

# Background

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## U.S. Must Ensure that U.N. Accounting Gimmicks Result in Real Cuts to Bloated U.N. Budget

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**Abstract:** *In the six two-year budgets between 2000 and 2011, the United Nations' regular budget grew by 114 percent. In its 2010–2011 budget, the U.N. spent a whopping \$5.42 billion, with American taxpayers footing 22 percent of the bill. The 2012–2013 budget was expected to grow yet again, but, spurred by serious financial constraints, the major U.N. contributors, led by the United States, managed to push through a slight reduction in the new budget. The U.S. and other countries deserve credit for resisting attempts to increase the budget, especially since the U.N. regular budget has been reduced only once in the past two decades. However, closer inspection reveals that the budget “cut” is largely the result of deferred “recosting,” not of reductions in U.N. mandates, employment, or other activities that would lead to a more permanent cutback in spending. The U.S. has fought a difficult battle for U.N. budgetary restraint for decades. America's current economic crisis underscores the moral responsibility toward American taxpayers to ensure that the U.N. implements true budget cuts. The U.S. and other major contributors must hold firm, lest the deferral of “recosting” turn into a temporary budget gimmick rather than a real budget cut.*

The member states of the United Nations have repeatedly voted to expand the U.N.'s regular budget over the past decade while dismissing serious efforts to prioritize U.N. programs and activities, and refusing to offset new budget expenditures with cuts to outdated, ineffective, and duplicative activities. This budgetary growth and resistance to reform has direct

### Talking Points

- For a decade, the U.N. regular budget has grown relentlessly, outpacing the growth of the budgets of almost all U.N. member states.
- The U.S. and other major contributors to the U.N. deserve credit for halting the unprecedented budget increases of the past decade in the 2012–2013 budget. However, this success could be easily reversed.
- The U.S. and the other major contributors must be vigilant if their modest budgetary retrenchment is to remain a reality, and be built on, in coming years.
- The U.N. budget puts large contributors at a disadvantage. The U.S. must increase its influence over the budgetary process through cooperation and coordination with other major contributors, reinstate a zero-growth policy for the U.N. budget, shift U.N. activities from the assessed regular budget toward voluntary funding, use financial leverage to back its budget positions, and seek greater influence for major contributors on U.N. budgetary matters.

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implications for U.S. taxpayers, who pay 22 percent of the U.N. regular budget and have seen American contributions to the U.N. rise sharply.

The two-year (biennial) U.N. budget for 2012–2013, passed by the General Assembly this past December, was seemingly destined to follow this trend. Developing countries in the Group of 77 (whose membership includes over two-thirds of the states in the General Assembly—enough votes to pass the budget) were insisting on an increase of more than \$600 million over the budget proposed by the Secretary-General—which already stood at \$5.34 billion. Spurred by serious financial constraints, the major U.N. contributors, led by the United States, closed ranks and insisted that the increases of recent budgets could not continue. Remarkably, these countries succeeded and passed an initial budget appropriation for the 2012–2013 biennial budget of \$5.15 billion, \$263 million lower than final expenditures for the 2010–2011 budget.

The U.S. and other countries deserve credit for resisting efforts to increase the regular budget, especially since the initial U.N. regular budget has only once in the past 20 years been lower than the final expenditures for the previous budget. However, the budget “cut” is largely the result of a clever budget gimmick that may not actually result in lower expenditures. Moreover, the budgetary practices of the U.N. still provide ample opportunity for expansion. The U.S. and other major contributors must be vigilant if their modest budgetary retrenchment is to remain a reality, and be built on, in coming years.

## Relentless Expansion

After relatively flat growth during the 1990s, the U.N. regular budget increased 114 percent over the past six two-year budget cycles, from \$2.54 billion initially approved for the 2000–2001 biennium to \$5.42 billion at the end of the recently concluded 2010–2011 biennium. This trend has been interrupted, for the moment, with the adoption of the

\$5.15 billion 2012–2013 biennial budget that is 4.9 percent lower than the final expenditures for the 2010–2011 regular budget. As stated by the U.S. Mission to the United Nations, “The total budget of \$5.153 billion represents the first time in 14 years—and only the second time in the last 50 years—that the General Assembly has approved a regular budget level below the previous biennia’s final appropriation.”<sup>1</sup>

