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Secretariat Building at UN headquarters
(UN Photo 185500/M. Grant 1060L)
Introduction: the Politics of Finances

Far from being a dry, specialized subject of little interest outside the institution, the finances of the United Nations are the subject of high political drama, marked by conflicts among competing claims of global idealism, state sovereignty, international law, crass self-interest, and national power. The life-blood of any political entity is cash flow: the financial resources it is able to devote to the priorities decided by its decision-makers. States enjoy broad authority to extract those resources by taxation, restrained only by occasional constitutional limits, adverse consequences to their economic competitiveness, and the potential rebellion of irate taxpayers. States may delegate limited or broad taxing authority to inferior jurisdictions; thus, many American states allow local governments and school districts to finance their activities through property taxes. At the international level, governments have been chary of delegating taxing authority to international agencies, and instead have elected to allocate funds for common international purposes from taxes they collect themselves. But the political battles over funding can be as contentious in global fora as in town meetings.

The United Nations, together with its specialized agencies, related institutions like the World Bank and International Monetary Fund, and other global and regional organizations, rely upon their Member States to contribute the funds needed to finance their activities. The United Nations requires approximately $1.25 billion a year for its regular budget to defray the costs of its core operations. Its political bodies – the General Assembly, the Security Council, and the Economic and Social Council – cost $12.7 million a year. The Secretariat, which carries out the mandates of these bodies, requires $1.24 billion a year in assessments. Programs that operate in the field, including those like UNICEF (the UN Children’s Fund) and UNHCR (the UN High Commissioner for Refugees), spend $5 billion a year, raised primarily through voluntary contributions. A separate budget is formulated for peacekeeping. The UN regular budget and peacekeeping costs are financially supported through mandatory contributions of Member States.

A dozen specialized agencies, from the Food and Agriculture Organization to the World Meteorological Organization, all have their own assemblies of Member States, and most have smaller executive boards that provide policy guidance during the year or two years between meetings of the plenary assemblies; they have their own technically specialized secretariats. They also have their own programs in the field and their own budgets, which totalled $3 billion in 2000.
Introduction: the Politics of Finances

The one common thread for all of the UN-related organizations is that their funding comes almost entirely from the governments of their Member States. Those governments may collectively decide on a budget and raise the agreed amount by an assessment that all are bound to pay, or they may individually decide to contribute funds on a voluntary basis to specific programs. Either way, those funds are collected from citizens by their national tax systems and are allocated to the UN system by states. Even UNICEF, which has built the best grassroots, independent fund-raising apparatus of any international agency, receives just 19 percent of its funds from nongovernmental sources.

There is little apparent interest, among either governments or citizens, in allowing international agencies a broad, autonomous funding stream of their own. The notion of yet another layer of political organization extracting taxes, at an international level of “community” to which relatively few people feel emotional allegiance, might dismay tax-weary citizens in any number of countries. Such possibilities also stir intense concern among nationalists fearful of creeping “world government.” For the foreseeable future, financing for the UN system will come overwhelmingly from national treasuries.

This means, of course, that funding for UN organizations depends on the continued commitment of national politicians to the common purposes they share with leaders in other Member nations. This commitment may waiver, especially when a government has political objectives strongly opposed by most other Members of the world body. Although Member States have bound themselves to honor the process established in the UN Charter for approving and apportioning UN expenses, at times they have chosen to spurn those obligations. When the disaffected state is a large contributor, the affected international organization may swiftly feel the impact.

United Nations financing has thus become a political battleground between those who see the Organization’s work as essential and effective, complementing countries’ various national interests, and those who are skeptical of its global agenda and efficiency and suspicious that it may constrain national agendas. At stake in these conflicts is not only the financial solvency of the United Nations, but also the matter of which states and decision-making bodies shape the goals of international agencies and institutions. At all levels, decisions on budget priorities reflect the fundamental political values and interests of constituencies and political leaders alike.
Budget-making in the United Nations

From the start, the presumption of the states constituting the United Nations was that Member governments would jointly decide its spending priorities through its political bodies, with delegates hammering out any differences among their respective governments' views on the activities the United Nations should undertake. The agreed core expenses would be paid by assessment on its entire membership. In acceding to the UN Charter, sovereign states assigned certain financial powers to the General Assembly, and obligated themselves to honor its collective decisions. In short, the Charter was to create a framework that would be legally binding on the Member States that ratified it; the United Nations was not to be financed through an annual pledging conference in which each Member would announce how much it chose to donate that year.

The financing provisions of the Charter are succinct. The Assembly shall “approve the budget of the Organization,” and the expenses “shall be borne by the Members as apportioned by the General Assembly” (Article 17). The Assembly’s decisions on budgetary questions – whether spending or raising money – are defined as “important questions [that] shall be made by a two-thirds majority of the Members present and voting” (Article 18). In fact, this “power of the purse” is one of the very few areas in which nations have conferred authority upon the General Assembly to make decisions binding on governments outside UN headquarters.

Initially, the agreed expenses were quite modest. These included: a small Secretariat that was to service meetings of the intergovernmental bodies with translations, documents, and administrative support; the handful of mediation missions the fledgling United Nations was handed in its earliest days, such as the effort to mediate an amicable political solution to the competing claims of Arabs and Jews as the British mandate over Palestine drew near its end; and the creation of a UN statistical office to compile reliable and comparable data from and about all nations. In its first year, the UN General Assembly approved a budget of $24 million. However, new responsibilities emerged, such as the creation of truce supervisory missions in Kashmir and Palestine, commissions on human rights, narcotic drugs, and the status of women, and economic commissions for each region. There were also the costs of constructing a headquarters and the eventual establishment of information centers around the world, as well as core staffing for new assistance programs for children and refugees. These tasks represented the priorities the international community could agree upon, even as political hostilities deepened between East and West.
These priorities led to long-term budget growth, commensurate with the economic expansion that followed post-World War II reconstruction.

The system that evolved for budgetary decision-making is in some ways similar to that of states. Budgets are adopted on a biennial basis. Departments of the Secretariat and the agencies, programs, and commissions that receive at least some support from the regular budget— that is, the budget that Member States collectively approve and pay by assessment— submit proposed activity and spending plans for the coming biennium. The UN Department of Management assembles these into an integrated budget plan within the fiscal guidelines set by the Secretary-General and, so far as they are consistent with one another, by the General Assembly. Department heads, and government representatives in New York, may intercede directly with the Secretary-General to secure his recommendation on a budget line for particular “posts” (staff positions) or program priorities before he submits his budget proposal to the General Assembly; it is usually easier to win political approval of a new item if it has been accommodated within the Secretariat’s spending plan than if it has not. That document also informs the Assembly of planned “extrabudgetary” spending—the programs and staff positions that the United Nations will undertake during the biennium with supplementary resources, usually voluntary donations dedicated by individual governments for specific activities, assuming those resources are realized.

From the moment the Secretariat’s budget request goes to the General Assembly, it becomes subject to intense intergovernmental politics. The first chokepoint is the Advisory Committee on Administrative and Budgetary Questions (ACABQ), a panel of 18 individuals elected for a three-year term by the General Assembly for their supposed expertise in fiscal policy and public administration, with a fixed number of seats allocated to each of the world’s regions. “Expertise” often consists of being attached to one’s national mission at the United Nations, and thus having become acquainted with a number of UN activities—and, more importantly, with fellow delegates, whose votes determine who is elected to the committee. Because Members of the ACABQ, which is a standing committee of the General Assembly, technically serve the whole United Nations as “experts” rather than their own government, the United Nations provides for their living expenses in New York for each day the committee is in session. In a UN world where diplomats are shuffled in and out of New York every few years, ACABQ Members have a remarkable longevity; throughout the last quarter of the 20th Century, its chairmanship was held continuously by a single individual: Tanzania’s Conrad Mselle. Long tenure gives the panel members the institutional knowledge to stand up to the UN bureaucracy. Panel members are pleased to be seen as the scourge of the Secretariat, which often reviles the committee as a highly political group of micromanagers.
The ACABQ technically does not represent governments and is only “advisory” to the intergovernmental decision-making bodies, the General Assembly and its Fifth Committee, which deals with budgetary and administrative matters. But the ACABQ effectively is the primary budgetary decision-making organ in the UN political process. ACABQ budgetary “recommendations” are generally accepted as baselines by the Fifth Committee.

Representatives to the Fifth Committee – a “committee of the whole,” meaning all Member States belong – are typically mid-level diplomats, whose duty during their few years in New York is to master the basics of the UN budget and strike the political deals needed to forge agreement on budgetary matters. Only a handful of delegates frame the debate because, within each regional group, a few diligent diplomats emerge as the most knowledgeable or influential, and therefore spokespersons for the group. The major dividing line at the start of the 21st Century, as it had been for three decades, is between the industrialized countries and the developing countries, known in UN parlance as the “Group of 77” (so called because 77 states originally formed the group). Both blocs have regional subgroups as well as “hardliners” and “moderates.” At least since the 1980s, the European Union’s 15 Member States have seen themselves as the “moderates” in the industrialized group, trying to broker deals between the G-77 and the most adamant opponents of UN spending, such as the United States. In the G-77, most Latin American countries are thought to be “moderate” on budgetary controversies – with the notable exception of Cuba, which is consistently one of the most strenuous advocates of increased spending for programs to benefit, at least symbolically, developing-country interests. With very distinct subgroups in the Arab world, South Asia, and newly industrializing East Asia, Asia is less cohesive than sub-Saharan Africa. Developing countries with skeletal staffing in their missions (and even less support from their capitals) often follow the lead of the few delegates from their region who have forceful personalities and a seeming knowledge of the budget. Once a budget is approved in the Fifth Committee, its adoption by the General Assembly – which is, after all, composed of the same Member States – is generally a foregone conclusion.

During the 1970s, different regional group priorities could be accommodated through budgetary growth, and in that decade UN regular budgets – even accounting for the oil-shock inflation of that period – grew at their fastest rate in the UN’s history. By the 1980s, under pressure particularly from the conservative-minded leadership in the United States, real budget growth was cut sharply – indeed, the priority goal across all UN organizations in that period was budgetary restraint under a “zero-real-growth” cap. In the 1990s, the United States successfully pressed for an even tighter cap of “zero-nominal-growth.” In an atmosphere of budgetary shrinkage, resource battles became
Budget-making in the United Nations particularly bitter. Western calls for increased staff for activities like human rights monitoring were parried by G-77 demands for more staffing for their development priorities and its Members’ regional projects, like expansion of the UN offices in Nairobi.

The Charter provision for a two-thirds majority to approve budget resolutions ensured that the organization’s growth for its first decades reflected the priorities of the Western countries that, with the Latin Americans, enjoyed a comfortable majority in the General Assembly until the early 1960s. By the 1970s, poorer countries had gained their freedom from colonial rule and had become a large majority of the membership. They reshaped UN budgetary priorities to their needs, which included development and a “fairer” economic order. Some Western governments wavered in their commitment to majoritarian democratic principles when they were no longer in the majority, and eliminating majority budgetary voting became a priority of US policymakers in particular. By the late 1980s, a new system of “consensus” budget-making was put in place, as we shall see below, that effectively ensured a single-power veto on budget levels. The United States deployed its financial dominance to ensure zero-growth and even shrinking real budgets for a decade.

