is mainly the US who played a pivotal role in incorporating the second element of peace in the UN Charter, that is, development of international economic

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19. Mahdi Elmandjra, *op. cit.*, p. 224.

20. UN Secretariat, *Status of Contributions as at 31 July 1988*, ST/ADM/SER. B/299, 4 August 1988.

and social cooperation for maintaining peaceful and friendly relations among nations. Then the idea was that if sufficient material prosperity could be achieved by the member states through such cooperation, they would be interested less in war and more in preserving world peace.

With such lofty ideals, the US began to contribute about 40 percent of UN budget in 1946 and also the lion's share in voluntary contributions to the Subsidiary Organs for conducting development activities, first in war-ravaged Europe and later in developing countries. With the onset of the cold war in late 1940s when the UN Security Council was nearly paralysed by the frequent use of Soviet veto, it was the West and particularly the US which helped to a large degree the General Assembly's ascendancy to have more power and competence. Then of course the US had majority support both in the Council and the Assembly. With the refusal of the Soviet Union and France to pay assessments to finance the peace-keeping operations in the Middle East and Congo in late 50s and early 60s, the US took a series of actions including support for a UN Bond issue, invoking Article 19 of the Charter to suspend voting rights in the Assembly of those in arrears and the request for an Advisory Opinion of the International Court of Justice on the legality of financial assessments by the Assembly for peace-keeping operations.<sup>21</sup> In these operations, financed both by assessed and voluntary funds, the US contributed the majority share, much well above its 25% assessment.

But the tide began to flow in a different direction since the mid-1960s when the voting power in the Assembly passed to the Group of 77 which through the Non-aligned Movement began to project independent postures in international politics. This often clashed with the Western and particularly US interests. The expulsion of the Republic of China from the UN and inclusion of the Peoples

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21. Robert F. Meagher, *op. cit.*, p. 102.



Republic of China, anti-zionist and anti-apartheid resolutions and the resolutions on the NIEO, among others, earned displeasure of the US and it began to adopt an indifferent, if not hostile, attitude towards the UN. This was manifest in US withdrawal of membership from the UNESCO and also withdrawal of assessed contributions to the UN. But many other Western governments, like France, Canada, Australia and the Scandinavian countries do not go with the US position.

The US gradually became dissatisfied also with the nature of financing for technical assistance programmes and the growth of the UN budgets. In September 1978, the US Congress placed a restriction on US assessed contributions to UN agencies, prohibiting their use for technical assistance activities (the Helms Amendment),<sup>22</sup> but it had to drop the Act in 1979 because of the UN refusal to accept conditional assessed contributions. The US policy is to finance technical assistance and development programmes mainly through voluntary contributions, where it can have a dominant say in decision-making, unlike in the Specialized Agencies where budgets are fixed on the basis of one-nation one-vote. The US has also been at the forefront of a campaign against what it calls the 'politicisation' of UN Agencies and advocates greater autonomy and independence of the functional organs from the political authority of the Assembly. Observers are alarmed by reports of US keeping tabs on all anti-US votes registered at the UN. The US allegedly slashes its economic aid to countries that do not go with the US position in the UN.<sup>23</sup>

The concern over supposedly rapid increase in the UN budget let the US in the 33rd General Assembly to cast its first negative vote on the question of the UN budget.<sup>24</sup> The West alleges that they contribute over three-fourth of the budget while the Third World

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22. *Ibid.*

23. *Asiaweek*, 5 April 1985, p. 28.

24. Robert F. Meagher, *op. cit.*, p. 122.



controls 80 percent of the UN votes, but pays only 10 percent of the budget. In a belt-tightening policy, the US Senate passed a legislation, introduced by Senator Nancy Kassebaum which stipulates that Washington can pay no more than 40 percent of its annual assessment until the President certifies that the UN has made progress in three areas : reducing its staff, giving major contributors a greater say over the UN budget (weighted voting) and requiring Soviet employees to sign long-term contracts to make it more difficult for Moscow to rotate spies through the UN Headquarters in New York.<sup>25</sup>

However, in a spirit of reform, the UN Secretary General adopted some cost-cutting measures including freezing and gradual reduction of UN staff. Also on 19 December 1986, the Assembly adopted a resolution which stipulated that the 21 member Committee for Programme and Coordination (CPC) will set a ceiling on the budget and decide on programme contents by consensus. This would give the industrialized West a veto power on financial matters at the early stage of budget formulation. On the third count also, the Soviets have agreed to allow some long-term contracts. But the US President's certification is yet to be forthcoming. Commenting upon the recent US refusal to issue visa to PLO Chairman, Yasser Arafat to address the 43rd UNGA session, *The Guardian* in its issue of 4 December 1988 questions US political maturity and its commitment to the UN. It further argues that such an action might reinforce the idea of shifting the UN itself from New York, where it has become hostage to US whim, to a neutral Geneva.

