

STUDY AND DISCUSSION GUIDE

for

TRANSFORMING THE UNITED NATIONS SYSTEM: DESIGNS FOR A WORKABLE WORLD

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Unit 11: The Problem of Funding (p. 201-224)

Why Is This Important? (p. 201, 221)

How best to finance the many tasks entrusted to the UN system has been a major concern since the UN's founding. How the burden might be most fairly and effectively shared has yet to be systematically addressed. Additionally, funding levels remain far from adequate for the effective performance of many UN functions. Differences in national assessment levels vary substantially from one biennial budget to the next. Determining and justifying these differences polarizes the UN along North-South lines, creating an atmosphere of pervasive mistrust. Additionally, the ratio of arrearages to total budget has increased substantially. Thus, the system has found it expedient to rely increasingly on voluntary contributions, creating potential problems where donor and UN agendas diverge. In the meantime, the magnitude of challenges requiring the attention of the UN system has expanded dramatically. A simple, equitable and effective system – one that is prepared to meet future fiscal demands – is needed.

Key Issues (p. 202-214)

Financial mechanisms: The most important of the few functions for which the General Assembly exercises binding authority is approving the UN budget and apportioning expenses among UN members. The Secretary-General and UN Secretariat are charged with planning responsibility; the GA has the duty of discussing, recommending changes in, and approving the budget. Various committees and boards are involved, and redundancy is common.

The regular budget: The regular budget (excluding funds for peacekeeping, affiliated agencies and special projects) has always been remarkably low. For the 2016-2017 biennium it came to only \$5.4 billion. In real terms the regular budget slightly more than doubled over a period of 36 years (1971-2007) – an annual growth rate of just 2%. However, in real terms the budget for the 2016-2017 biennium is 3.5% less than for 2014-2015.

Complicated mathematical formulae, based largely on presumed capacity to pay, have been used to determine assessments for each member nation. These have never been uniformly applied, and are frequently modified. Despite enormous disparities in assessments, the UN clings to

the legal fiction of the sovereign equality of nations and accords all members equal votes in the GA and most UN agencies. The gaping disconnect between the diplomatic pretense of equality and the behind-the-scenes political recognition of inequality contributes to perennial tension between the large and the small, the rich and the poor.

The US has always paid the largest share, as is appropriate based on GNI; but pressure from the US Senate has driven this percentage down (now 22%, well below the US share of world GDP). Consequently, Japan, wealthier EU member nations and Canada, Australia and New Zealand have had to make up the resultant funding shortfall.

The P-5 share of the total budget has decreased steadily from its initial high of 71%, even though these five countries retain their veto power in the Security Council. This continuing retention of power is widely regarded with disfavor in many quarters.

Arrearages have been endemic throughout the UN's history; and the ratio of arrearages to total budget has increased substantially in recent decades. A state in arrears to the extent of two years of its assessed obligation may have its vote forfeited. Many states (including the US at times) have paid just enough of their back dues to avoid losing their GA voting rights.

The peacekeeping budget: Funding for peacekeeping missions has been carried out on an *ad hoc* basis. Numerous formulae have been devised, with even less predictability or regularity than for the regular budget. In the last several decades the peacekeeping budget has greatly outpaced growth in the regular budget. However, the level of actual *spending* fluctuates markedly; arrearages in regard to the unpredictable costs of peacekeeping have been greater than those for the regular budget. Failure to respond adequately (as in Rwanda, Darfur, etc.) has accentuated severe political stress and unconscionable suffering among affected populations and are major blots on the UN's record. The present (non-)system guarantees delays.

Voluntary contributions: The volume and sources of voluntary funding are highly unpredictable. Contributions come overwhelmingly from wealthy nations. Over the past quarter century, voluntary funding has been close to or slightly more than double assessed funding. The purposes for which the funding may be used are largely established by the leading donor nation or private agencies. UN officer, Iqbal Haji, notes "this situation is tantamount to 'UN à la carte' ... [enabling] a group of countries ... to

finance activities under the UN label, that are in accord with their national priorities.”

Possible Solutions (p. 214-222)

The book suggests doing away with the multiple budgets that the GA must now establish and substituting a single consolidated budget. The following guidelines are proposed:

1. Assess all nations, however rich or poor, at a uniform, low and affordable rate based on their respective GNIs (0.1% of GNI initially).
2. The revenue thus raised should more than suffice to cover all costs for functions presently carried out by the UN system, not only via funds raised in the regular and peacekeeping budgets but also for the specialized agencies and activities made possible by voluntary contributions.
3. Establish an escrow account from resultant surplus funding to enable the UN to cope with unforeseeable future emergencies.
4. Accept voluntary contributions only if they are provided with the understanding that the donor will not be able to determine or unduly influence the leadership or agenda of the agencies or programs being funded.
5. Include payments to the UN as one among several elements in weighted voting formulae.
6. Respond to national failure to meet funding obligations with automatic proportional reduction of the nation’s weighted vote.
7. Charge interest on late budgetary payments at clearly specified rates.

QUESTIONS:

1. *The book discusses the difficult relationship between the US and the UN in terms of its UN dues (pages 206-7, 219). Most Americans would be surprised to learn that the US, in fact, pays a lower percentage of its annual income than all other developed nations. Ill-informed criticism of the UN is common in the US. What impression did you have about UN funding and your own country’s relationship to the UN prior to reading this book (this chapter in particular)? Has that now changed?*
2. *What do you think of the author’s proposed budgetary system? What are its advantages / disadvantages in comparison to the proposed “Tobin tax” on non-productive financial transactions (see p. 214-15).*

3. The book (p. 218-220) lists several likely, but dubious, arguments against implementation of the proposed budgetary system: the lack of a progressive tax design; a significantly larger UN budget that could lead to a “socialist world government”; significantly larger assessments for most nations; regulations for the acceptance of voluntary contributions; etc. Can you think of other likely objections? How would you respond to critics of these proposals?

Some thought-provoking annual financial allocations for the United Nations and other entities

(Data are for the latest year available)

