

ISSUE BRIEF

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United Nations Budget Constraint and the U.S. Financial Leverage

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The United Nations' regular budget has grown reliably over the past six decades, with particularly sharp growth over the past decade. Last year seemed promising, as the initial U.N. regular budget for 2012–2013 was lower than the final expenditures for the previous biennial budget. However, that reduction was largely achieved through the negotiating gimmick of deferring “recosting” until this year. As expected, the “cuts” resulting from deferring recosting are being challenged by member states seeking to increase the budget.

Recosting, along with new expenditures, resulted in a revised 2012–2013 budget that, if adopted, is projected to cost \$445 million more than the budget adopted last December. This reversal illustrates that even skilled diplomatic efforts are unlikely to overcome entrenched

support for larger budgets. To enhance its diplomatic efforts, the U.S. must use its financial leverage as the largest contributor to the U.N. by voting against the increased budget, withholding U.S. funding, and seeking to institute changes in U.N. rules and budgeting to enhance chances for budget discipline.

A Temporary Budget Victory.

Earlier this year, the Obama Administration announced that the initial U.N. regular budget for 2012–2013 of \$5.15 billion was \$263 million lower than the final expenditures for the previous biennial budget. This was extremely unusual, particularly in light of enormous growth in the regular budget over the past decade. This is only the third time since 1960 that the initial U.N. regular budget was lower than the final appropriation for the previous budget.¹

The Obama Administration was proud of this achievement. Ambassador Joseph Torsella stated in January 2012:

[L]ast month, the United States led efforts at the UN that resulted in the first UN regular budget since 1998—and only the second in the last 50 years—that has gone down in comparison to the previous budget's actual

expense. In 2010/11, the UN's regular budget ended at \$5.41 billion. We passed a budget of \$5.15 billion—a 5% decrease. That's a \$260 million savings even in nominal dollars; it is several hundred million more in real dollars, when inflation and exchange rate changes are factored in.²

Regrettably, this budget “cut” was not, for the most part, reached through decisions to reduce the budget in a manner that would have a lasting impact. That would entail permanently eliminating mandates, programs, or other activities that would lead to a lower U.N. budget baseline, or significantly reducing or freezing staff positions, salaries, or benefits, which comprise the largest share of the regular budget.³

Instead, the bulk of the budget reduction hinged on a negotiating gimmick to defer recosting—a delaying tactic that ended during the mid-biennium budget debate this fall.⁴ The cuts were entirely speculative, based on the hope that the Secretary-General would find offsetting cuts or efficiency gains that would allow recosting to be paid for within the existing budget level.

Predictably, this did not occur.⁵ Member states are poised to add an

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estimated \$445 million to the 2012–2013 regular budget; resulting from overspending the approved expenditures for 2012 by \$121 million, increasing expenditures for 2013 by \$157 million (including for tribunals) under recosting, and adding \$167 million in additional expenditures for 2013. The revised 2012–2013 regular budget is projected to be \$5.597 billion. As noted by Ambassador Torsella:

[T]hat figure would not just be over the approved 2012–13 budget level, it would be nearly \$181 million over the final appropriations level for the 2010–2011 biennium of \$5.41 billion. In other words, the UN’s budget achievement of last year could, by next December, have entirely disappeared and we will have returned to the business as usual of year after year of ballooning budgets. A heralded 5% cut could become a disappointing 3.3% increase.⁶

Increasing America’s Leverage.

The U.S. deserves credit for trying to halt the trend of huge increases in the U.N. regular budget over the past

decade. Sadly, the U.N. budgetary field is tilted against large contributors like the U.S. who are outnumbered because, under U.N. rules, the budget must be adopted by two-thirds of the member states.

Diplomatic efforts to constrain budget growth cannot reliably overcome the fact that most countries pay the U.N. a pittance (two dozen pay less than \$1,000 annually while enjoying the same voting privileges as the U.S., which pays nearly \$567 million) and stand to disproportionately gain programmatic funding and U.N. jobs for their citizens.⁷

In reaction, Ambassador Torsella made U.S. opposition crystal clear:

[T]he United States does not support increasing the approved budget level. As you know, Mr. Chairman, the United States and other major contributors have relied since 1986 on the assurance that legitimate budgetary decision in this Committee proceed on the basis of consensus. It goes without saying that any definition of consensus—either in the UN system or in common understanding—cannot include budget

increases approved over the objections of major contributors.