The rarity of budgetary restraint is illustrative of the disparity of influence between the minority of member states who pay the bulk of the budget at the U.N. and the majority of member states who pay little toward the budget but control most of the votes. The one-country–one-vote structure of the General Assembly creates a free-rider problem in which countries that pay little to the U.N. drive its financial decisions. As former U.S. Ambassador to the U.N. Jeane Kirkpatrick testified in 1985, “The countries which contribute more than 85 percent of the U.N. budget regularly vote against that budget, but are unable to prevent its increases because the countries who pay less than 10 percent of the budget have the votes.”<sup>2</sup>

The inability of the U.S. to restrain U.N. budget growth in the 1970s and early 1980s led a Democrat-controlled Congress to approve the Kassebaum–Solomon Amendment to the Foreign Relations Authorization Act for fiscal years 1986 and 1987, which withheld 20 percent of U.S.-assessed contributions to the U.N. budget until weighted voting on budgetary matters was adopted. Weighted voting was not adopted, but the U.N. member states did agree in 1986 to the consensus-based budgeting process as an informal rule. Under the consensus-based budgetary process, the U.S. was able to prevent excessive growth in the U.N. budget in the 1990s.

However, America’s desire to establish the U.N. political missions in Iraq and Afghanistan, and to fund the two missions through the U.N. regu-

1. U.S. Mission to the United Nations, “Fact Sheet: Passage of the Fifth Committee Regular Budget for the 2012–2013 Biennium,” December 29, 2011, at <http://usun.state.gov/briefing/statements/2011/179785.htm> (January 12, 2012).
2. Edward C. Luck, “Reforming the United Nations: Lessons from a History in Progress,” Academic Council on the United Nations System *Occasional Paper* No. 1, 2003, at <http://www.reformwatch.net/fixers/58.pdf> (January 12, 2012).

lar budget rather than through the peacekeeping budget, for which the U.S. is charged a larger portion, set the stage for undermining this constraint on the regular budget. These proposed U.N. missions were expensive, and the other member states insisted that they be funded through an increase in the overall U.N. regular budget rather than by forcing politically difficult fights over which programs should be cut to finance the new missions. In the end, the U.S. acquiesced to an increased budget. By abandoning its zero-growth policy for the U.N. budget, the United States opened the floodgates to significant budget increases beyond the Afghanistan and Iraq missions.

When the George W. Bush Administration attempted to re-instill budget discipline in 2006 and 2007, the U.N. member states broke the informal agreement to adopt the U.N. budgetary decisions only by consensus, including adopting the 2008–2009 U.N. regular budget against U.S. objections.<sup>3</sup> The U.N. faced no repercussions from these votes, since the Kassebaum–Solomon Amendment had been rescinded in the 1990s.

### Tenuous Cuts

During its first two years, the Obama Administration exhibited little interest in arresting growth in the U.N. regular budget, focusing instead on paying U.S. arrears and current expenses. Indeed, the final expenditure figure for the 2010–2011 U.N. regular budget was more than 14 percent higher than for the 2008–2009 budget, which was in line with the extraordinary budget increases seen in prior budgets.

Over the past year, however, facing challenges from budget hawks in Congress and buoyed by the prospect of support from major U.N. contributors in Europe facing their own budgetary crises, the

Obama Administration began voicing serious concerns about growth in the U.N. budget. For instance, last September, Ambassador Joseph Torsella, U.S. Representative for Management and Reform to the United Nations, stated:

For a decade now, the United Nations regular budget has grown dramatically, relentlessly, and exponentially... This growth has significantly outpaced the growth of the budgets of almost all the Member States that comprise the UN. I am not drawing a comparison between the United Nations and the United States, but between the United Nations and the rest of the world....

The United States, therefore, calls for a comprehensive, department-by-department, line-by-line, review of this budget, with the aim of achieving...a real, meaningful, and sustainable reduction in expenses from the last bien-nium, and the first steps in a new course of fiscal restraint and prudence at the UN.<sup>4</sup>

This speech was not well received by most U.N. member states, particularly developing countries, who hoped to build on recent budget increases. In the face of this pressure, the U.S. and other major donors stood firm and insisted that the U.N. budget should not be increased when so many governments were facing severe budgetary constraints. In a testament to the influence that major contributors can have over budgetary matters when they stand together, the U.S. and its allies won.