By the start of the new century, most European Union countries were no longer willing to support adherence to zero-growth budgets. The United States, however, was still committed by congressional mandate to such a cap on UN-assessed budgets, and Japan was sympathetic. With the split between the 15 EU Members and the US/Japan partnership, these 17 countries, which are assessed about four-fifths of the UN regular budget, no longer presented a united front in support of freezing the budget.
The political process surrounding allocation decisions in the regular budget rests on a fundamental assumption: that after the budget is approved, the funds to implement it will materialize. The amount required to finance the agreed expenses is apportioned among Member States by a vote of the General Assembly. The Secretariat notifies each Member State at the start of each year of the amount of its assessed contribution, and its payment for the year is due in February. The system depends, of course, on each Member paying its assessed share; hence, the Charter makes the payment of assessments a treaty obligation of membership.

Anticipating that some governments might fail to provide their share of the funds for the common enterprise, the Charter's drafters included an enforcement mechanism in Article 19:

A Member of the United Nations which is in arrears in the payment of its financial contributions to the Organization shall have no vote in the General Assembly if the amount of its arrears equals or exceeds the amount of the contributions due from it for the preceding two full years. The General Assembly may, nevertheless, permit such a Member to vote if it is satisfied that the failure to pay is due to conditions beyond the control of the Member.

Such an enforcement mechanism was farsighted, because not all political forces in major states were easily reconciled to the notion that the full membership of the United Nations should set budget priorities and levy assessments that national governments would be legally bound to pay. Opponents of entangling international organizations, especially in the United States, have seen such authority as an infringement on unfettered national sovereignty. In 1919, critics of the League of Nations, led by then Chairman of the Senate Foreign Relations Committee Henry Cabot Lodge, demanded a reservation to US ratification of the League that would have declared, "The United States shall not be obligated to contribute to any expenses of the League of Nations, or of the Secretariat, or of any commission, or committee, or conference, or other agency organized under the League of Nations," leaving explicitly to the US Congress full discretion to decide how much it would choose to appropriate. Neither the United States nor any other state ever attached such a reservation to its ratification of the Charter of the United Nations, but at times this spirit has stirred in the political debate.
The Charter's financing framework functioned adequately in the United Nations' first 15 years. The General Assembly approved and apportioned UN expenses, and Member States paid their assessments. The United Nations' first peace and security missions, in Palestine and Kashmir, were established as part of the Organization's regular budget – from which these truce supervisory commissions are still financed to this day. While the United Nations became a major sparring ground in the great ideological and political confrontation between East and West, most of its work program and budget were sufficiently insulated from those pressures. No major Member sought to withdraw financial support during these early years. However, the UN intervention in the disintegrating Congo in 1960 ultimately shattered this tacit consensus among the major powers.
Having successfully pioneered the concept of UN “peacekeeping” forces to guarantee the Israeli-Egyptian border after the 1956 Suez war, Secretary-General Dag Hammarskjöld sought to utilize peacekeeping once again in the Congo as the sprawling, newly independent territory descended into chaos. But international peacekeeping in a civil conflict proved problematic, foreshadowing the problems of “nation-building” in “failed states” with which the United Nations would later be asked to deal after the end of the Cold War. Moreover, various local antagonists moved quickly to line up patrons among outside powers, despite Hammarskjöld’s painstaking efforts to quarantine the Congolese conflict from Cold War contamination.

At one point or another, Hammarskjöld’s Congo policy displeased every major power or bloc, but none more than the Soviet Union. Moscow quickly soured on the operation, seeing its real purpose as an adroit process to preserve Western influence after formal decolonization. The Soviets were soon vetoing Security Council resolutions that authorized assertive UN actions. They became enraged when Hammarskjöld obtained authority from the General Assembly under the much-contested “Uniting for Peace” resolution that asserted the Assembly’s right to take decisions on peace and security policy when the Council was hamstrung by vetoes. Insisting that the Charter had conferred authority for peace and security policy exclusively on the Security Council, the Union of Soviet Socialist Republics branded the Congo operation illegal and refused to recognize any assessment voted by the Assembly to pay for the mission. In this position Moscow enjoyed support, predictably, from its dependent Communist allies, but also from France. The French government wanted to keep security matters away from the unpredictable Assembly and in the hands of the Council, where it had a veto. The General Assembly sought an advisory opinion from the International Court of Justice, which ruled that Member States were, indeed, legally bound to pay all peacekeeping assessments adopted by the Assembly. Moscow was unmoved.

The Soviets did not succeed in scuttling the Congo operation. But Moscow’s experiment in massive withholding wreaked havoc on UN finances. By 1964, it and other recalcitrant Member States had failed to pay fully a quarter of the Congo operation’s $332 million cumulative cost, forcing the United Nations to raid its reserve and working capital accounts to pay the most pressing bills. Troop contributor countries and suppliers went unpaid.

Moreover, the delinquencies precipitated a political crisis that threatened the Organization’s very survival. In 1964, when cumulative Soviet arrears reached
the two-year threshold specified in Article 19, the United Nations was faced with the choice of either depriving the Soviet Union and its allies of their votes, which would have provoked their withdrawal, or of nullifying the UN’s sole sanction for fulfillment of Members’ financial obligations. The United States submitted a legal memorandum that warned:

Failure to apply the Article would tempt Members to pick and choose, with impunity, from among their obligations to the United Nations, refusing to pay for items they dislike even though those items were authorized by the overwhelming vote of the Members. Indeed, the Soviet Union has already said that it will not pay for certain items in the regular budgets. How could any organization function on such a fiscal quicksand?

Failure to apply the Article to a great power simply because it is a great power would undermine the constitutional integrity of the United Nations, and could sharply affect the attitude toward the Organization of those who have always been its strongest supporters....

If it cannot get from its Members the funds to support its acts, all would be the losers.... Loyalty to the Organization, respect for the International Court of Justice and the rule of law, and consideration for the overwhelming views of Members, should be overriding.

Diplomats that year earned their pay with a crafty dodge. Putting survival of the Organization above all else, they slogged through the General Assembly session without taking a recorded vote on anything. The only resolutions brought to the Assembly floor were those that all Members agreed to adopt by consensus. With no votes, there was no occasion to invoke Article 19, and the United Nations survived as a universal organization.

The United Nations limped through the year with emergency voluntary contributions, largely from the West. In order to obtain agreement on a new peacekeeping mission – a UN force in Cyprus to keep warring Greeks and Turks apart – the West had to agree it would be financed strictly by voluntary contributions from the countries that wished to pay for it, an anomalous arrangement that lasted three decades. Happily, the Congo operation itself ended in 1964, after secessionist provinces were reintegrated into the Congo and central government authority was finally established. The Organization’s political crisis was resolved by a 1965 General Assembly decision to exclude unpaid assessments for the Congo operation from the calculation of the status of contributions and arrearages that would trigger the suspension of voting rights pursuant to Article 19. In exchange, the Soviets agreed to recognize that peacekeeping assessments were indeed a legally binding obligation of Member States.
The opponents of the Congo operation appear in practice to have won the peacekeeping debate on constitutional principle. In the nearly four decades that have followed, the General Assembly has not authorized a single one of the United Nations’ dozens of peace operations in circumvention of the Council. Indeed, the United States at the start of the 21st Century would almost certainly oppose any such circumvention as contrary to the Charter. But advocates of international law appeared to have won the constitutional debate on the legal obligation to pay UN assessments. By the late 1970s, virtually all UN Member States had accepted the principle that assessments collectively voted, including special assessments for peacekeeping, are binding on all.
Delegation of the People's Republic of China seated in UN General Assembly

“Washington suffered its first major political defeat in the United Nations in 1971, losing its bid to preserve a seat for China's exiled Kuomintang government in Taipei when the Assembly recognized the Communist regime in Beijing.”

(UN Photo: Nagata/jr)
Disaffection of an Outsized Contributor

In the 1970s, however, the United States began to deploy nonpayment as a political weapon, reflecting Washington’s deepening estrangement from the United Nations as its influence there ebbed. By the United Nations’ quarter-century anniversary in 1970, the liberation from European colonial rule and admission to the United Nations of scores of poor countries in Africa, Asia, and the Caribbean, together with an intensifying backlash against the American war in Vietnam, deprived the United States of its traditional dominance in the General Assembly. Washington suffered its first major political defeat in the United Nations in 1971, losing its bid to preserve a seat for China’s exiled Kuomintang government in Taipei when the Assembly recognized the Communist regime in Beijing as the representative of “China.” The US Congress reacted angrily by unilaterally slashing America’s UN contribution in retaliation. The General Assembly accepted the lower US assessment level a year later — reaching a target originally agreed upon in 1946 — when it admitted the two German states to membership. Their additional contributions made a reduction in the US payment possible without having to raise assessments on the other Members in order to cover costs.

As the 1970s wore on, the many developing countries showed group solidarity in pressing a common agenda on the reluctant few rich and powerful states. The glue that held together the different regional groups of the poverty-ridden South was a shared interest in a redistribution of economic power from the privileged North. Political logrolling resulted in the Third World uniting behind regional special causes as well, such as the Arabs’ crusade against Israel and the Africans’ campaign against continued white rule in southern Africa. Some of these issues — and the fact that the Soviets were in enthusiastic support of the Third World agenda — touched political lightning rods in the West. While European governments often sought to blur the confrontation lines, the United States was more prone to resist the challenges and pretenses of the Assembly majority, whose Members, critics said, were effectively powerless in the “real” world.

One means by which Washington could remind other UN Members of power realities was financial. In the late 1970s, as resentment against Third World domination of the agenda at the UN smoldered in Washington, the United States chose to resist the new majority by withholding some of its assessed contributions. An early drawing of the line occurred in 1978, when, at the initiative of freshman Senator Jesse Helms of North Carolina, Congress targeted the spreading inclusion of “technical assistance” funds — monies for
development assistance – in the assessed budgets of UN agencies. While Western countries, including the United States, had long contributed funds to UN agencies on a voluntary basis for development aid, the appearance of technical assistance grants in assessed budgets raised the specter that Third World majorities might begin to vote ever-larger assistance programs into agency budgets that Western governments would have a treaty obligation to pay. The US Congress stipulated that the funds it appropriated for agency dues could not be paid if the assessed budgets included technical assistance programs. UN agencies refused to conform to that condition for US contributions, and the Carter administration finally persuaded Congress to rescind it. But an unwritten understanding had been reached. The expansion of technical assistance programs in regular UN agency budgets ground to a halt.

Several controversies pitted the United States against developing-country majorities on an issue on which feelings traditionally ran strong in the United States: the Arab-Israeli conflict. In one such case, the Americans followed their Israeli allies in bitter resistance to a proposal to establish an office in the UN Secretariat to help protect “the rights of the Palestinian people” and prepare for their self-rule in concert with the Palestine Liberation Organization, which Israeli and American officials denounced at that time as terrorist. When the General Assembly voted to establish the office anyway, Washington branded the expense illegitimate and, by congressional decree in 1980, began deducting 25 percent of the amount budgeted for the office – arguably America’s proportionate share of the cost – from the US-assessed contribution. The amount withheld was tiny, and did not intimidate the general membership into dropping its advocacy of Palestinians’ rights – nor did Washington ever expect it would. Rather, the act was a symbolic protest intended to demonstrate to concerned domestic constituents Washington’s fervent opposition to the Palestinian assertion of national rights. At the same time, this underscored the US refusal to accept a UN program it opposed, despite the fact that an overwhelming majority of Member States supported the program.

