§925  Before we consider the types of decisions that can be made by international organizations, we will first discuss the financing of international organizations. Often financing is only an administrative consequence of the activities of international organizations, and could therefore be discussed together with the secretariat. Increasingly, however, international organizations raise funds not only to cover their administrative costs, but also for the purpose of carrying out operational activities, such as rendering aid to member states. The use of money may then become an important factor in policy-making.

Since the rules of interpretation, supervision and enforcement are just as important for financial as for other obligations, we prefer to discuss financing before dealing with the legal order of international organizations. Owing to the dearth of literature available on financing,\(^1\) this chapter is more detailed than the others.

§926  In most households, expenditure follows income: income sets the limits of expenditure. For governments and international organizations it is the other way around. Member states of international organizations usually made a commitment to pay their share of the agreed expenses. Income therefore follows expenditure. This is also the case when the organization has some income of its own, as long as the members are committed to supplement this income up to the level of the agreed expenditure. Only in a limited number of international organizations is there no such commitment.

This method of financing means that international organizations have an almost unlimited capacity to pay and virtually no capacity to save. Any increase in agreed expenditure will be met by a commensurate increase in the contributions of the members. Any savings will only lead to a decrease in these contributions.

§927  In the present chapter we shall first discuss the expenditure of international organizations, then the sources used to finance this expenditure and, finally, the more technical rules relating to the budget of an organization. Throughout the chapter, references to figures will be limited to the minimum necessary to illustrate the discussions in the text, in order to give a general impression of the amounts involved and to facilitate comparisons between organizations. Unless otherwise indicated, monetary amounts and percentages set out in this Chapter are expressed in the manner in which they are expressed in the source document from which they are drawn.

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\(^1\) For an exhaustive survey of older literature (up to 1969), see R. Szawlowski, Les finances et le droit financier d’une organisation internationale intergouvernementale 16-26 (1970).
I. Expenditure

A. Total expenditure

The budgets of international organizations have grown substantially since their early years, although since the 1990s a ‘zero growth’ policy has at times been followed in a number of organizations. The average annual combined cost of the League of Nations, the ILO and the Permanent Court of International Justice from 1920 to 1939 was approximately $5.4 million.\(^2\) The first UN budget (for 1946) amounted to $19 million. Subsequently, the size of the regular UN budget has increased considerably, although it remained stable over the 1994-2003 period: from $49 million in 1956, $122 million in 1966, $373 million in 1976 (half the size of the biennial budget for 1976-1977), $856 million in 1986 (half the size of the budget for 1986-1987), $1,290 million for 1994 (half the size of the 1994-1995 budget), to $1,312 million for 2002 (half the size of the 2002-2003 budget).\(^3\) During the last few years the UN budget has increased again: for 2010 it is $2,578 million (half the size of the 2010-2011 budget).\(^4\) This recent increase is explained by, \textit{inter alia}, rising inflation, the reduced exchange rate of the US dollar, the expansion of special political UN missions (such as the UN Assistance Missions for Iraq and in Afghanistan) and the strengthening of human rights activities.

Although this increase is considerable, the size of the UN budget still does not appear to be very large. Comparisons have been made to put it in perspective, showing that its size is roughly the same as the costs of one submarine with nuclear missiles, the income from excise duties on coffee and tea in Germany, or the annual costs of the police or of refuse collection in New York.\(^5\) Likewise, the budget of the World Trade Organization is only one third of the budget of the World Wildlife Fund.\(^6\) The budget of the International Maritime Organization (£55 million for the biennium 2008-2009) is “less than half what it would cost to buy a medium sized oil tanker and only a fraction of the cost of the damage caused by an oil spill” (for example, the Exxon Valdez spill).\(^7\)

\(^2\) J.G. Stoessinger, Financing the United Nations System 38 (1964). For a list of the budgets of the LoN from 1920-1946, see Szawlowski, op. cit. note 1, at 57; for a similar list of the ILO budgets, id., at 58; for a detailed survey of the costs of the International Office of Public Hygiene for the year 1913-1914, see id., at 29.

\(^3\) J.-P. Cot and A. Pellet (eds.), La Charte des Nations Unies (2nd ed. 1991), at 372; B. Simma (ed.), The Charter of the United Nations (2nd ed. 2002), at 336; for the 1994 figure, see GA Res. 48/231; for the 2003 figure, see GA Res. 56/254 A.

\(^4\) GA Res. 64/244, and UN Doc. A/64/548/Add.1. These figures only concern the regular UN budget; each of the UN peace-keeping operations has its own, separate budget.


\(^6\) Speech by WTO Director-General Moore, 2 December 1999 (taken from www.wto.org).

\(^7\) See www.imo.org (entry: frequently asked questions) (February 2010).