The Obama Administration is justifiably proud of resisting pressure to continue the growth trend in the U.N. budget. The initial appropriations for the 2012–2013 budget are \$263 million lower than the final expenditures for the 2010–2011 budget, and nearly \$44 million lower than the 2012–2013 bud-

3. Brett D. Schaefer, "Congress Should Withhold Funding for Spendthrift U.N.," Heritage Foundation *WebMemo* No. 1786, January 29, 2008, at [http://www.heritage.org/research/reports/2008/01/congress-should-withhold-funding-for-spendthrift-un#\\_ftn11](http://www.heritage.org/research/reports/2008/01/congress-should-withhold-funding-for-spendthrift-un#_ftn11).

4. U.S. Mission to the United Nations, "Remarks by Ambassador Joseph M. Torsella, U.S. Representative for Management and Reform to the United Nations, to the Fifth Committee on the UN Budget," September 29, 2011, at <http://usun.state.gov/briefing/statements/2011/174782.htm> (January 12, 2012).

get originally proposed by Secretary-General Ban Ki-moon.<sup>5</sup> It is no small feat to arrest the exponential growth in the U.N. regular budget of the past decade.

This success, however, is neither assured nor permanent. The budget “cut” was not, for the most part, reached through decisions to reduce the budget in a manner that would have a lasting impact on the budget—that is, permanently eliminating mandates, programs, or other activities that would lead to a lower baseline in future U.N. budget negotiations.

Nor did the U.S. Mission identify any staff reductions or salary or benefit adjustments in its memo announcing the budget deal, merely citing an instruction to the International Civil Service Commission to find a way to “reflect pay freezes for U.S. federal employees” into the U.N. system.<sup>6</sup> Indeed, in the draft resolution on the proposed programme budget for 2012–2013, the General Assembly specifically decided “not to approve any of the cuts in posts and non-posts resources proposed by the Secretary-General to Part IV and V of the proposed budget for the biennium 2012–2013.”<sup>7</sup> The extent of staff reductions in other parts of the budget has yet to be revealed, but considering that the Secretary-General’s budget proposal eliminated only 44 posts,<sup>8</sup> any reductions in staff are likely to be minimal. Moreover, according to the president of the U.N. Staff Union in New York, Barbara Tavora-Jainchill, “it is our understanding that the draft approved by the Fifth Committee does not decrease our salaries, and does not take away the post adjust-

ment earned a few months ago.”<sup>9</sup> This failure to trim staff levels or immediately implement a freeze or reduction in staff salary and benefits is a critical failure. As admitted by the U.S. Mission, “In most of these organizations, personnel costs represent both the largest share of the budget and the largest driver of budget growth.”<sup>10</sup>

Instead, the bulk of the budget reduction hinges on the decision not to include “recosting” in the initial budget, and to defer it until the mid-biennium budget debate next autumn. Recosting is included in the U.N. budget to compensate for potential inflation; fluctuation in exchange rates between the U.S. dollar, on which the U.N. budget is based, and other currencies in nations where the U.N. maintains a significant staff presence, such as Switzerland; and other variables that could lead to increased expenses. The recosting exercise “has had the effect of eroding budget discipline”<sup>11</sup> because it preemptively builds in a budget cushion, allowing the U.N. to continue or even expand its planned activities regardless of these budgetary factors and, instead, simply pass them on to the member states as part of the normal budgetary process.

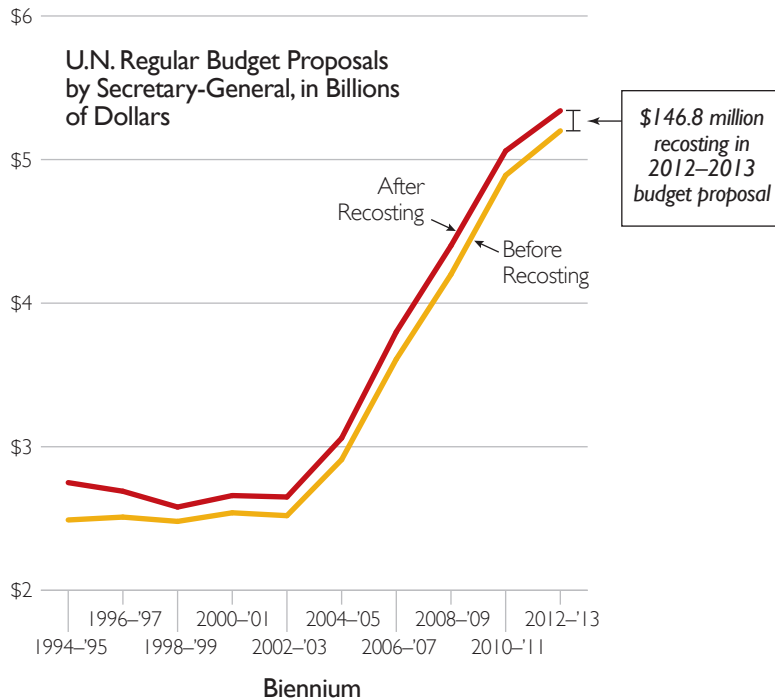
There is nothing wrong with deferring the recosting to the end of 2012. On the contrary, to the extent that it could help instill more budget discipline at the U.N., it is a positive step. As explained by the U.S. Mission,

