

X. THE UN'S FINANCIAL QUAGMIRE

If the United Nations could be said to be truly in crisis anywhere, it is in the realm of finances that the description becomes particularly apt. As striking as the UN's new popularity is its financial insecurity.

Throughout the 1980's the UN lurched from one near-catastrophe to the next, veering on the edge of insolvency and borrowing from one part of the organization to keep another afloat until the next payment, even borrowing on the commercial market - a spectacle hardly worthy of a world body and both embarrassing and demeaning for its Secretary-General, cast as a beggar pleading for money. There are good reasons for this.

(i)

The Problem of the US

The UN's regular budget is funded by assessments based on GNP. (Voluntary funding for humanitarian and economic work is not dealt with here since its contributions are not mandatory.) This meant that the US carried the lion's share at 25% until the mid-eighties when Washington's hostility toward the UN during that period, and in particular what they saw as the domination of Third World issues in the specialized agencies, resulted in the American departure from UNESCO (followed by the UK) and two pieces of tough legislation from Congress: the Kassebaum Amendment which cut their share to 20% and the Gramm-Rudman Act allowing non-payment of their dues anytime for domestic budgetary reasons. Although they are no longer in use the damage to the UN was incalculable at the time, not least as a bad example to others. Their effect has been that the US is about \$700 million in arrears through accumulated back debts added to late current payments. This represents nearly one half of the UN's internal indebtedness.

(ii)

Late Payers

Contributing greatly to the chronic financial crisis is the practice of some important member countries of paying months after their assessments are due. Legally obligated to pay in January, few countries routinely do so, not including two of the UN's main contributors, Japan and the US, who together account for 37.45% of the UN's total budget. (Both claim that their appropriation cycles make it impossible to meet their obligations, though it is altogether likely that the purpose of these cycles is to achieve budgetary savings.) The problems caused by receiving dues from Japan in June, and worse, from the US in October can only be imagined for an organization trying to operate on a calendar year: it has made systematic management almost impossible.