Invoking a similar argument against “terrorist groups,” congressional supporters of apartheid South Africa’s rule in Namibia engineered a similar deduction in 1984. The United States withheld funds against the costs of a UN office in support of the South West Africa People’s Organization, the liberation movement that would eventually sweep Namibia’s elections at independence. In the same vein, the United States began deducting what it calculated to be its share of the costs of the UN office on the Law of the Sea, a landmark convention the Reagan administration decided to oppose in 1982. Neither of these actions deterred the Organization from continuing these programs. In 1985, the Congress voted to withhold an amount it calculated as the US share of cost-of-living adjustments for UN employees on the ground that these
exceeded inflation adjustments for federal employees. Two years later, it mandated a withholding in response to allegations that UN employees from the Union of Soviet Socialist Republics and China were made to “kick back” much of their salaries to their home governments. Others saw this simply as exorbitant Communist taxes, but Washington conservatives called it a back-door subsidy for Communist enemies. That same year, the United States began holding back part of its contribution in a dispute with the United Nations over the tax treatment of US citizens working for the United Nations.

Washington also began a campaign to halt the traditional growth in UN agency budgets, a move that was consonant with its efforts to halt the expansion of non-military spending domestically. Through the late 1970s, the Western group as a whole had become increasingly resistant to Third World efforts to expand assessed budgets, which often grew faster than the rate of inflation. Now, Washington spelled out a concrete goal: “zero real growth.” In this cause, it teamed up with the states of the Soviet bloc, which had always resisted the growth of UN budgets as well as of UN capabilities. For reasons of political prestige, the Union of Soviet Socialist Republics had traditionally overvalued its economic performance and thus paid artificially high UN assessments; but because of the drain of these assessments on its scarce hard currency reserves, the Soviet Union was consistently the most vociferous foe of UN budget increases.

At the same time, the United States began to raise a fundamental structural question on budgetary decision-making: the voting process. It argued that two-thirds majority voting in a one-state/one-vote system was inherently skewed against the small number of wealthy states. If Members expect sovereign states to be bound by budgetary decisions of international bodies, said US officials, voting in those bodies should be weighted to reflect each state’s assessment – just as it has been in international financial institutions, such as the World Bank and IMF. Predictably, however, voting weighted by wealth and assessments drew a sharply unfavorable response from many states, including virtually all of the poor ones.

To lend muscle to its demands for reform, in 1985 the United States began to deploy the weapon of massive withholding of its assessed contribution, with the Congress attaching a stringent condition on the payment of the coming year’s assessment to the United Nations: Unless the UN General Assembly adopted a system of voting weighted in proportion to each voting Member’s budgetary contribution, the United States would hold back a fifth of its contribution. Instead of registering a protest at a particular spending item deemed politically obnoxious in Washington, the United States was now using its large financial contribution as leverage for structural changes to tame the Organization. The Congress then compounded its withholding with a deep reduction in its appropriation for assessments to international organizations, in
While other Member States insisted that the United States had an obligation under international law to pay its assessment, Washington officials dismissed arguments about the sanctity of international law as mere carping about legalisms that would forfeit the unique disruptive power that the large US share of UN expenses gave them to cut through the inertia that often paralyzes multilateral politics. As for any distinction between assessed and voluntary contributions, congressional decision-makers acknowledged that the former are politically easier to withhold than voluntary contributions. The latter go to specific causes, like children and the environment, to whose defense concerned constituencies are apt to rally, while nobody marches in support of regular budgets that largely support a “bureaucracy” that is faceless, friendless, and therefore vulnerable. Payment of assessments, in this view, was a political issue, not a legal one.

Washington’s withholdings soon brought the United Nations to the brink of insolvency. Reserve and capital accounts were raided to pay current expenses, prepayments were extracted from loyal Member States to get past cash-flow crises, and peacekeeping operations limped along as the regular budget borrowed from peacekeeping budgets, postponing reimbursements to troop-contributing countries until the long-promised US payments came through. By 1987, Member States had reached agreement on a budgetary package that reduced UN staffing, cut and froze overall spending, and established a new process for budgetary decisions that required general consensus—effectively setting aside the Charter rule of two-thirds majority voting. The new process gave Washington far more leverage, but not quite the level of control, and certainly not the wealth-weighted voting, it had sought.

The 1985-88 withholding crisis starkly demonstrated the latent weakness of a financing system dependent on the willingness of major states to fulfill dues obligations as a matter of international law. The United States had effectively wielded withholding of its large share of dues expenses as an instrument of power over the organization to achieve the structural reforms it desired, breaking through the immobilism of a UN political system organized around regional voting blocs. Many of the reforms were, to be sure, supported in principle by other wealthy countries, and so represented an interest broader than just Washington’s. On the other hand, the other Member States had refused simply to submit to Washington’s demands, and a hard-fought negotiation produced a political compromise on reform of the budget process that accommodated the core interests of all major groups.

Late in 1988, with US arrears having reached $308 million, President Reagan announced that the United States was satisfied with the progress on budgetary reform, and acknowledged that the unpaid assessments were indeed a
legal obligation of the United States. This was the first such official US acknowledgment of this obligation during his presidency. On behalf of his successors, he committed the United States to paying those arrears over five years. But support in Washington for fulfilling the commitment to repay those arrears fizzled in less than two years; ironically, this was at just the time the United Nations took center stage in resisting Iraq’s conquest of Kuwait. Six years after Reagan’s commitment, the United States was still carrying forward past-due obligations of $221 million. Indeed, as post-Cold War peacekeeping missions grew in number, complexity, and cost, the Congress legislated a unilateral cap on the US share of peacekeeping costs. New conditions had to be met before US dues would be paid. Among them were: An independent inspector-general’s office would have to be created; a coalition of gay and lesbian groups would have to be suspended from UN-recognized nongovernmental status unless it ousted a member organization “promoting pedophilia” (through opposition to age-of-consent laws); and the United States would not allow the Security Council to approve a peacekeeping mission until congressional leaders had had two weeks’ notice to scrutinize the proposal. When a party shift in Congress brought UN foes into the chairmanships of key committees in early 1995, Congress refused to appropriate funds for major peacekeeping operations, and US arrears quintupled in just two years.
As the United States approached the two-year delinquency level set by Article 19 of the Charter for automatic suspension of a Member’s vote in the General Assembly, the Clinton administration agreed to accept dozens of conditions demanded by congressional opponents as the price for partial payment of arrears. A number dealt with administrative reforms and budgetary restrictions sought by US legislators in the name of efficiency; others entailed broad policy restrictions on UN actions, including a bar to creation of a “UN standing army” and prohibition of any discussion by UN bodies of international “taxes.” The most bitterly contested conditions, however, were those that demanded a reduction in the US share of assessed UN expenses, from 25 percent to 22 percent of regular budget expenses and from 30.4 percent to 25 percent of assessed peacekeeping expenses, and another that required the Organization to write off the large US arrears that would remain unpaid.

Plainly this represented a major challenge to the autonomy and independence of the United Nations. To accept these conditions, warned many countries’ representatives, would place the Organization perennially under the whip of US congressional overseers; legally binding obligations would have no meaning if powerful Member States could flout them at will. For their part, the United Nations’ congressional opponents dismissed out of hand the notion that assessments duly voted under the Charter constituted a legal obligation, and some openly questioned whether, in the absence of authorities with the hard power to enforce it, “international law” is law at all. The fundamental dispute over legal obligation was reflected in the American assertion that US arrears were in the range of $1 billion, rather than the $1.3 billion in unpaid assessments carried on UN books. Since US law unilaterally deducted from UN dues payments the pro-rated amounts for such things as the offices of Palestinian rights and Law of the Sea and the United Nations’ method of “equalizing” tax treatment of its staffers, and unilaterally set 25 percent as the ceiling on the US share of peacekeeping expenses, Washington failed to recognize these as arrears. The US administration allowed that these amounts were “in dispute.” By contrast, congressional committee chairmen simply rejected these assessments out of hand, and insisted that all unpaid arrears claimed by the United Nations should be consigned to a dormant UN “special account,” like the one created for the unpaid Soviet and French assessments for the Congo operation in 1965. Thus these assessments would be removed from calculation of the country’s delinquencies for purposes of Article 19.
This, of course, only heightened the suspicion of other Member States that the plan to “end” the arrears controversy might just open the door to new waves of withholding, once the goad of Article 19 vote forfeiture was removed from Washington. Strikingly, the architects of the congressional conditions did not deign even to hint that satisfaction of current demands would lead them to abandon withholding in the future. Rather, they professed confidence that the rest of the Member States would caterwaul and then cave in, out of their craving for American money and fear of American withdrawal. Indeed, the possibility of US disengagement from the United Nations – a specter first raised during the Reagan administration by its withdrawal from the UN Educational, Scientific and Cultural Organization (UNESCO) and explicitly threatened in 1996 by the chairman of the Senate foreign relations committee – weighed heavily in the calculus of international policymakers.

In a shrewd commingling of executive and legislative functions, the US representative at the United Nations, Richard Holbrooke, brought a procession of congressional representatives to sell to a skeptical UN community the plan they had adopted unilaterally, with the implication that US participation in the United Nations was at risk. The chairman of the Senate Foreign Relations Committee, Jesse Helms, made an unprecedented speech to a public meeting of the UN Security Council in January 2000 outlining his far-reaching critique of the United Nations. Other members of Congress also went to New York to meet with UN delegates to exhort them to accept the deal on offer, presenting an argument of realpolitik to counter other countries’ invocation of the binding obligations of international law and the supposedly fundamental principle of assessments based on capacity to pay.

The central focus of contention was the US rate of assessment, which became the main battleground in the Fifth Committee debate on the overall scale of assessments for the 2001-2003 triennium. Not till the last days of the General Assembly session in late December 2000 was a deal struck: The new scale of assessments would lower the ceiling on the US contribution for regular expenses from 25 to 22 percent, as demanded by the US Congress, and the US rate for peacekeeping expenses from approximately 30 to 27 percent, which did not quite meet the 25 percent level stipulated by the US legislation. This small deviation from the congressionally mandated checklist of conditions for payment on arrears thus formally satisfied the insistence of some of Washington's European allies that the American demands had to be the object of negotiation, and not simply diktat. But on virtually every other substantive issue the membership yielded to American demands. A French counterproposal, automatically to restore the 25 percent ceiling if the United States had not paid off all arrears after three years, was watered down to a statement that the persistence of arrears at that time would trigger a General Assembly review of
the ceiling. This threat of revocation was dismissed by Washington as hollow. Efforts to secure from Washington an explicit reaffirmation that dues are a legally binding obligation and a pledge not to withhold in the future were unavailing. The Europeans did insist on language that the new UN scale should not bind the specialized agencies, but the chances that any one agency could withstand the pressure to adopt the new scale seemed limited.