Most of the expected “recosting” bill for this biennium has been deferred until later in the biennium in order to assess what is really

5. United Nations, “Proposed Programme Budget for the Biennium 2012–2013: Forward and Introduction,” A/66/6, Table 3: “Summary of the proposed programme budget for the biennium 2012–2013,” May 27, 2011, p. 31, and United Nations, “Second Performance Reports on the Programme Budget for the Biennium 2010–2011,” A/66/611, December 14, 2011, p. 1.
6. U.S. Mission to the United Nations, “Fact Sheet: Passage of the Fifth Committee Regular Budget for the 2012–2013 Biennium.”
7. United Nations General Assembly, “Programme Budget for the Biennium 2012–2013: Questions Relating to the Proposed Programme Budget for the Biennium 2012–2013,” Fifth Committee, A/C.5/66/L.18, December 23, 2011.
8. United Nations, “Proposed Programme Budget for the Biennium 2012–2013: Forward and Introduction,” A/66/6, Table 2: “Posts by source of funds,” May 27, 2011, p. 28.
9. Thalif Deen, “Facing Budget Cuts, U.N. Readies for Austerity in 2012–13,” Inter Press Service, January 3, 2012.
10. U.S. Mission to the United Nations, “Fact Sheet: Passage of the Fifth Committee Regular Budget for the 2012–2013 Biennium.”
11. *Ibid.*

## Recosting: Eroding Budget Discipline

Over the past ten budgets proposed by the Secretary-General, “recosting”—a term used by the U.N. to preemptively incorporate exchange rate fluctuations, inflation, and other variables into the budget—has averaged \$165.3 million per biennium, increasing the budget by over 5 percent, on average.



**Sources:** United Nations, “Proposed Programme Budgets,” 1994–1995 to 2012–2013, documents A/50/6 (Part I), A/52/6 (Part I.ii), A/54/6 (Part I.ii), A/56/6 (Intro.), A/58/6 (Intro.), A/60/6 (Intro.), A/62/6 (Intro.), A/64/6 (Intro.), A/66/6 (Intro.); United Nations, “Programme Budgets” for 1994–1995 to 2012–2013 adopted by the General Assembly, documents A/RES/48/231, A/RES/50/215, A/RES/52/221, A/RES/54/250, A/RES/56/254, A/RES/58/271, A/RES/60/247, A/RES/62/237, and A/RES/64/244; and United Nations, “Second Performance Report on the Programme Budget for the Biennium 2010–2011,” report of the Advisory Committee on Administrative and Budgetary Questions, A/66/611, December 14, 2011.

Chart I • B2642 heritage.org

needed and give the Secretary-General the opportunity to find further savings, which he has pledged to do, to offset any recosting increase that may be required later.<sup>12</sup>

