



THE SECRETARY-GENERAL

25 January 2024

Excellency,

I am writing to urgently express my concern about the accelerating liquidity crisis for our regular budget operations and the risk this poses to our Organization's ability to deliver on mandates.

Over the course of the last year, the cash situation steadily worsened and has now morphed into a full-blown liquidity crisis. As a result, I am forced to implement aggressive cash conservation measures to avert a default in meeting the legal obligations of the Organization by August.

The core problem is this: not all Member States pay their assessments in full. In 2023, we collected 82.3 per cent of the year's assessment, the lowest in the last five years. Only 142 Member States paid their dues in full – again, the lowest in the last five years. As a result, year-end arrears climbed to \$859 million, up from \$330 million in 2022, surpassing the previous record high of \$808 million at the end of 2020.

A secondary cause of the liquidity crisis relates to a shift in the payment patterns of Member States, including the unpredictability of both the timing and the amounts of anticipated collections. In 2023, collections trailed estimates throughout most of the year. We ended the year \$529 million short of anticipated collections. The adverse shifts in payment patterns resulted in a peak gap of \$370 million by the end of April, which remained high at \$216 million by the end of the third quarter.

The operational impact in 2023 was partially mitigated because we had started the year with about \$700 million in cash, including our liquidity reserves, and imposed spending restrictions from mid-July. Notwithstanding these measures, liquidity reserves were exhausted by October. Some large collections in November helped to avoid exhausting the surplus cash of closed tribunals for salary payments. Advance collections of 2024 assessments amounting to \$85.5 million also provided additional liquidity from November through early January. But we still ended the year with only \$60 million left in the reserves. The precipitous drop in cash balance is primarily the result of two factors: lower collections and the return of a significant amount as credits to Member States.

All Permanent Representatives of Member States
to the United Nations
New York

The growth in year-end arrears and shifts in intrayear payment patterns of Member States over the last few years have exposed the fragility of our financial situation. They limit our ability to effectively execute the approved budget and programme plans. Liquidity is further undermined by structural weaknesses in our budgetary process, such as the inability to assess for new mandates arising during a budget period, intergovernmental decisions to execute additional mandates “within existing resources”, and the return of unspent funds to Member States without offsetting it first against their outstanding contributions. We are forced to return the funds we could not spend because we did not receive the cash, even to those who did not pay their assessments in full.

Budgets approved without adequate cash to execute them undermine the essence of the process. From 2018 to 2021, and again in 2023, we had to resort to creative measures to manage the liquidity crisis. While these measures are necessary to mitigate the risk to our operations and legal obligations, we have seen that Secretariat entities continue to grapple with the residual operational and programmatic impacts of cash shortages long after the liquidity situation had improved.

We expect the liquidity situation to be more challenging in 2024. We started 2024 with only around \$60 million in cash, as our reserves had been severely depleted by a \$407 million cash deficit at the end of 2023. Therefore, we are even more vulnerable this year to adverse changes in payment patterns.

Additionally, we returned \$114 million as credits to Member States as part of the 2024 assessments, despite our appeal to delay the return of these credits. This means that we will collect less than the budget approved for 2024, even if all Member States pay in full. Therefore, executing the budget in full will require us to collect more than 100 per cent of the assessments, including a part of the arrears.

In order to avoid a payment default, end the year barely within our liquidity reserves and deal with the unpredictability of intrayear collections, our initial estimates are that we will need to conserve around \$350 million in cash by slowing down and reducing spending until we have certainty about the final collections for the year.

With no cash conservation measures, we anticipate running out of all cash, including the liquidity reserves and the surplus cash of closed tribunals, by August. This means that during 2024, we will need to maintain hiring restrictions throughout the year, as personnel costs are more than 70 per cent of the budget. But hiring restrictions cannot bridge the liquidity gap in full or on time. Restrictions in non-post spending very early in the year will be critical to ensure liquidity for paying staff salaries, meeting our legal obligations to vendors and for maintaining security at our premises in 2024.

In an effort to mitigate the impact on Member States, I am directing the implementation of cash conservation measures from early February. Naturally, due to constraints in redeploying funds across budget classes or budget sections, and a lack of any mechanism for prioritizing among different mandates, hiring and spending restrictions might adversely impact our ability to support Member States. For now, while we will do our utmost to limit the direct impact as much as possible, we do expect that it will impact our ability to support and service intergovernmental meetings across duty stations. Other impacts may become clearer later. I have directed senior managers to brief you in detail about the potential impacts for Member States.

Until the situation improves, official travel will be limited to the most essential activities. Purchases of goods and services will be postponed, unless absolutely critical. Hiring of consultants and experts will be minimized to the extent feasible. Most construction and maintenance projects will be suspended, except where the slowing down of major construction projects would result in significant future additional expenses. We will implement energy-saving and other measures to reduce utility bills and curtail expenses on managing facilities. All non-essential security expenses will also be curtailed, as long as they do not impact the safety of our premises, assets and of our personnel and delegates.


Every Secretariat entity will be asked to plan and execute its programme of work within a reduced spending ceiling for the year so that the available cash can be rationed to enable uninterrupted operations within the reduced ceiling. Programme managers will be requested to monitor and report on the impact of the liquidity constraints on their programme delivery, although some impacts might not be readily apparent. Cash inflows and outflows will be monitored centrally to adapt to the evolving liquidity constraints.

The Secretariat cannot solve this crisis without the support of Member States. I therefore urge all Member States to meet their financial obligations in full and in a predictable and timely manner. I thank all those Member States who have been paying early and on time, as well as in full.

We simply must find a lasting solution for recurring liquidity problems. I urge you to revisit the proposals I have made in the past and review the liquidity challenges holistically, including that which is related to the return of credits. You have responded positively before to my appeals by adopting several decisions that have increased the liquidity for regular budget and peacekeeping operations. But more is needed to prevent the cyclical liquidity shortages, especially for regular budget operations.

It is past time for a lasting solution to this recurring problem, so that the Organization can deliver our critical work for people around the globe.

Please accept, Excellency, the assurances of my highest consideration.

with my warmest personal regards


António Guterres