Moreover, the very fact that Washington had to make even a slight concession from its legislated demands meant that the Congress had to amend its checklist before the funds it promised could be released. This entailed the risk that some new flashpoint of disagreement between Washington and New York might arise before final passage of the amendments conforming to the UN deal and derail the promised payment yet again. Indeed, UN opponents in the House of Representatives succeeded in thwarting the payment until September 11, 2001, when the need to rally international support after the World Trade Center’s destruction forced them to back down. Still, the fact that even firm UN opponents in the Senate had declared themselves satisfied with the assessment agreement raised hopes that the US-UN relationship might be at least temporarily on a better track.

The battles over funding as the United Nations entered its second half-century raised profound questions about the reliability of the assessment system and the autonomy of the United Nations in the face of financial pressure from its largest financial contributor. The reasons for nonpayment ranged from pique at particular programs that were politically disagreeable to the United States, to detailed complaints about administrative procedures, to demands for rewriting budget-making procedures and the bases for apportioning expenses. Although some of the reforms were widely acknowledged as improving UN efficiency, the withholding underscored the institution’s political vulnerability and undercut claims that Member States have legal obligations to each other and international institutions based on the Charter and other instruments of international law.
The Scale of Assessments

The ‘Capacity to Pay’

At all levels of political organization, the apportionment of the revenue burden is one of the more painful duties of public service. In local governments that rely on property taxes to cover their expenses, the apportionment of those taxes sets off bitter battles. Among matters that can spark controversy: when and whether to conduct a revaluation of all real property; whether and how to discount value of residential property relative to industrial or commercial property; whether to grant a community’s large corporate taxpayer a reduced assessment. The standards by which the “value” of real property is assessed vary widely.

Among international organizations, the bases for apportionment of expenses also vary considerably. Usually, each Member’s share of all Members’ economic product is an element of the apportionment, but assessment scales are frequently weighted to account for political considerations. In the Organization for Security and Cooperation in Europe (OSCE), a regional organization that was created only in 1994 (institutionalizing the periodic conferences reviewing implementation of the détente-era Helsinki Final Act), there is no specific formula for fixing assessments. Instead, these are determined by an informally constituted financial committee of experts with an eye to each member’s relative status in both economic and political terms, subject to an arbitrary contribution ceiling of nine percent. Accordingly, each of Europe’s four major powers – Germany, France, Italy, and the United Kingdom – pays the same nine percent assessment as the far wealthier United States and the immense but impoverished Russian Federation. By contrast, in the Organization of American States – a collection of developing countries with one mid-sized and one giant industrialized country – the United States alone pays 59 percent of the budget.

The International Monetary Fund (IMF) sets the apportionment scale for Bretton Woods institutions by formulas that take into account a number of economic and trade indicators, including Members’ national income, gold and foreign exchange reserves, exports, imports, and variability in export income. However, the factors have historically been weighted to yield politically desired results. Even so, the most artfully calibrated weightings in the multiple formulas now in use may still not produce the politically preferred outcomes, so the quotas calculated by formula are further refined in an overtly political process. Because voting power in the IMF and related agencies reflects a Member’s financial assessment, underassessed states are often eager to pay more – and overassessed states resist updating the quotas to avoid reductions that would weaken their voting power.
Ad hoc adjustments increased France’s IMF quota in 1947, and West Germany’s and Japan’s in 1959; in 1965, the quotas for Canada and Japan were not increased because that would have put them ahead of India, depriving New Delhi of its privilege (which ultimately proved unsustainable) of appointing its own Fund director. Even today, Japan is held to exactly the same quota as Germany, only a fraction higher than Britain’s and France’s (which are also anomalously equal). Other members deny Tokyo a quota proportionate to its share of the world economy, since its growth in voting power would have to come at the expense of other members whose economic share has been slipping.

Since its founding, the United Nations has based its assessment scales on the principle of “capacity to pay.” Despite a number of deviations from strict capacity to pay, defined by reference to national income, the assessment scale fixed by the UN General Assembly and applied by all UN specialized agencies more closely reflects states’ relative means than the apportionments of most regional organizations and even the financial institutions themselves. However, in contrast to the IMF and World Bank, at the United Nations there is little political incentive for states to want to pay higher assessments, and the periodic recalculations of the scale often inspire proposals for formula adjustments aimed at reducing assessments on particular groups of states.

As a result, a seemingly objective standard for assessing taxpayers — national income as a share of global income — is fraught with exceptions, weightings, and modifications: a maximum ceiling, a minimum rate, a write-off for low per capita incomes, a factor for debt relief, and a hedge against abrupt revaluations because of spurts of income growth (an exception now phased out). After all that, there is even a “process of mitigation” to accommodate appeals from individual Member States to lower the number derived from the assessment formula, for which the applicant Member either supplies additional relevant information or pleads special circumstances.

Having quickly agreed on the principle that UN expenses “should be apportioned broadly according to capacity to pay,” the first General Assembly finally concluded that “comparative estimates of national income would appear prima facie to be the fairest guide” to measure that capacity. The UN Statistical Office would obtain data on national income from all Member States, prepare estimates to fill in whatever data individual Members could not provide (based on any other sources of economic data available to it), and calculate each Member’s national income as a percentage share of the total income of all Members. The formula devised by the United Nations would also guide the apportionment scales of each of the specialized agencies created as part of the UN system after World War II.

The difficulty, right from the start, lay in accurately assessing national income, since relatively few Members had good statistical data. The first
assessment scale was based on available national income data for 1938 to 1940; two years later, the UN Statistical Office had current data – but from only 12 of the 58 Member States. Reporting rates improved dramatically over the next 40 years; by 1988, 88 percent of Member States were supplying timely data. The quality of the data also improved, and the Statistical Office earned a reputation for reliable work as it cross-checks the data submitted by governments with other economic data from external sources. The national data are not, however, always comparable, and the Statistical Office has often struggled to find ways of comparing income data from radically divergent systems of economic accounting.

Since 1958, the Assembly has adopted the scales of assessment for three-year periods. The UN Committee on Contributions – a panel of experts elected by the General Assembly and tasked with periodically reviewing the methodology, data, and alternatives for apportioning the expense burden among Member States – evaluates current data and re-examines the assessment scale every three years. It offers a range of options to the General Assembly for ways to modify the scale to address perceived inequities or disproportionate impacts. Those recommendations go to the Fifth Committee of the General Assembly for debate and decision at the political level.
Since 1948, the formula for apportioning UN expenses has made an allowance for the low per capita incomes of many Members. Based on the same principles of public finance that animate governments' progressive taxes, the low-income offset assumes that each dollar of income is far more necessary to someone living at subsistence level than it is to someone of considerable wealth. India and the Netherlands, for example, have roughly the same national income, but owing to a vast disparity in the number of people sharing that income – 16 million in the case of the Netherlands, 982 million in the case of India – Dutch taxpayers might equitably be asked to pay more toward UN expenses than India's.

Governments implement this principle of progressivity in levying income taxes by setting rates that are low at the bottom brackets – the levels at which income is devoted to life's "necessities" – and that rise for each additional increment of income. For nearly five decades, the United Nations has made allowance for a state's low per capita income by discounting its share of world income by a percentage based on a global per capita income standard. For the three-year scale adopted at the end of 2000, the standard – the average per capita gross national product of all Member States – was just under $4,800.

While relief for countries with average incomes below world per capita GNP is now generally accepted as fair, there is intense political dickering on how heavily this factor should be weighted. After all, when countries with per capita incomes less than the standard receive relief, the cost of their discount must be shifted to countries with per capita incomes above that amount. The deepest discounts go to those whose per capita incomes are the furthest below the income standard. For India, the discount comes close to three-quarters off its share of world income; for Mexico, it is a bit less than a quarter. Taken together the discounts of all low-income countries are worth fully 8.36 percent of global income, which the current assessment scale shifts to the countries with per capita incomes above the global standard. China – by far the largest beneficiary of the low-income adjustment – and India alone save 3.42 percentage points between them. There is no doubt the low-income discount accomplishes its intent. While the Canadian pays 4.5 cents per every $1,000 of income for UN expenses, the Indian pays 0.8 cents, the Egyptian 1.0 cents, the Mexican 3.0 cents, and the Bangladeshi a fifth of a cent.

The United States along with a number of other developed nations has urged the Committee on Contributions to consider adopting a weighting formula based on "purchasing power parity" (PPP), which would take into...
consideration the markedly lower cost of living in the developing world. This would recognize those countries’ ability to finance their activities and maintain standards of living at levels effectively higher than what might be indicated by their per capita figure. This PPP methodology, by statistically increasing poor countries’ imputed gross domestic product, has looked attractive to Washington because it would bring China’s share of UN expenses, for example, several percentage points higher – reflecting coastal China’s status among the world’s top ten GDP countries, rather than the poverty of its vast interior population. Developing countries have, however, resisted the PPP proposal, arguing that their lower domestic costs for labor and locally produced goods do not gain them more foreign exchange to pay hard currency dues to international organizations.

Relief is also afforded to countries struggling with a heavy burden of debt to foreign creditors. Initially considered on an ad hoc basis starting in 1969, the General Assembly insisted on a more methodical formula during the debt crisis of the 1980s. This is a far smaller benefit than the low per capita income discount; in total, it shifts three-quarters of a percentage point on the assessment scale from all debtors to industrialized countries. The largest beneficiaries are Mexico and Brazil, each of which shaves .06 percentage points off its assessment because of the debt offset; Indonesia and Russia, which are entitled to save .05 percentage points; and Argentina, saving .04.

Some of the tiniest and least developed countries would, according to the UN formula, barely pay any assessment at all. However, the Membership has consistently felt that all countries should pay some minimum amount as a condition of membership. Therefore, since the UN’s founding, a “floor” has been set in the assessment scale, starting at .04 percent in 1946. On grounds of “equity,” this floor has been reduced over the years to .001 percent of the budget by 1998 – which for the year 2001 amounted to an assessment of $12,500.
Another point of issue in each assessment cycle has been the length of the base period used to insulate rates from single-year fluctuations in economic data. Income data had been calculated on averages of the prior three years until 1977, when the General Assembly became anxious to find a way of “mitigating extreme variations in assessments between two successive scales.” By coincidence, this was precisely the period when the enormous surge in incomes of oil-producing states since 1974 was about to show up in the assessment scale. In order to avoid the “extreme variation” of a sudden jump in certain states’ assessments, the Assembly switched to a seven-year average (1970-1977, inclusive), which succeeded in holding down the increase in oil producers’ assessments. The Assembly extended the base period even further in 1981, adopting a ten-year average.