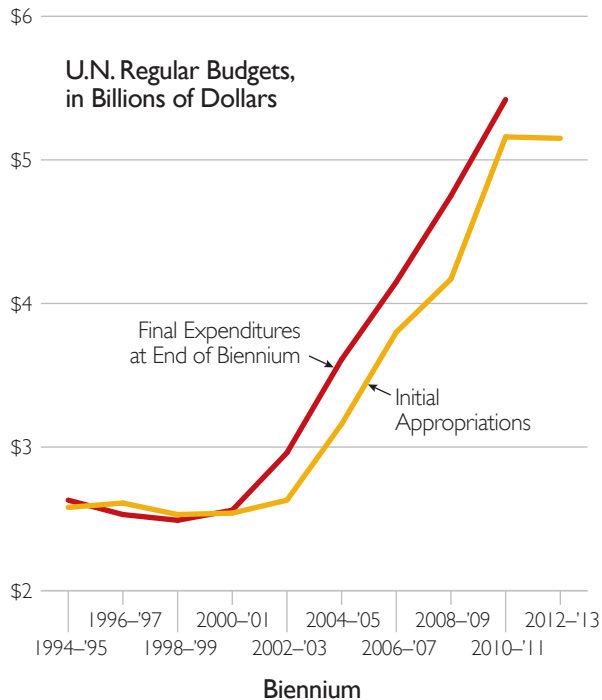
However, deferring recosting is *not* a budget reduction, at least not yet. It is a delayed expenditure. Unlike cuts resulting from staff reductions or eliminating mandates, which would permanently eliminate those expenses from the budget, any “further savings” found by the Secretary-General are entirely speculative until they are realized, as are any budget cuts resulting from the deferral of recosting until the end of 2012. Under the Secretary-General’s proposed 2012–2013 budget, “recosting” totaled \$146.8 million (about 56 percent of the \$263 million “cut”). According to one news source, however, the estimate for recosting grew during negotiations to \$220 million—nearly 84 percent of the \$263 million “cut.”<sup>13</sup> Regardless, the conclusion is that a majority of the “cut” to the U.N. budget is based entirely on the *hope* that the Secretary-General will identify between \$147 million and \$220 million in cost savings in the U.N. budget and persuade the G-77, which controls two-thirds of the votes in the General Assembly and is intent on expand-

12. *Ibid.*

13. Matthew Russell Lee, “Final Budget Deal,” *Inner City Press*, December 23, 2011, at <http://www.innercitypress.com/unbudget1deal122311.pdf> (January 13, 2012).

## U.N. Budget Hikes

Over the past five regular U.N. budgets (2002–2003 to 2010–2011), final expenditures were an average of \$395 million higher than the initial appropriations passed in the General Assembly.



**Sources:** United Nations, "Proposed Programme Budgets," 1994–1995 to 2012–2013, documents A/50/6 (Part I), A/52/6 (Part I.ii), A/54/6 (Part I.ii), A/56/6 (Intro.), A/58/6 (Intro.), A/60/6 (Intro.), A/62/6 (Intro.), A/64/6 (Intro.), A/66/6 (Intro.); United Nations, "Programme Budgets" for 1994–1995 to 2012–2013 adopted by the General Assembly, documents A/RES/48/231, A/RES/50/215, A/RES/52/221, A/RES/54/250, A/RES/56/254, A/RES/58/271, A/RES/60/247, A/RES/62/237, and A/RES/64/244; and United Nations, "Second Performance Report on the Programme Budget for the Biennium 2010–2011," report of the Advisory Committee on Administrative and Budgetary Questions, A/66/611, December 14, 2011.

Chart 2 • B2642  [heritage.org](http://heritage.org)

ing the budget, to allow those savings to result in a real reduction to the U.N. budget by ameliorating the need for recosting instead of using those savings to supplement other parts of the budget.

The prospects for success are dim. If the timidity of his reform proposals last year is indicative,<sup>14</sup> it is unlikely that the Secretary-General will find enough savings to offset the entire recosting estimate. Even if he does identify enough savings, most of the U.N. member states would insist that those resources be plowed into other U.N. activities, such as development, rather than be used to reduce the overall budget. Quite simply, the U.S. Mission and the U.N. are being disingenuous by presenting the deferral of recosting as a real, final budget cut, when most, perhaps all, of the "cut" resulting from deferring recosting could be added to the budget at the end of 2012.

## Looming Budget Additions

Although the U.S. and other major contributors successfully blocked a significant increase in the 2012–2013 budget sought by the G-77, it is far from a secure victory. The adoption of the 2012–2013 budget by the General Assembly in December is merely the first of several budgetary steps. In recent years, it has been common for additional expenditures and mandates, often quite large, to be added to the budget during the spring after the initial budget has been adopted, as well as during the mid-biennium budget discussions in the fall. In fact, the past five budgets saw, on average, an increase of \$395 million between the initial budget passed by the General Assembly and the final budget expenditure.

The G-77 is almost certain to propose additions to the U.N. regular budget during 2012 that reflect the budget increases that they failed to achieve in December 2011. Through these budget votes, outside the relative spotlight received by major negotiations over the biennial budget, the modest budgetary restraint achieved by the U.S. and other major donors could be completely undone. The U.S. and other major contributors must remain united in their opposition to these efforts.