Regrettably, the consensus-based budget rule referenced by Ambassador Torsella has been repeatedly violated. In 2006 and 2007, the U.N. member states adopted budgetary decisions, including adoption of the 2008–2009 regular budget, over U.S. objections.⁸ The U.N. faced no repercussions because provisions for mandatory withholding in law for violating the consensus-based budget rule were repealed in the early 1990s. To strengthen America’s influence, the U.S. should:

- **Restore the principle of zero growth in the U.N. regular budget and oppose any increase above the initial 2012–2013 budget level.** This policy, backed by the credible threat of withholding, helped minimize budget increases in the late 1980s and 1990s. The U.S. should restore this policy, starting with the original 2012–2013 budget of \$5.15 billion, and cap the dollar amount of the U.S.-assessed contributions at that level.

1. Brett D. Schaefer, “The History of the Bloated U.N. Budget: How the U.S. Can Rein It In,” Heritage Foundation *Backgrounder* No. 2672, April 2, 2012, <http://www.heritage.org/research/reports/2012/04/the-history-of-the-bloated-un-budget-how-the-us-can-rein-it-in>.
2. Ambassador Joseph M. Torsella, U.S. Representative for U.N. Management and Reform, “Remarks Delivered at the Council on Foreign Relations,” January 20, 2012, <http://usun.state.gov/briefing/statements/182321.htm>. <http://iipdigital.usembassy.gov/st/english/texttrans/2012/01/20120121141941su0.7076991.html#ixzz2FQjG5wdg> (accessed December 20, 2012).
3. Brett D. Schaefer, “U.S. Should Rein in Lavish U.N. Salaries,” Heritage Foundation *Issue Brief* No. 3668, July 16, 2012, <http://www.heritage.org/research/reports/2012/07/us-should-rein-in-lavish-un-salaries>.
4. 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.
5. Brett D. Schaefer, “U.S. Must Ensure that U.N. Accounting Gimmicks Result in Real Cuts to Bloated U.N. Budget,” Heritage Foundation *Backgrounder* No. 2642, January 20, 2012, <http://www.heritage.org/research/reports/2012/01/us-must-ensure-that-un-accounting-gimmicks-result-in-real-cuts-to-bloated-un-budget>.
6. Ambassador Joseph M. Torsella, U.S. Representative for U.N. Management and Reform, “Remarks in the Fifth Committee on the First Performance Report of the 2012–2013 Budget,” December 17, 2012, <http://usun.state.gov/briefing/statements/202138.htm> (accessed December 20, 2012).
7. Brett D. Schaefer, “U.S. Should Challenge Huge U.N. Funding Disparities,” Heritage Foundation *Issue Brief* No. 3728, September 13, 2012, <http://www.heritage.org/research/reports/2012/09/us-should-challenge-huge-un-funding-disparities>.
8. Brett D. Schaefer, “Congress Should Withhold Funding for Spendthrift U.N.,” Heritage Foundation *WebMemo* No. 1786, January 29, 2008, http://www.heritage.org/research/reports/2008/01/congress-should-withhold-funding-for-spendthrift-un#_ftn11.

- **Announce that it will withhold U.S. contributions if the budget is approved over U.S. objections.** Current law allows the President to withhold 20 percent of the U.S.-assessed contribution to the U.N. or “any of its specialized agencies” if it fails to implement “consensus-based decision making procedures on budgetary matters.”⁹
- **Work with Congress to make withholding mandatory if the budget is approved over U.S. objections.**
- **Seek institutional changes to give more influence on U.N. budgetary decisions to major contributors.** The U.S. should demand that U.N. budgetary decisions, in addition to approval by two-thirds of the member states, must also be approved by member states collectively paying two-thirds of the regular budget assessments.
- **End the biennial U.N. budget in favor of an annual budget.** The biennial budget, first implemented in 1973–1974, was adopted on the belief that it would reduce meetings and support better planning and programmatic evaluation. Neither has occurred. Budgetary meetings are as frequent and contentious, and program evaluation remains superficial. The two-year budget has, however, had the effect of undermining budget discipline by implicitly allowing overspending in the first year knowing that there will be an opportunity to adjust the budget in the mid-biennial negotiations. The U.S. should propose returning to annual budgets and require additional expenses to be justified and paid for through additional budget votes.

History Shows the Way. History indicates that the most effective

way of implementing U.N. reforms is for the Obama Administration and Congress to work together and increase U.S. leverage action through financial incentives. The Obama Administration should use the means available to enhance its diplomatic efforts to impose budgetary discipline on the U.N. and work with Congress to strengthen America’s hand in future negotiations.

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9. 22 USC § 287e, “Authorization of appropriations; payment of expenses -- Reform in Budget Decision-Making Procedures of United Nations and its Specialized Agencies,” <http://www.law.cornell.edu/uscode/text/22/287e> (accessed December 20, 2012).