Several delegations pressed another device to slow the growth in assessments on fast-growing economies, called the “scheme of limits,” which would have arbitrarily capped movement in rates from one assessment cycle to the next. Strenuous opposition by the Committee on Contributions dissuaded the Assembly from adopting the “scheme of limits” in 1977 and 1982, but its advocates finally prevailed in winning its incorporation into the assessment formula in 1985. By the time it was adopted, however, the formula had already caught up with the early beneficiaries of the oil price boom. Saudi Arabia’s assessment, for example, had jumped 12-fold from .06 percent in 1974 to .86 in 1984. Ironically, the scheme was adopted just as oil prices plunged dramatically, and the limits ended up slowing the rate at which the assessments of many oil producers fell. By 1995, Saudi Arabia’s assessment was .80 percent of the total – even though its share of world income during the base period was .49. The largest beneficiaries of the scheme of limits turned out, unintendedly, to be two of the leading industrialized countries: Japan and Italy.

These unexpected outcomes, plus the distress in the early 1990s experienced by many states abandoning a Communist economic system, where the scheme of limits prevented reductions in rates despite their industrial collapse and economic depression, created a powerful constituency for change in the 1990s. The scheme of limits was dismantled in two steps; the base period was pruned to a 7.5-year average in the scale adopted in 1997, and a combined six- and three-year average was used in the scale adopted in 2000.
Many insist that the single greatest distortion of the principle of capacity to pay is the ceiling that has capped the American contribution since the United Nations' founding, and yet it has also raised profound political issues of financial dependence. The United States fiercely resisted the first apportionment proposed by the United Nations' new Committee on Contributions in 1946, which called for Americans to bear 49.89 percent of the Organization's $24 million budget on the ground that the United States enjoyed roughly half of world income at the time. Washington insisted that it should pay no more than a quarter of UN expenses, proposing a permanent ceiling of 25 percent as the maximum amount any Member State could be assessed for regular expenses. The Truman administration sent Senator Arthur H. Vandenberg of Michigan, the Republican leader on the Senate Foreign Relations Committee, to warn of the dangers of adopting the committee recommendation and to argue the US position to the General Assembly:

The few, in sheer self-defence, would probably insist upon special rights of audit and control which are at variance with the “sovereign equality” to which we are indispensably devoted.... We seek no dominion in the United Nations. We do not want it ourselves, and we would not grant it to others. It is not to “save money” for ourselves that we present this argument. It is to save the United Nations from an unwholesome fiscal climate in which our united and common judgments - our “sovereign equalities” - are not calculated to thrive. Neither we nor any other nation, in some other day, should be allowed a greater privilege in our councils than is measured by a maximum contribution of 25 percent per annum - far short of what, in common parlance, might be called “fiscal control.”

As the debate unfolded, the United States discovered what Vandenberg called “eloquent unanimity” among the United Nations' 50 other Members: that the United States, the only major belligerent of World War II that emerged with its economic base intact, should shoulder half of UN costs, as the Committee on Contributions had proposed. After months of hard bargaining, a compromise was struck: The Assembly accepted the principle of a ceiling on the largest contributor's percentage rate, provisionally fixed at 39.89 percent, which the United States was assessed and paid. The difference between the near 50...
percent share based on the formula and the rate finally approved – ten percentage points – was to be picked up in higher rates pro-rated among the other Member States. As war-ravaged economies recovered, that ceiling would be lowered further, with 33.33 percent as the interim target – a level finally reached in 1954 – and 25 percent as the eventual final ceiling. [See Annex 1.]

By the early 1970s, the US share had gradually drifted down to 31.52 percent. In one swoop, however, it dropped to the 25 percent goal endorsed in 1946. The US Congress – infuriated by the General Assembly’s ouster in October 1971 of the American-allied Chinese government in Taipei – decided in the 1972 appropriations cycle to slash the US contribution unilaterally, and the Nixon administration, absorbed in big-power diplomacy and more impatient than any of its predecessors with the United Nations, made only muted objections. The Congress voted to provide only enough funds to cover a 25 percent assessment. Fortunately for the United Nations, West German Chancellor Willy Brandt’s new Ostpolitik (“East policy”) had opened the way to mutual recognition by the two states that had emerged from the post-war Allied occupation of Germany, and their respective superpower allies were now prepared to support the admission of both to the United Nations. Between them, Bonn and East Berlin would pick up 8.2 percent of UN expenses – which could be applied to reduction of the US assessment and some other states’ burdens as well. The two German states were duly admitted in 1973; Washington agreed to a halving of the minimum assessment on the tiniest and poorest states, from .04 to .02 percent, and the deal was done.

In the mid-1980s, the deliberate US accumulation of massive arrears as a means to bend the United Nations to Washington’s will on budget issues gave life to the warnings Arthur Vandenberg had issued 40 years before about the dangers of excessive dependence on a single contributor. (Vandenberg was proved wrong, however, in his assertion that 25 percent would be too low a share to produce such an effect.) Sweden’s prime minister at the time, Olaf Palme, proposed a radical reduction of the ceiling, to 10 percent, explicitly in order to make what Swedes called US “blackmail” impossible. While some conservative circles in Washington began actively promoting the idea, convinced that the United Nations was too irrelevant to be worth influencing. Secretary of State George Shultz decisively rejected it as a foolish surrender of American responsibility and of American leverage. Most Member States also opposed it, for an obvious reason: They were not so committed to assuring the United Nations’ financial independence from Washington that they were willing to ante up an average 20 percent increase in their own assessments to pay for it. States preferred to concentrate on persuading the United States to pay its dues than to give the wealthy superpower a free ride.11
As explained previously, this debate flared with particular intensity in 2000 when the United States presented the congressional demand for a two-step reduction in the US rate of assessment from 25 percent to 22 and then 20 percent, on which payment of $475 million in peacekeeping arrears was conditioned. At the end of the year the General Assembly grudgingly set the ceiling at 22 percent for the next three-year period.¹²
UN peacekeepers in action
(UN Photo)
Peacekeeping Assessments

In the early years of the United Nations, when peacekeeping was a rare occurrence, funds for peace activities were part of the regular budget. Subsequently, peacekeeping budgets were calculated separately from the regular budget and have been established on a mission-by-mission basis. Crises that trigger costly peacekeeping interventions, unlike the activities of the regular budget, are usually unforeseen. At times, as in the turbulent Congo operation of the early 1960s and the complex and numerous peacekeeping missions of the early 1990s, the costs to which they give rise can dwarf the United Nations' regular expenses. Poor Member States have long made the case that their bare-bones national budgets cannot absorb the shock of unplanned special assessments for peacekeeping missions, and insist that responsibility for financing emergency operations must inevitably fall primarily on the wealthier and more powerful countries. Indeed, in 1961, many newly independent countries promptly fell into delinquency on their rapidly spiralling peacekeeping bills. The Assembly voted to write down the peacekeeping assessments on smaller developing countries by 80 percent and on larger developing countries by 50 percent, expecting the resulting deficit to be covered by voluntary contributions. Two years later it switched to a 45 percent discount for all developing countries (defined as all states except Japan and specified Western and Soviet-bloc countries), again to be financed by voluntary contributions.

Year after year, the Assembly experimented with different discounts as it groped for a new model. Though unable to agree on an appropriate formula for the long term, in 1963 the Assembly specified the distinctive principles for establishing a special peacekeeping scale:

- The economically less developed countries have a relatively limited capacity to contribute towards peacekeeping operations involving heavy expenditures.
- Without prejudice to the principle of collective responsibility, every effort should be made to encourage voluntary contributions from Member States.
- The special responsibilities of the Permanent Members of the Security Council for the maintenance of peace and security should be borne in mind in connection with their contributions to the financing of peace and security operations.
- Where circumstances warrant, the General Assembly should give special consideration to the situation of any Member States which
are victims of, and those which are otherwise involved in, the events or actions leading to a peacekeeping operation.

The scale remained subject to virtually annual tinkering even after the Congo operation ended. The issue seemed to become moot when the only remaining peacekeeping operation financed by a special assessment, that between Israel and Egypt, was withdrawn in 1967, precipitating a fateful Arab-Israeli war. But it returned in 1973, when the major powers on the Security Council decided to support a new UN peacekeeping force to separate Israeli forces from those of the Arab states that had fought a new war that October.

As the General Assembly grappled with apportioning the costs of the new operation, it settled on a formula consistent with the principles it had defined ten years before. Developing countries were divided into two classes: a group of least developed countries, specified by name (mostly in Africa, but including such others as Afghanistan, Haiti, and Yemen), known as Category D, and all other developing countries, defined by not being included in the list of least-developed countries. The assessment on the Category D countries for the Arab-Israeli disengagement force would be only one-tenth of these countries' assessment for the regular UN budget. Thus, Afghanistan, which in 1973 paid the then minimum of .02 percent for the regular budget, would pay at a .002 percent rate for the peacekeeping mission. The assessment on all other developing countries (Category C) would be one-fifth of their regular assessment; for Mexico, then assessed at .86 percent, the peacekeeping rate would be .172 percent. The 23 developed countries (Category B) would pay the same rate for peacekeeping as for the regular budget. The discounts afforded to the many countries in Categories C and D were to be financed by the five permanent Members of the Security Council — classified for this peacekeeping assessment scale as Category A — as a tangible expression of their “special responsibilities for the maintenance of peace and security.” A total of 8.5 percentage points was shifted from the developing countries in Categories C and D to the five permanent Members.

The United States and other Western countries, which were anxious to re-establish the peacekeeping force to guard against further outbreaks of fighting between Arabs and Israelis, reluctantly agreed to the formula, but only as an ad hoc measure. The resolution authorizing it described the scale as ad hoc, and delegates’ speeches reiterated that it was simply a one-year expedient and most emphatically not a precedent for the future. But this ad hoc solution turned out to be durable. The United States did not contest its continuation in succeeding years, and when the next crisis exploded, requiring yet another peacekeeping mission — Israel’s invasion of Lebanon in 1978 — the Carter administration quickly accepted application of the same peacekeeping formula in order to get a
mission on the ground, and Israeli forces out of Lebanon, as soon as possible. When peacekeeping missions were established in 1988 to monitor the Iran-Iraq cease-fire and preside over the South African withdrawal from Namibia and Cuban departure from Angola, the Reagan administration also accepted the now time-hallowed peacekeeping formula without protest.

It was the explosive growth of peacekeeping operations after the end of the Cold War that brought Washington’s attention back to the peacekeeping assessment scale – aggravated by the shift in the assessments on the five permanent Members. Since 1974, the changes in the regular assessment scale to benefit low-income countries had all but wiped out China’s assessment, which fell from 5.50 percent in 1974 to .77 percent in 1994; this meant that China now paid virtually none of the Category A “premium,” and that its old share was now being picked up by the remaining four. The fragmentation of the Soviet Union, and the subsequent collapse of the Russian economy, halved Moscow’s share as well. London, Paris, and Washington were picking up the difference.

For the United States, picking up roughly two-fifths of an 8.5 percent redistribution from those considered poor was tolerable when total bills came to $30 million. When the United States was billed for nearly three-fifths of an almost 12-point redistribution on total bills edging up toward $1 billion, however, protests mounted in a capital obsessed with budget stringencies. Congressmen clamored for a cut.

