THE SECRETARY-GENERAL

7 February 2025

Excellency,

I am writing to convey my concern regarding the liquidity crisis facing our Organization and the risk it poses to our ability to deliver on mandates and to serve people in need around the globe.

You are all familiar with the core problems: not all Member States pay in full, and many Member States also do not pay on time. Year-end arrears remain high, eroding liquidity reserves that are meant to bridge intra-year cash shortages. Late payments, especially large payments in the last months or even weeks of the year, exacerbate planning for cash outflows. This leaves insufficient time within which to implement mandates and to undertake expenditures. The problem is then compounded by us being requested to return unspent funds to Member States – including to those who did not pay in full – even though we do not have the cash to give back. So, the liquidity crisis deepens. This harmful sequel plays out repeatedly. I have very limited tools to mitigate the negative impact on mandate implementation and mandates or to stop the vicious cycle. Only one of the last seven years has passed without the need for spending restrictions.

I have fast tracked my next report on *"Improving the financial situation of the Organization"*. The report is currently being considered by the Advisory Committee on Administrative and Budgetary Questions and will be shared for your consideration in March. The proposals build on our engagements with Member States over the past few years. I appeal to you to consider the proposals carefully and positively.

In the meantime, I am constrained to again announce cash conservation measures for the 2025 regular budget operations. We have started 2025 with our Working Capital Fund largely depleted by $760 million of unpaid assessments. We continue to face significant uncertainty surrounding when and how much we will receive from Member States during the year. Starting 2025, we depend even more than in the past on the timely receipt of payments by the two largest contributors who are responsible for 42 per cent of the regular budget assessments and almost half of the peacekeeping budget assessments. Their payment pattern increases the intra-year gap between cash inflows and outflows; our liquidity reserves cannot cope, and the troop and police-contributing countries bear an unfair burden. Without spending restrictions imposed from the start of the year, we will not be able to meet our payment obligations for regular budget operations all the way from September to December. For us, inaction is not an option. We have to conserve cash now to avoid disruptions later.

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

In 2024, we did not collect enough cash to recoup our liquidity reserves. We collected more than 15 per cent in December; however, this was too late for us to be able to implement mandates properly. With only 92 per cent of the budget implemented, nearly $270 million of the unspent budget would have to be returned in 2026, triggering another liquidity crisis. Returning money we could not spend because we did not collect it compounds liquidity problems.

We barely avoided disruptions in salary and vendor payments in 2024, as we almost exhausted even the surplus cash from closed tribunals, which Member States had authorized to be used as a last resort only. This is likely to happen again this year.

Against this backdrop of large arrears, depleted liquidity reserves, unpredictable inflows, a large intra-year liquidity gap between cash inflows and outflows and the imperative to conserve cash to avert a bigger crisis in 2026, I am constrained to impose restrictions with a view to reducing spending by about $400 million, unless collections pick up significantly and early enough to ease such restrictions.

Hiring restrictions are inevitable because personnel costs constitute the largest part of the budget. Unfortunately, hiring restrictions undermine gender and geographic representation goals and weaken the effectiveness of our operations.

But hiring restrictions cannot bridge the liquidity gap in full or on time. Restrictions on non-post spending are also unavoidable if we are to ensure liquidity for operations. Official travel and the hiring of consultants and experts will be minimized. Purchases of goods and services will be postponed and construction projects and repairs and maintenance will be delayed.

As I have stressed, structural weaknesses in our budgetary process inhibit the management of liquidity. We are unable to issue assessments for new mandates arising during a budget period. We cannot redeploy funds from post budget lines to non-post budget lines to hire contractual personnel temporarily to improve mandate implementation negatively impacted by hiring restrictions. We cannot reassign funds from those who are not likely to spend, to those who need them more urgently. These rigidities compound the negative impact of unpredictable cash flows on our ability to execute our budgets in an efficient manner. They also undermine our operational and programmatic activities, as mandate implementation is driven by the availability of cash and not by planning.

These restrictions will constrain our ability to support and service intergovernmental meetings across duty stations. I am directing senior managers to brief you in detail about the potential impacts. We will also monitor the progress of cash inflows and outflows and brief you periodically.

I want to also draw your attention to the weakening liquidity situation for peacekeeping operations. You will recall that the United Nations General Assembly had approved a few measures in 2019 and 2022 to improve liquidity for peacekeeping operations. We were allowed to issue advance assessment letters for the full budget period without waiting for mandate extension, cash of active operations could be pooled when needed and we could borrow a major part of the peacekeeping reserve fund to improve liquidity. These measures have undoubtedly helped operations and also allowed us to settle, in a more timely manner, claims for troops/police units and for contingent-owned equipment.

Peacekeeping budgets and assessments have been declining, but outstanding assessments have not. With more than a quarter of the assessments not being collected, we will continue to experience more severe liquidity pressure for peacekeeping operations.

In June of both 2023 and 2024, we were unable to pay claims for contingent-owned equipment. In June 2024, even payments for troops and police became very risky; with record low levels of cash left, we faced a high risk of defaulting in payments to vendors. For the budget years 2023/24 and 2024/25, we have been compelled to slow down expenses in an effort to avoid payment defaults.

Peacekeeping operations continue to adjust spending based on projected cash availability. The very low cumulative cash balance of all missions at the beginning of July 2024 has exacerbated the liquidity problems because cash pooling is not viable when all missions have low cash balances. Most probably, we will be unable to settle the claims for contingent-owned equipment for the third time in a row in June 2025. We are also worried about our ability to pay for troops and police in June. But slowing down spending impacts mandate delivery.

We are unable to implement mandates fully or properly both for regular budget and peacekeeping operations. Inefficiencies are increasing as we grapple with fluctuating liquidity situations that hinder proper planning and the execution of mandates.

I appeal again to all Member States to pay in full and on time and thank those who have been doing so. I appeal to you to find common ground to resolving this problem more durably when considering the proposals in my report on *"Improving the Financial Situation of the Organization"*.

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

António Guterres