It may be mentioned here that although the US pays one quarter of the total UN budget ( the maximum ceiling to be paid by one country ), this share in fact lowers the contribution which the US would otherwise have to pay on the basis of national income alone (that might be about 30 percent). In absolute amounts the US pays over one billion dollar a year to the UN system including its voluntary contributions, but it is much lower on the list if one judges

25. *Newsweek*, 8 August 1988, p. 21.



contributions on per capita basis and much further down the list if one ranks contributions as a percentage of GNP.<sup>26</sup> Overall, the bigger Western countries, such as, the US, FRG, Britain and Japan which contribute a bigger share to the UN system do not pay as much as others in terms of their national income or population.

Another factor to be considered is that some of the major donors to the UN system get their money back because the latter spends most of it in their economies. Geographically, 40 percent of the UN regular budget is spent in New York, 25 percent in Geneva, 13 percent in Vienna and the balance at some 170 duty stations around the globe. The situation is the same in case of voluntary contributions too. UNDP estimates that it puts back into the US economy, mainly through salaries and equipment purchases, 45 percent more dollars than it gets from the US contribution. Most of the technical expertise and contractual work also are drawn from the developed countries, together with the UN money deposited there.<sup>27</sup>

#### *The Soviet Bloc*

Historically, the Soviet Union had a short and unhappy experience with the pre-UN organizations. The ILO, created in 1919, was thought of as the Western answer to Bolshevism—to prevent revolutions by creating better socio-economic conditions for the working class. Admitted to the League of Nations only in 1934, the USSR was the only country expelled from it in 1939 for its invasion of Finland. As the closing years of the WWII brought tremendous victories to the Soviet Union, it had to be granted total three votes in all the UN organizations (USSR, Republics of Byelorussia and Ukraine), along with a permanent status in the Security Council. Together, it could count on the support of the socialist countries established in Eastern Europe in late 1940s under Soviet occupation.

From the beginning, Soviet Union supported a strong role for the Security Council where it could count on its veto power in a world

26. UN Department of Public Information, *op. cit.*, p. 32.

27. *Ibid*, pp. 33-34.

then dominated by the US and the most lavish use of veto by the Soviets testifies its apprehension to the moves of the West. With rapid decolonization and the rise of Non-aligned Movement, the USSR sought to take along the developing countries in its anti-Western propaganda in UN forums. But the Third World as a whole never felt enchanted with Soviet propaganda and hardly failed to challenge any Soviet action whenever it went against their interest. Like the US, the Soviet Union also was less interested in diverting issues from the Council to the Assembly, for there it faced more difficulty to drum up support from the majority. Ivor Richard, former British Permanent Representative to the UN writes, "I can recall no Soviet initiative that struck me as an attempt to advance global cooperation, whether in the Security Council, the Assembly or ECOSOC, where their contribution was inevitably ideological and never financial."<sup>28</sup>

As a matter of fact, Soviet records to financing of the UN system bear ample testimony to this. Retrospectively, it was mainly the Soviet refusal to finance the UN peace-keeping operations in the Middle East and Congo that precipitated the financial crisis in the UN in the early 1960s. Even Soviet Union then attacked the impartiality of the Secretary General in the ONUC operations and in the troika proposal, the USSR called for establishment of three Secretary Generals. Soviet Union along with its bloc allies always refused to pay for UN peace-keeping they disagreed with. As a result, the Kremlin alone reportedly owes \$ 252 million in overdues for UN peace-keeping operations - some of the bills date back to the 1950s.<sup>29</sup>

Although Soviet Union (including the Byelorussian and Ukrainian Republic) currently pays 11.82 percent of the total budget ( the contribution was about 15 percent in the initial years) and it reduced its debt to regular budget from \$ 112 million in 1985 to about

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28. Ivor Richard, "Major Objectives and Functions of the UN : The View from Abroad", "in Toby T. Gati (ed.), *op. cit.*, p. 59.