One expedient proposed by the United States to cope with the unwelcome steep increase in peacekeeping assessments was reliance on voluntary contributions to finance new operations. When Boutros Boutros-Ghali, the United Nations’ first Secretary-General from the African continent, called for a UN mission to deal with Somalia’s disintegration in early 1992, the Bush administration drew the line: The United States would not approve any new UN mission unless it were funded by voluntary contributions, just as the UN-authorized war to expel Iraqi forces from Kuwait had been voluntarily funded. The prospect of a US veto persuaded other Members of the Security Council to agree to this arrangement as they authorized a small peacekeeping force. US officials persuaded Pakistan to provide a troop contingent, but were markedly less successful in convincing their chosen funding “volunteer,” Saudi Arabia – or any other country – to underwrite the cost. An undermanned, unfunded company of Pakistani soldiers soon found itself under siege between competing factions in Mogadishu, unable to restore order or protect food deliveries. Voluntary funding seemed not to work for a peacekeeping operation in a place where wealthier countries’ direct interests were not apparently at stake.13

Indeed, as Somalia’s crisis deepened and its population faced mass starvation, President Bush offered late in the year to dispatch a large US military force to
restore order and open secure food delivery routes. The US military’s “Restore Hope” intervention in Somalia, which cost the US $1.5 billion, was succeeded by a large-scale UN peace operation funded by assessments.

If voluntary contributions would not provide reliable funding for UN peace operations, the burden of assessments could be avoided by delegating peacekeeping to regional organizations or to “coalitions of the willing,” though in practice these faced the problem of finding a subset of countries both willing and able to provide not only the money but also the troops. Unfortunately, this formula would ultimately prove sustainable only in operations in the Balkans led by NATO Member States. If the United States were to reduce what it viewed as a disproportionately burdensome share of UN peacekeeping costs, the United Nations would have to revise the peacekeeping scale of assessments.

As a candidate for president, Bill Clinton had proposed a reduction in the US share of peacekeeping costs to 25 percent, and tied it to establishment of a UN rapid deployment force. After he took office, the Congress legislated its claim to such a rate (minus the rapid deployment force) in the Foreign Relations Authorization Act for fiscal years 1994 and 1995, unilaterally capping the share of peacekeeping costs the United States would pay thereafter to 25 percent. Clinton signed the wide-ranging bill adopted by the Democratic-controlled 103rd Congress, but expressed for the record his objection to this and another withholding provision “because they could place the United States in violation of its international treaty obligations if reform is not achieved within the stated time.” A reduction in the US peacekeeping assessment would become a major battleground between Washington and other Member States at the end of the decade.

In contrast to the bitter controversy over a reduction in the US regular assessment, however, there was wide agreement that the peacekeeping scale had become seriously inequitable. States classified as “developing” in 1973 continued to claim entitlement to deep discounts a quarter-century later, even though some had achieved high per capita incomes thanks to oil wealth, like Brunei and United Arab Emirates (with 1998 per capita incomes of $18,038 and $16,666 respectively), or through rapid gains in economic product, such as Singapore at $31,139 (up from $8,722 in 1975). The other permanent Members of the Council that had to share the cost of the deep peacekeeping discount for such high-income “developing” countries joined in pressing for reform based on ability to pay, and these states soon found themselves isolated and under pressure from not only Washington but also many developing countries to accept rationalization of their peacekeeping assessments.

When the General Assembly approved a new assessment scale for the regular budget at the end of 2000, it adopted an extraordinary companion resolution fixing a new scale for future peacekeeping assessments, to take effect in July
2001. Instead of an arbitrary classification of Member States into four categories, discounts would now be based on per capita income; the least developed countries would still pay for peacekeeping at a rate that was just a tenth of their regular budget share (and thus, for Bangladesh, at .0001 percent), while countries with per capita incomes between roughly $500 and $9,600 were spread among six categories based on a sliding income scale. The handful of high-income countries that had, till 2000, enjoyed a large Category C discount adamantly refused to be classified as developed countries, for reasons of self-esteem, so a new Category C was created for Singapore, Qatar, Brunei, United Arab Emirates, and Kuwait, allowing them still to claim to be part of the developing world with a nominal discount of 7.5 percent from their regular rate of assessment.14

Peacekeeping Assessment Scale Established in 2000:
• Least developed countries pay only 10 percent of regular budget share.
• Countries with per capita income $500 - $9,600: This group has six categories on a sliding scale.
• High income developing countries pay same rate as regular dues minus a discount of 7.5 percent.
• Developed countries pay the same as rate of regular dues.
• Permanent five Members of the Security Council pay same rate as regular dues plus a surcharge, calculated on the reallocation of the remaining costs after the discounts to poorer countries have been made.
The United Nations does not live by assessments alone. Since the system’s creation, assessed budgets have provided an administrative skeleton for UN agencies, while voluntary contributions have provided much of the flesh of program activities out in the field. Major states preferred to finance programs through voluntary contributions, especially programs in the economic and social fields, particularly when it seemed these would be temporary expenditures. The United Nations’ first major undertaking was to provide relief for millions of displaced persons in Europe after the upheavals of World War II. By the time the UN Relief and Rehabilitation Agency was dissolved in 1947, it had spent $3.6 billion to care for war refugees awaiting repatriation or resettlement; the United States alone provided $2.8 billion. Inevitably, the prodigious American generosity of the immediate post-war years would fade. While the United States continues to be the largest single government contributor of voluntary funds to most UN agencies, its support is now dwarfed by the aggregate of voluntary contributions from European Union governments, with Japan in some agencies close behind.

Donors have strong reasons for preferring to finance so much of the UN system’s work through voluntary contributions. Most obviously, in doing so they avoid long-term budgetary commitments. This makes it easier for governments to retrench when politics demand stringency, and to revise their UN spending priorities as domestic political fancies change. By contrast, the pace at which a consensus on priorities can change in global bodies is glacial. Unlike assessed obligations, voluntary pledges are subject to normal appropriations scrutiny and revision by finance ministries and legislators back home. One result is that funding levels may vary widely from year to year. Voluntary contributions to the entire UN system, which totaled $7.1 billion in 1994 (slightly below their 1992 high), fell steadily over the next three years to $5.4 billion in 1997 before rising to $6.2 billion in 1999.15 [See Annex 2.]

More important, voluntary financing gives donors far greater control over agency programs and spending than they enjoy over activities financed by assessments. Thus they have flexibility to respond quickly to changing assessments of program performance; if reports suggest a program is not tightly managed, or pursuing a different approach than the contributing government deems most desirable, it can cut off funding – which is what Britain and the Netherlands did with the UN International Drug Control Program in 2001 to signal their displeasure with its leadership. The 20 major donors may be a small minority in the General Assembly and have to compromise in pursuit of
consensus, but on voluntary grants they have vast leverage to insist a project fulfill their expectations, or they won’t fund it at all. Donor governments may set higher performance standards than would the UN membership at large; their primary interest is in results they can show their voters to sustain public support for providing assistance. Poorer countries, by contrast, have a second interest of equal priority: keeping the money flowing. Where they have strong political influence, as they do over assessed budgets, they often resist curtailment of spending on their countries (or on hiring their nationals), regardless of the programs’ demonstrable impact.

This does not mean that voluntary contributions give donors absolute control. In the early 1980s, when the American right-to-life movement organized a fierce campaign against China’s family planning program for its reported reliance on abortion, it sought to deal a blow to Beijing by forcing the UN Population Fund (UNFPA) to suspend support for Chinese family planning programs. On this issue, however, other donor countries and most developing countries were of one mind; and even after the United States cut off all its contributions to the Fund, UNFPA’s governing council refused to terminate its projects in China. Although some advocates of terminating US funding believed they were punishing the agency, the more apparent effect was to reduce family planning programs in many developing countries with burgeoning populations. Eight years later the Clinton administration resumed financing for UNFPA, though in the Congress these contributions were still hotly contested.

Especially in the development area, some donor governments rely on UN agencies as the executing agency for what is, in reality, a bilateral aid grant arranged by officials of the donor and recipient governments. In other cases an agency will work with a developing country on a project design and then shop it among prospective donor governments until it finds a funder. In either case, the donor’s earmarking will tie the agency to a specified purpose and recipient. Not surprisingly, agencies seek, wherever possible, the flexibility of “untied” grants that allow them to award project funding in accordance with their evaluation of need. This is as true of the independent specialized agencies, some of which rely heavily on voluntary contributions, as the UN programs and funds overseen by the General Assembly. [See Annex 3.]

Some major donor states, aware they can never have much influence if their limited voluntary contributions are allocated across the board, prefer to concentrate their giving strategically on one or two programs. This can allow these countries to become significant players in those programs, and perhaps to make a bid to nominate the program head. Thus did the Japanese, increasing their funding for the UN High Commissioner for Refugees, eventually claim the post for one of their nationals. Similarly, the Italians, by making massive
contributions to the UN International Drug Control Program, won appointment of its executive director. The Nordic countries followed this strategy by focusing funding on the UN Development Programme (UNDP) and UNICEF, at least in part in the hope of wresting one of the top jobs from American control.\textsuperscript{16}

US enthusiasm for contributing to UN program funds has waxed and waned. True, the United States often points to its large voluntary contributions to parts of the United Nations when it is criticized for not paying its regularly assessed dues to the Organization – although the US share of total voluntary contributions is actually less than its share of assessments. Some Americans have been skeptical of the benefit, at least to the United States, of activities undertaken by international agencies. Bilateral aid programs are generally thought to tie their recipients more tightly to the donor, arguably advancing (when the United States is the donor) American influence in the recipient society. Moreover, the United States can press tougher demands for potentially painful action by a recipient than can a UN agency, of which the recipient state is also a Member. For example, the United States has pushed recipients of its antinarcotics aid to undertake far more aggressive police action and military efforts against drug networks than has the UN Drug Control Program. But there are many activities where bilateral programs are inappropriate and the multilateral framework indispensable, such as when implementing international environmental accords or assisting Palestinian refugees.
In the aftermath of World War II, the leaders of what was then called the UN International Children's Emergency Fund (and what is still known as UNICEF) decided that the plight of children in lands ravaged by the war was so great, the resources available from governments to help them so limited, and the sympathy of the public at large in wealthier countries so strong, that they might succeed in raising funds directly from the public by well-crafted appeals. Indeed, the public responded for children, and national fund-raising committees sprang up in dozens of countries to sell UNICEF holiday cards, collect spare change at international airports, and raise money from individuals through other ingenious devices. By century's end, nearly a fifth of UNICEF's revenues came from individuals' contributions.

Other agencies sought to imitate UNICEF's network, but with little success: Voluntary contributions from individuals require a compelling cause, favorable publicity in the media, and a clear and simple message. Without these preconditions, other UN programs simply could not build strong networks for raising small voluntary contributions from large numbers of individuals worldwide.

In 1997, however, a single individual, communications innovator and magnate Ted Turner, changed the landscape dramatically by announcing a $1 billion contribution to fund UN programs of demonstrable effectiveness for children's health, women's rights, and environmentally sustainable development, to be expended over a 10-year period through a new UN Foundation. The prospect of $100 million a year in new funding for specific projects in the field led the United Nations to create a special office to sift through the many applications from UN development agencies for the Turner foundation's support. A reasonably objective funding process was seen as a godsend by UN agencies that had been trying to shop around projects they believed had clear positive impact on poor societies but little attractiveness to Western aid administrators, whose priorities were shaped by bilateral or domestic political calculations. There had long been philanthropic support from American foundations for scattered innovative programs proposed by some UN agencies, but this was the first foundation funding dedicated exclusively to the United Nations' projects in the field. At a time when many Western governments were slashing development aid - American funding for development assistance plummeted from .21 percent of GNP in 1990 to .11 percent in 1999, and France's from .60 percent to .39 percent in that same period - the arrival of fresh resources from a private source was as welcome as it was unexpected.
Other foundations dedicated to development assistance, like the new Gates Foundation on health and learning programs, began to make funds available to discrete UN projects.