14. Brett D. Schaefer, "The U.S. Must Maximize Its Influence over U.N. Budgetary Decisions," Heritage Foundation WebMemo No. 3234, April 25, 2011, at <http://www.heritage.org/research/reports/2011/04/the-us-must-maximize-its-influence-over-un-budgetary-decisions>.

## What the U.S. Must Do

The U.S. and other major contributors deserve credit for halting the trend of unprecedented increases in the U.N. regular budget over the past decade. The fact that the recent reduction in the U.N. regular budget, albeit not as certain as claimed, is only the second such reduction in the history of the organization illustrates how tilted the U.N. budgetary field is against large contributors like the U.S. Most countries pay the U.N. a pittance and therefore have little incentive to ensure that the U.N. budget is subject to proper oversight and scrutiny. As the largest contributor to the U.N., the U.S. must increase its influence over the budgetary process. To do so, the U.S. must:

- **Coordinate budget and reform efforts with other major U.N. contributors.** Other large contributors to the U.N. budget often share U.S. concerns but rarely stand firmly and consistently with the U.S. on budgetary matters. As it did successfully with the 2012–2013 budget, the U.S. should capitalize on the current shared budgetary problems and coordinate with the Geneva Group, whose members collectively pay over 80 percent of the regular budget, to broaden support for the U.S.'s budgetary and reform efforts and defend the 2012–2013 budget cuts.
- **Return to the principle of zero growth in the U.N. regular budget.** The U.S. policy of a zero-growth U.N. budget helped minimize increases in the late 1980s and 1990s. The Administration and Congress should restore this policy as a guide for halting the recent record growth in the U.N. budget, starting with the current 2012–2013 budget level of \$5.15 billion and cap the dollar amount that the U.S. will pay for assessed contributions to the U.N. regular budget at current levels.
- **Seek to shift funding for tangential or unnecessary U.N. activities from the assessed regular budget to voluntary contributions.** While a zero-growth policy would help constrain budget increases, the regular budget already funds a number of activities that should be independently supported by the member states. For instance, the U.N. regular budget for 2012–2013 provides nearly \$500 million for five regional Economic Commissions that claim to contribute to the economic development by promoting cooperation and integration. This goal is redundant with the efforts of the World Trade Organization, the international financial institutions, the European Union, the African Union, and the other dozen or so U.N. organizations that also try to promote economic development and cooperation. The U.S. should demand that the economic commissions and other duplicative, outdated, or ineffective activities be spun out of the regular budget and forced to support themselves through members' voluntary contributions as do other U.N. funds and programs, such as the U.N. Children's Fund (UNICEF). If they provide a valued service, they will attract support as do the other U.N. funds and programs. If not, they will adapt or wither. Moving more U.N. organizations and activities toward voluntary funding would help reduce the U.N. regular budget and enhance America's ability to fund those U.N. organizations or activities it deems worthwhile, and to defund those it does not.
- **Withhold funding if the U.N. adopts a budget over U.S. objections.** In 2006 and 2007, the U.N. member states broke a 20-year agreement to adopt the U.N. budgetary decisions only by consensus, including adoption of the 2008–2009 regular budget over U.S. objections. The U.N. faced no repercussions because the Kassebaum–Solomon Amendment had been rescinded in the 1990s. Congress should give legislative heft to U.S. budgetary positions at the U.N. by reinstating withholding if a budget is adopted over U.S. objections.
- **Demand more influence on U.N. budgetary decisions for major contributors.** Perhaps the easiest way to accomplish this goal would be to restore the rule that all budgetary decisions must be adopted by consensus. Better, the U.S. should insist that the U.N. member states agree that budgetary decisions, in addition to the U.N. Charter provision of approval by two-thirds of the member states, must also be approved by member states comprising at least two-thirds of

the *total* contributions to the U.N. regular budget. With the lessons of the Kassebaum–Solomon Amendment in mind, Congress should withhold U.S. contributions to the U.N. regular budget until these reforms are adopted.

### Conclusion

The U.S. has fought a difficult battle for U.N. budgetary restraint and management reform for decades in an effort to make sure that American taxpayer dollars are not wasted. America's current budgetary crisis adds fiscal necessity to underscore that moral responsibility and the U.S. must ensure that

the recent budgetary retrenchment is not reversed. If the U.N. is to be a more effective, efficient, and accountable body, budgetary decision making must be linked to financial responsibilities by granting major donors a greater say in budgetary decisions.

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