29. *Time*, 26 September 1988, p.9.



\$ 10 million in 1988, its voluntary contribution directed at Third World development is almost nil. Their arguments for imposing the aid responsibility only on the industrialized West no longer impress the Third World. Moscow has a poor foreign aid record and its assistance is directed mainly at bloc allies. During 1986 the CMEA countries' contribution to multilateral assistance amounted to only \$ 14 million.<sup>30</sup> The Soviet contribution to UNDP was only 0.33 percent of the total pledges for 1985. Overall, 83 percent of the resources for UN operational activities comes from Western countries, 15 percent from developing countries and only 2 percent from the industrialized socialist nations.<sup>31</sup>

The Soviet Union did not become a member of FAO, GATT, the World Bank and the IMF, for it argued that promotion of free-market economy pursued by these organizations is incompatible with its ideology. Even East bloc's contribution to purely humanitarian activities is absolutely insignificant and no East European country contributes to the UNHCR. The Soviet voluntary contribution to UNICEF in 1984 was less than one million dollars for a total budget of \$ 352 million.<sup>32</sup>

Like the US, the Soviets have also been insisting on budget restraint for the UN. In like manner, they had also shown their readiness to resort to withdrawal politics, either of membership or of cutting off contributions to UN programmes it found unacceptable. In the height of the cold war, the Soviets along with East European socialist countries left WHO in 1949, then rejoined during 1957-63. Czechoslovakia, Hungary and Poland left UNESCO in 1952 and again came back in 1954. It may be mentioned that the Soviet Union became a member of UNESCO and ILO only in 1954.<sup>33</sup> In February 1983 the Soviet Representative on the Gover-

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30. *Report by the Chairman of DAC, 1987 Review* (Paris : OECD, 1988).

31. Yves Beigbeder, *op. cit.*, p. 20.

32. *Ibid.*

33. *Ibid.*

ning Body of ILO warned that his nation might adopt financial sanctions against the Agency for alleged interference in the internal affairs of socialist countries.<sup>34</sup>

However, Gorbachev's historic speech at the 43rd UNGA session as a Soviet leader after a lapse of 28 years symbolizes a changed Soviet attitude to the world body. After 40 years' of 'nyet' diplomacy the Soviet Union suddenly became a champion of the UN peace-keeping role and reportedly began paying back its overdues on peace-keeping. It has even suggested the creation of a standing UN military reserve. Of late, in UN diplomacy the Soviets have largely relinquished the use of veto in favour of consensus politics. But this Soviet shift, perhaps, has been motivated by two factors : one is the US declining involvement with the UN and the other is that the Soviets finally became convinced of the high opportunity cost involved in acting outside the UN. Soviets are reportedly thinking of joining such organizations as the GATT, IMF, FAO etc. Observers view that greater involvement in multilateral institutions would help the Soviets put superpower cooperation on a plane less vulnerable to fluctuations of bilateral relations and also it would ease Soviet desire for integration into the world economy.<sup>35</sup>

Therefore, this new Soviet commitment towards multilateralism through the use of the UN is to be viewed cautiously. For example, the Gorbachev offer of debt write-off to the LDCs was, in fact, aimed at winning Third World acclaim at very little cost, since most of the debt is owed to the West and not to Moscow. Therefore, the more important and substantive thing is whether the Soviets, discarding their traditional arguments against participation in development cooperation and North-South dialogue, would become a willing party and try to solve them in a spirit of shared responsibility.

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34. *Asiaweek*, 5 April 1985, p. 30.

35. Rosemary Righter, *The Times*, 5 December 1988.



### *The Third World*

In contrast to the approaches of both the West and the East to UN, the goals and strategies pursued by the Third World are quite different. Although the developing countries clustered within the G-77 differ among themselves in ideology, politico-economic system, economic and military strength, they are bound together by a shared heritage of colonial past, poverty, underdevelopment and vulnerability. To many of them, the UN serves as a supplier of both security and economic assistance. Today the UN serves predominantly the Third World, both politically and economically. Most of the 15 peace-keeping operations undertaken by the world body have taken place in the developing countries. In like manner, the UN peace-building efforts, that is, uprooting the causes of domestic violence and politico-economic instability through development programmes, are directed almost totally towards the Third World.