A clear sign of the UN development agencies' gradual evolution from the common enterprise and responsibility of public authorities to, in part, a charity in search of private funds, came with the creation of a UN fund to deal with HIV/AIDS in 2001. Secretary-General Kofi Annan won commitments from a number of major governments to the fund by the time of the General Assembly's special session on HIV/AIDS - but, quite remarkably, also drew pledges of contributions from some major multinational corporations, including Swiss insurer Winterthur and US pharmaceutical maker Pfizer. The degree to which corporate and other private giving can become a reliable support for UN development funding was unclear as the new century began, and it occasioned much consternation in circles concerned about extension of private interests and corporate power. Nonetheless it represented a new development in UN finance.
Of course, the United Nations and its agencies do not constitute a government. They have no power to levy taxes and no mechanism to collect them, and only the most enthusiastic advocate of global federalism can contemplate with any pleasure the creation of a worldwide tax-extraction machine. But it is not inconceivable that Member States might jointly decide to levy the same tax and dedicate it to their common programs. In 1978, the Carter administration suggested that the United States was prepared, in principle, to consider such automatic revenue alternatives, but its successors have signalled no interest in pursuing the idea.

In 1995, a departing President François Mitterrand of France proposed to the UN Conference on Social Development in Copenhagen (called the “Social Summit”) a revenue enhancer that actually has as its primary goal the strengthening of nations’ monetary policy by calming the wild swings in currency markets. Echoing a proposal by retired Yale University Professor James Tobin, Mitterrand argued that all governments have a deep interest in currency stability, but none by itself can control speculators who sense opportunities for quick profits in betting that a country with economic problems can be forced to devalue its currency. States should agree, declared Mitterrand, on a common tax on currency transactions.

The crucial element, Tobin noted in discussing the proposal in the 1994 Human Development Report of the UN Development Programme, is that “The tax would have to be worldwide, at the same rate in all markets. Otherwise it could be evaded by executing transactions in jurisdictions with no tax or lower tax.” He recalled J. Maynard Keynes’ argument for a stock transaction tax – that it could “strengthen the weight of long-range fundamentals in stock-market pricing, as against speculators’ guesses of the short-range behavior of other speculators. The same is true of the foreign exchange markets.” The plan’s Achilles’ heel, however, lies in the requirement that every state ratify the convention establishing it. There may always be a Panama, a Cayman Islands, or a Switzerland ready to break ranks for parochial gain.

For both Mitterrand and Tobin, the rationale for the exchange tax is economic, not budgetary; the fact that such a tax would raise revenue is almost incidental. They vaguely suggest its proceeds could be applied to common international purposes, such as an IMF currency-stabilization fund to assist developing countries’ economies. Based on Tobin’s calculations, a .01 percent tax on spot transactions in foreign exchange, the level proposed by Mitterrand, could yield some $300 billion a year. Like any tax collected by states, it could
remain with the governments that collect it, whether for national programs, for dedication to international assessments, or for distribution as tax relief to the citizenry. Alternatively, those governments could take a fixed share and forward a specified percentage to appropriate international organizations, like the IMF or the United Nations, for specified purposes, or the entire net amount, after deducting national administrative costs, could be forwarded to the international organization. As with any proposal for an automatic revenue stream, a major issue would arise over the politics of how an international organization would appropriate such special funds, by the same process as for its regular budget (in the United Nations’ case, by vote of the General Assembly), or with concurrent approval by a special committee weighted in proportion to the share of revenue collected by each state.

Another potential revenue source suggested by some is the international trade in petroleum and hydrocarbons. This proposal would not require endorsement by all Member States; it would be effective simply if all the major oil exporters would agree to levy such a tax. Still, it would face a serious political problem: In a soft oil market, the exporting countries themselves might be forced to absorb the tax as they compete for buyers, and, as demonstrated by their resistance to tightening carbon emissions targets under the climate change convention, many of them are not prepared to cooperate on measures that might eventually result in lower demand for their major cash earner.

Another option sometimes suggested, specifically for payment of peacekeeping costs, is a surcharge on tickets for international air and sea travel. The usual justification for this plan, and the proposed earmarking for UN peace operations, rests on international passengers’ supposed need for a secure and peaceful environment so their planes are not shot down. This is a tax that would be easy to administer, since most jurisdictions already impose similar levies. What would be harder to muster is the political will to tax average people to finance UN activities; these might come to see the United Nations as a tax-eating monster. Some citizen activists suggest a surcharge on the price of all arms sold in international markets.

A distinguished group of eminent persons charged with proposing a realizable program to strengthen financing for development – chaired by former Mexican President Ernesto Zedillo and including former US Treasury Secretary Robert Rubin – recommended exploration of alternative revenue flows in 2001 to enhance development financing. Moreover, the Belgian government, in assuming the presidency of the European Union, vowed to put the “Tobin tax” concept on the front-burner of the EU agenda. But the opposition to any alternative revenue flow is likely to be formidable. When Secretary-General Boutros Boutros-Ghali even hinted at the idea in 1996, he was immediately assailed by the Clinton administration as severely as by its Republican foes in

Alternative Revenue Sources?
Alternative Revenue Sources?

the Congress. So deeply does this issue touch the nerves of those worried about state sovereignty and creeping world government that one of the conditions set by Congress in 1999 for payment of back arrears was that there be no discussion anywhere in the United Nations of possible international revenue authority. While a number of nongovernmental organizations submitting briefs to the preparatory committee of the 2002 World Conference on Financing for Development proposed independent UN revenue streams, not a single government even floated such an idea in its first several sessions.

Only the Seabed Authority created by the UN Convention on the Law of the Sea, which entered into force in late 1994, has authority today directly to collect international revenues from deep seabed mining to finance its activities. In turn-of-the-century political circles, at least in the United States, one may expect considerable resistance to any “new taxes,” especially for a distant global organization like the United Nations.
UN flag

(UN Photo 145618) J Isaac)
Since its inception, the United Nations has grappled with the problem of applying the principle of “capacity to pay” in determining levels of assessments for each of its Member States. Various formulas, offsets, and shelters have been advanced over the years to redistribute the assessment burden from states that felt that strict adherence to an income-based formula burdened them too heavily. In the same spirit, the burden of assessment for peacekeeping has been figured differently from the regular budget, shifting some of the burden toward those privileged permanent members of the Security Council that bear greater power and responsibility within the United Nations for matters of peace. At the same time, there is an ongoing debate over how dependent the United Nations should be on its single largest contributor, and the disproportionate influence the United States has wielded through withholding assessed funds has created painful dilemmas for other Member States. Although non-state resources, voluntary contributions, and international revenue sources all offer possible alternatives to assessments, for the foreseeable future the United Nations will be dependent upon the contributions of Member States.

There remains an ongoing tension between the international legal obligation to pay assessed dues to the United Nations, embodied in its Charter, and the preference of certain parties to view UN contributions as essentially a unilateral political decision. To a large extent, these struggles have determined the roles the United Nations has been permitted to play, or not play, in world affairs and the resources available to it.
This was among the 14 reservations demanded by Lodge, and resolutely rejected by President Woodrow Wilson, aimed at disavowing obligations of the League covenant. Eighty years later, another chairman of the Senate Foreign Relations Committee affirmed his endorsement of the Lodge reservations in a speech to the UN Security Council and in legislation attaching conditions to partial payment of US arrears to the United Nations.

The 1965 resolution in effect relegated the controversial arrears to a comatose account, for which $73 million in assessments remains unpaid: France never contributed the $17 million it was assessed for the supposedly “unconstitutional” elements of the operation, and the Union of Soviet Socialist Republics dissolved with $39 million still outstanding in Congo assessments (though Moscow has been paying off other old Soviet arrears). While acquiescing in this resolution, US Representative Arthur Goldberg warned that if others could assert a right not to pay certain assessments with impunity from Article 19, the United States could do the same.

Washington had already destabilized the finances of most international organizations by a budget maneuver in 1981 motivated by domestic rather than international political concerns. To achieve the appearance of reducing federal spending in its first budget, the Reagan administration announced it would shift its payment of dues to the United Nations and other international agencies from February to October of the calendar year in which they were billed. This moved the payment from one federal budget cycle to the next, allowing the administration to claim a hefty, one-time foreign-affairs “savings” when it omitted UN funding from its budget request for fiscal year 1982. The change wreaked havoc with international organization budgets, however, and left many strapped for cash by late summer each year. When the Congress withheld funds later in the decade, the impact on the already weakened finances of UN agencies was disruptive. Most had obligated funds in accordance with the budget previously approved by the General Assembly, only to find late in the year that the US share was not just late – but not going to materialize at all.

The major provisions of the agreement between the Clinton administration and its Senate foes on payment of UN arrears were settled in early 1997, but it took 30 months for the legislation to be enacted. During that period, while US payment of current assessments was often delayed pending presidential “certification” that one or another administrative demand was being met, the Congress did appropriate funds to pay the bulk of new assessments. Those assessments were, in any event, shrinking, as
large UN peace operations in Bosnia and Haiti were phased down – but the fact that the United States was skating close to the level of delinquency at which it would lose its vote in the General Assembly was plainly a factor. Tellingly, when arrears would have triggered Article 19 vote forfeiture at the end of both 1998 and 1999, the Congress quietly wrote into its omnibus budget resolutions language to waive its own certification requirements to allow payment of just enough to keep the United States below the Article 19 threshold. While hard-line UN opponents appeared to welcome a US-UN confrontation over the UN “depriving” America of its vote, congressional leaders judged it politically inadvisable.

5The arrears payment plan offered payment in three stages. In the first, $100 million would be paid to the United Nations for overdue assessments for selected peacekeeping budgets, upon presidential certification that the ideological “policy” conditions and a variety of administrative conditions, such as continued adherence to negative budget growth, had been met. In the second stage, $475 million would be paid on overdue assessments for various peacekeeping operations, allowing partial reimbursement to troop-contributing countries for contingents that had served years earlier in peace operations in Somalia, Haiti, the former Yugoslavia and elsewhere, and the United States would also credit to itself the full $107 million in peacekeeping reimbursements it was awaiting from the UN for some of those same operations. The conditions for this second tranche, however, included the bitterly contested demand for reductions in the US rate of assessment. In the third stage, $244 million would be paid to defray arrears accumulated at various specialized agencies, with only a small portion covering arrears for the United Nations regular budget. Conditions added for this payment would require independent inspectors-general in specified specialized agencies, a further reduction in the US rate of assessment for the regular budget to 20 percent (though this was ultimately made waivable), and either a General Assembly write-off of the remaining unpaid arrears or their formal repudiation by the US Congress. Of the $1.3 billion in overdue assessments the United Nations awaited from the United States (for nearly all of which assessments the United States had voted), Washington would, under the arrears payment legislation, pay $712 million.

