UN Liquidity Crisis

28 JUNE 2025

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Headline: *UN Liquidity Crisis: Strategic implications for the European Union*
Working Group: Europe

Executive Summary:

The United Nations is facing a financial crisis, threatening its operations and undermining the credibility of global multilateralism.

On 24 January 2024, UN Secretary-General António Guterres warned that the cash crisis had "*morphed into a full-blown liquidity crisis". By year's end, the regular budget deficit exceeded* $600 million, with just 142 of the 193 Member States paying their assessed contributions in full. Core functions, including peacekeeping operations, humanitarian missions, and develop-

ment programmes, faced disruptions, with emergency spending restrictions imposed across the UN system.

The crisis has since worsened. A leaked UN memo circulated in early 2025, stated that the organisation could run out of cash to cover payroll and essential operations as early as September 2025. Without urgent financing, the UN risks "systematic failure to deliver on mandates".

The liquidity crisis comes amid rising geopolitical tensions, protracted conflicts, and an increasingly fragmented international order, all issues that would require effective UN interventions. For the European Union, as top funder and a leading advocate of multilateral cooperation, the stakes are high. As institutional fatigue deepens, European leaders must confront a difficult strategic choice: continue underwriting a system under strain or seek new approaches to global governance. Europe risks being both the guardian of a fading order, and a prisoner of its investment in the status quo.

The UN relies on a dual funding model: voluntary contributions (optional) and assessed contributions (mandatory). Voluntary funding, is unpredictable and donor-driven. Assessed contributions, by contrast, are allocated under Article 17 of the Charter, include the regular budget ($3.7 billion in 2025) and the peacekeeping budget ($5.2 billion June 2024–25 cycle)

The financial structure was originally designed to balance sovereignty and shared responsibility. In today's multipolar environment, that balance is no longer holding. Political fragmentation is feeding financial uncertainty, and vice versa.

As of April 2025, just $1.8 billion of the $3.7 billion regular budget had been paid, leaving a $1.9 billion shortfall. Peacekeeping funds are similarly behind, with total unpaid contributions nearing $2.4 billion, forcing the Secretariat to plan $600 million in immediate cuts and defer long-term initiatives, until cash flow stabilizes.

Further exacerbating the situation, is that some of the wealthiest Member States have become unreliable payers. The U.S., for instance, owes around $1.5 billion of assessed contributions. While this technically places it in breach of Article 19 of the Charter, Washington contests the classification of these sums as "arrears". Instead, it frames them as policy-based withholding rather than delinquency. This politicisation of funding, highlights a deeper legitimacy issue: the UN risks becoming a target for instrumental funding rather than a neutral platform for global cooperation.

Even though voluntary contributions help sustain vital UN programmes, they also distort the system's integrity. In 2023, the UN system raised $67.6 billion, but only $13.8 billion came from assessed contributions. The remaining $53.8 billion was voluntary, donor-prioritised projects. This undermines strategic coherence, as resources become tied to narrow mandates rather than global needs. It restricts flexibility, leaving the UN unable to reallocate funds in response to unforeseen crises or shifting priorities.

Furthermore, it reinforces donor asymmetries, allowing powerful actors to shape the UN's agenda through selective generosity.

The European Union (EU), comprising its institutions and 27 member states, remains the UN's largest collective funder. EU States provide about 24% of assessed contributions, and together with EU institutions provide one-third to overall UN funding. In absolute terms, EU states' contributions to the UN system reached about €14.1(≈$15.5bn) billion in 2022, with the EU institutions adding roughly €3 (≈$3.7bn) billion annually. This marked a steep rise from just $700 million in 2010.

EU institutional funding plays a pivotal role in sustaining humanitarian and development aid. The European Commission's humanitarian budget rose from €1.8 (≈$2.0) billion for 2024 to €1.9 (≈$2.1) billion for 2025, much of it channelled through UN partners like UNICEF, WFP, and UNHCR. Yet as geopolitical pressures mount and domestic needs intensify, this level of external commitment risks becoming unsustainable. Europe is pouring resources into a system over which it has limited control and diminishing influence. The moral impulse to lead is clear, but without deeper reform, the EU may be subsidising dysfunction at the expense of its own strategic resilience.

The EU's outsized financial role in the UN system is strategic by design but increasingly unsustainable in practice. Major EU states like Germany and France contribute significantly not only in absolute terms but also in normative weight, championing diplomacy, restraint, and multilateral engagement in crises like the escalating Middle East conflict. Yet, despite these commitments, Europe's ability to influence outcomes remains constrained. Unlike larger powers that contribute less to relative terms and use UN funding for political leverage, the EU continues to act as a principled stakeholder in a system it cannot fully steer. Without a recalibration of burden-sharing and a credible reform agenda, the EU risks subsidising a system that absorbs its resources while sidelining its strategic voice.

The EU faces a three-pronged strategic pathway:

Brussels has moved to stabilise UN finances, advancing assessed contributions and injecting liquidity through voluntary channels. The EU's 2025 budget [€199.7 billion (≈$231.8bn), and €72 billion (≈ $83.5bn) in recovery loans], underscores its financial ability to potentially underwrite UN's shortfalls. However, this financial activism comes at a time of intensifying global conflict. In 2024 alone, EU Member States spent €326 billion (≈$378.5bn) (1.9% of GDP) on defence, signalling a fundamental shift in spending priorities. As security pressures mount, the EU risks to fall in a loop-whole, caught between competing priorities.

The EU could condition future support on reform. As the provider of 24% of assessed contributions and a leading source of voluntary funding, the EU is well-positioned to demand greater accountability, budget discipline, and operational efficiency from the UN system. While Brussels has long advocated for reforms, from Security Council restructuring to stronger

UN crisis mechanisms, these efforts have yielded little against entrenched political gridlock, especially between the U.S. and China. Therefore, reform may be strategically sound but politically slow.

A more radical shift would see the EU fundamentally recalibrate its multilateral position. Signs of this shift are already visible: some Member States are diverting resources from UN channels toward regional instruments and bilateral initiatives. Budget reductions to the NDICI and escalating investments in migration control and defence signal a narrowing of priorities. A more explicit retreat could mean capping UN contributions and redirecting funds toward NATO, EU defence mechanisms, or ad-hoc coalitions. However, this would contradict the EU's commitment to rules-based multilateralism. Therefore, a full retreat remains politically unlikely, but a selective rollback is already reshaping the EU's engagement model.

The UN's deepening financial crisis is a moment of reckoning for Europe. As the system's largest funder, the EU holds unmatched leverage, but risks squandering it by sustaining a multilateral order it cannot reform or direct.

Continued unconditional support turns Europe into a paymaster, not a power broker. With the UN edging toward operational paralysis, the EU must stop managing decline and start shaping outcomes. This means converting financial weight into political influence, demanding accountability, rebalancing burden-sharing, and defending rules-based cooperation on European terms.

Multilateralism remains essential. But without recalibration, the EU will be subsidising irrelevance at the expense of its own strategic future.