However, all these development activities of the UN system are based on the North-advocated 'politics-free' functionalism. Besides, the North's approach to Third World development is still based on the principles of the IMF-World Bank-GATT system and the exclusiveness of real power-weilding through weighted voting' which was introduced in the mid-1940s, when most of the Third World was still under colonial rule. Although the developing countries formed majority among the original founders of the UN ( 31 founder members were from Asia, Africa and Latin America ) in 1945, today's Third World majority developed a common perception of identical political and socio-economic needs that are articulated in the form of new demands and priorities in the UN. One such demand is the establishment of a NIEO through gradual transformation of the existing system and the vanguard role is expected to be played by the UN system.

For the purpose, the UN naturally needs as much resources as possible to effect a gradual redistribution of power and wealth and therefore, the developing countries, are struggling for instituting an

obligatory system of financing for development efforts. This is where clash takes place with both the Western and Eastern countries. The North wants to rely on voluntary contributions and seeks more autonomy for the Specialized Agencies from the General Assembly, where the Third World has as in-built majority. On the other hand, the South, in order to get rid of the vagaries of uncertainty in voluntary contributions, seeks sufficient funding for development through increasing the amount of assessed budgets in the UN organizations. But as Mahdi Elmandjra explains, "The political and 'power' aspects of the financial sub-system of the United Nations are most apparent when one examines the relationship between the quantitative disparity in the weights of the individual Member States as contributors and the qualitative constitutional equality of all the members of the system. The analysis of this relationship brings out the limits where the fundamental principle of 'collective responsibility' stops and where the 'financial veto' or 'individual responsibility' begins"<sup>36</sup>

As already indicated, the G-77 comprising to date 126 developing countries pay only 9.67 percent of the UN regular budget. If OPEC members are excluded, then all the remaining developing countries contribute only 6 percent of the budget and of this 78 countries together pay only 4.78 percent. What is more disquieting is the fact that the percentage of defaulters is greater among developing countries than the developed ones. Of course, their small contributions affect the budget much less than that of the bigger contributors. Table-VII shows that among the top ten defaulters come 4 countries from the developing world—Brazil (\$ 18 million), Iran (\$ 12 million), Argentina (\$ 6.3 million) and Mexico (\$ 6.2 million).

Therefore, it may be noted that the developing Third World as a whole is also not fully committed to UN responsibilities in terms of its financial contributions. Some euphoria prevailed at the initial years of their UN membership, since it implied formal legitimization

<sup>36</sup> Mahdi Elmandjra, *op. cit.*, p. 213.



of independence. As things unfolded at the global level which ran counter to their expectations, that euphoria gradually started wearing thin. The result is that the developing countries also began defying UN resolutions and directives.

### **Conclusion**

From the foregoing it is evident that the whole UN system with its ever expanding activities occupies a 'marginal' position in the international system, as reflected in its recycling of a tiny fraction of global resources. Even then the UN continues to suffer from chronic financial deficit and addition of several new responsibilities would further compound the problem. However, the behaviour pattern of the three broad groups of member states in relation to UN financing shows that the marginality location of the UN system is not limited to any specific group, although one group may have a greater influence on the system than others.

The system of UN financing can be said to be a reflection of the uneven distribution of global wealth between the rich North and the poor South. Naturally the differences that accompany this divide also find reflection in their approaches to UN financing. While the minority North at large wants to use the power of their purse-strings to comply the UN activities to their specific policy goals, the majority South wants to see the UN system as a mechanism of redistribution of global resources in their favour. UN financing in such a situation became, a victim of this intractable tussle. However, with the superpowers showing signs of renewed interest and support for the UN, it may be expected that the more endowed and resourceful countries would come up with necessary financial backing to an organization meant for furthering the cause of global peace and prosperity.

Finally, although the UN has already achieved some success in its reform programmes there seems to remain a need for reforming the current scale of assessment of the UN budgets. This is to better

reflect the fact that the organization is the instrument of all nations and make it less dependent on the contributions of one or few member states. The UN Secretary General himself is of the view that in the interest of the organization, the contributions of the US should be reduced to 20 or 15 percent. Accordingly, the more developed among the developing countries may come forward to make up for such reduction. The UN itself may also gear up its existing network of self-generating income and explore new areas for self-financing to cushion the vagaries of uncertainty in payments of contributions by member states.