6At the organization’s creation, the formula for Members’ quotas was designed so that the US quota would pay a third of the total, Britain would have roughly half the American quota, and the Soviet Union and China would end up with the third and fourth highest quotas. As it happened, the Soviet government did not join.

7Not only does each Member gain a larger vote as its quota increases; each of the five largest quota holders, as well as the two Members with the largest net credit positions, is entitled to appoint one of the Fund’s executive directors; the rest of the Fund’s 24 directors are elected by the other Members.
Perhaps the biggest challenge facing the Statistical Office over most of its first half-century was the reconciliation of national income statistics from market economies, in which prices reflect economic values easily compared through convertible currencies, and the “material product” accounting of Communist economic planners, which excluded income generated by services not related to production of goods and in which prices were fixed administratively according to “social” measures of value rather than economic ones. Data from the Soviet Union and its allies often seemed arbitrary – just like the Soviet-decreed currency exchange rate for the ruble. Over time, UN statisticians devised a methodology for converting national income data from Communist countries that was, if not entirely satisfactory, at least economically defensible. In any event, for reasons of political prestige, the Soviets preferred a conversion rate that inflated their share of world economic product (and therefore their dues) in order to ensure they would be Number 2 (after the United States).

The shift of this discount onto higher income countries, compounded by the distorting impact of the ceiling, has created complaints about equity among the wealthy as well. Some delegations have at times suggested that the national income basis should be modified to ensure “horizontal” equity – that the ultimate assessment should result in a virtually identical cost per $1,000 of per capita income to taxpayers of all developed countries. As early as 1954, Canada proposed to place ceilings on what each country would pay as a fixed share of national income, rather than as a share of total contributions, as a guarantee of fairness. The Canadian scheme, offered then as a counterproposal to the US petition for a reduced assessment, would effectively have capped Ottawa’s contribution rather than Washington’s; it was rejected. More than four decades later, Canadians still complain that they are stuck with a higher bill than their neighbors to the south: Canada’s regular UN assessment in 1993 cost Canadian taxpayers 5.48 cents per $1,000 of per capita income, in comparison to the 5.12 cents the US assessment cost Americans. When the United States won a reduction in its rate in 2001, the gap widened. Ottawa’s regular UN assessment now cost Canadians 4.5 cents per $1,000 of income, compared to the 3.2 cents that Washington’s assessment cost Americans. The fact that the burden on both countries had declined during that period is largely the result both of “negative real growth” caps on United Nations budgets and of rising personal incomes.

In contrast, Russia has elected to waive all the low-income and debt discounts to which its current poverty would entitle it. Seeking continued recognition as a world power, it volunteered to pay at a rate of 1.20 percent – its share of world income – for the 2001-2003 triennium, rather than the .65 percent rate the low-income and debt adjustments would have given it.
11. Still, outside advocates have been touting the idea, ranging from hostile critics in the US press to advocates of far-reaching UN reform, like former UN official Erskine Childers in his ambitious blueprint *Renewing the United Nations System* (written with Brian Urquhart). Childers insisted that “it is unwise that any member-state (it could be some other [than the United States] in the future) be responsible for so large a single segment of UN resources. A 10 or 12 percent ceiling is so important to the political health and stability of the world organization that it should be the starting premise of the assessment formula.” Others object, however, that a further drop in the ceiling would unfairly transfer to citizens of smaller countries a financing burden that the wealthy United States (along with Japan, Germany, etc.) is perfectly capable of paying.

12. Most extraordinarily, to seal the deal the Clinton administration had to appeal to a non-state party to intervene. Member States facing a stiff increase in their dues assessments as a result of the US rate reduction finally balked at having to pay this unexpected increase in assessments that would be levied just a month later, and they demanded that the United States cover those costs for the first year of the new scale. The administration had no hope of winning any postponement of the US rate reduction from conservative senators, however, and turned to a wealthy individual, Ted Turner (who three years earlier had established and endowed the United Nations Foundation), to provide the US government with the $34 million required to cover the 3 percent reduction in the American share.

13. Even in Cyprus, where the North Atlantic alliance had a strong interest in a UN peacekeeping operation that kept the lid on conflict between alliance members Greece and Turkey, voluntary funding could not survive eventual donor fatigue, and the General Assembly agreed to cover $8.8 million of the operation’s costs by assessment starting in 1993.

14. Thus, when the new scale was fully phased in, Singapore would pay a peacekeeping rate of .364 percent in 2003, (in relation to its regular rate of assessment of .393 percent) a substantial equalization compared to its 2000 peacekeeping rate of .036 percent.

15. The shifting fortunes of voluntary contributions may be traced in the reports of the United Nations Administrative and Coordinating Committee, available in such Secretariat documents as A/51/505, A/53/647, and A/55/525.

16. They were bitterly disappointed when Secretary-General Kofi Annan replaced the American head of UNDP not with the Danish candidate the Nordics had proposed through the European Union, but a British official of the World Bank – also a
European, certainly, but not exactly whom the Nordics had in mind. This occasioned fierce debate in Scandinavian policy circles as to whether the countries in the region needed to learn to play power politics the way the big states do, by withholding their large voluntary contributions in order to force the system to take their demands seriously.
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<td>1.58</td>
<td>1.63</td>
<td>1.74</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>.07</td>
<td>.08</td>
<td>.07</td>
<td>.07</td>
<td>.06</td>
<td>.86</td>
<td>.80</td>
<td>.56</td>
<td>.55</td>
</tr>
<tr>
<td>USSR/Russia</td>
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<td>6.62</td>
<td>12.28</td>
<td>14.97</td>
<td>12.97</td>
<td>10.54</td>
<td>5.68</td>
<td>1.08</td>
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<td>11.98</td>
<td>10.38</td>
<td>7.58</td>
<td>5.31</td>
<td>4.67</td>
<td>5.27</td>
<td>5.09</td>
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<tr>
<td>United States</td>
<td>49.89</td>
<td>39.89</td>
<td>35.12</td>
<td>32.02</td>
<td>25.00</td>
<td>25.00</td>
<td>25.00</td>
<td>25.00</td>
<td>22.00</td>
</tr>
</tbody>
</table>

1In 1964, Egypt and Syria were federated in the United Arab Republic.
2The Federal Republic of Germany represented only the western länder until 1991. Till that year, Germany’s eastern länder were represented by the German Democratic Republic (the Communist-ruled East Germany), which was assessed separately at a rate of 1.22 percent in 1974 and 1.39 percent in 1984.
3Pro-rated, based on the allocation between India and Pakistan after partition in 1947. The rates proposed and adopted for the entire Dominion of India in 1946 were 3.73 and 4.09 percent, respectively.
4Figures for 1995 et seq. are for Russian Federation only. To compare with figures for the Union of Soviet Socialist Republics, add 1.33 percent (the total of the other 12 former Soviet republics admitted to UN membership in 1991-92) for 1995, .167 percent for 2000, and .027 percent for 2003.
## Annex 2

UN Voluntary Contributions, 1999

<table>
<thead>
<tr>
<th>Organization</th>
<th>Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>UN Secretariat</td>
<td>$181.8</td>
</tr>
<tr>
<td>UN Center for Human Settlement</td>
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<tr>
<td>International Trade Center</td>
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<tr>
<td>(UNCTAD/WTO)</td>
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</tr>
<tr>
<td>UN Development Programme</td>
<td>$694.3</td>
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<tr>
<td>UN Population Fund</td>
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<td>UN Environment Program</td>
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<td>UN High Commissioner for Refugees</td>
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<tr>
<td>UN Children’s Fund</td>
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<td>UN Refugee Works Agency</td>
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<td>UN University</td>
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<td>World Food Program</td>
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</table>

## Annex 3

Contributions to UN Specialized Agencies, 1999

<table>
<thead>
<tr>
<th>Agency</th>
<th>Voluntary</th>
<th>Assessment</th>
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<tbody>
<tr>
<td>Food and Agricultural Organization (FAO)</td>
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<tr>
<td>International Atomic Energy Agency (IAEA)</td>
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<td>International Labor Organization (ILO)</td>
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<td>International Maritime Organization (IMO)</td>
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<td>International Telecommunication Union (ITU)</td>
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<tr>
<td>UN Educational, Scientific, and Cultural Organization (UNESCO)</td>
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<tr>
<td>UN Industrial Development Organization (UNIDO)</td>
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<td>Universal Postal Union (UPU)</td>
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<td>World Health Organization (WHO)</td>
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<tr>
<td>World Intellectual Property Organization (WIPO)</td>
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<tr>
<td>World Meteorological Organization (WMO)</td>
<td>$44.1</td>
<td>$11.1</td>
</tr>
</tbody>
</table>

Suggested Reading


**Suggested Research Topics and Exam Questions**

- Discuss how the United Nations pays for its costs. What is the “regular budget” and how does it differ from the budgets of other UN bodies and specialized agencies? How do UN assessment payments differ from national tax collection methods?

- Describe the causes of the political battles that are played out in the United Nations over the budget.

- How does the UN Charter provide for the regular budget? How does the General Assembly set the budget, for what time period, and what is the role of the ACABQ?

- Where are the battle lines drawn among the Member States over the budget? Describe the cycles on budgetary limits and shifts in alignment among the Members.

- Are UN Members obligated to pay their dues to the United Nations? What was the decision of the International Court of Justice? How has the United Nations dealt with those who do not pay?

- What kind of constitutional crises evolved out of the UN activity in the Congo in the 1960s? Who refused to pay their assessments and how was that resolved?

- What changes occurred in UN membership in the 1970s that affected payment of the budget? What were the issues between North and South Members? Why was the United States frustrated? How did it fight back? How was this resolved by the year 2000?

- Using additional resources, describe in depth the history of China’s membership in the United Nations.

- Describe the principle of “capacity to pay.” What kinds of calculations go into establishing rates of assessment and how long do specific rates stay in effect? What is meant by a ceiling or floor?
• What kinds of discounts are given to poorer countries, especially those with large populations? If the United Nations were to use Purchasing Power Parity as a means of assessing standards of living, how might that alter relative rates of assessment?

• How do peacekeeping assessments differ from those for the regular budget?

• What ideas have been proposed to raise funds for the UN outside government contributions? Assess whether these proposals are feasible.

• Evaluate the United Nation's budgetary process and describe the major political problems the United Nations has faced over the years to meet its expenses. Is the system fair? Why or why not?
Jeffrey Laurenti is executive director of policy studies at the United Nations Association of the United States of America (UNA-USA), the nationwide membership organization dedicated to UN policy research and public outreach and the United States' role in the organization. Since joining UNA-USA's policy staff in 1987, he has authored monographs and reports and edited volumes on a wide range of UN-related issues, from peace operations, arms control, and terrorism to global environmental policy, human rights, and narcotics, as well as American attitudes toward the United Nations and multilateral engagement. Laurenti has served as executive director of the New Jersey Senate and was a candidate for the US House of Representatives in New Jersey's Fourth Congressional District in 1984 and 1986.