



United States Mission to the United Nations

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Statement by Ambassador Mark Wallace on item 122, Scale of assessments for the apportionment of the expenses of the United Nations

Before the Fifth Committee
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Thank you Mr. Chairman.

Let me begin by thanking the Chairman of the Committee on Contributions, Bernardo Greiver, for his introduction of the Committee's report, as well as Controller Warren Sach for his introduction of the report of the Secretary-General on multi-year payment plans.

Mr. Chairman,

As we proceed into the 61st General Assembly and take stock of the Organization's agenda we recognize the many challenges and changes upon us, ranging from the change of leadership in the position of Secretary-General, to the expansion in size and scope of peacekeeping operations and the process of reform in the midst of which we find ourselves. Major changes to the scale have occurred in intervals of approximately 20 to 30 years. Given the recent reform of the methodology just six years ago, as well as the pressing challenges we currently face in the work of the Organization, my delegation hopes that we can defy historical trends by exchanging views and discussing methodologies that truly reflect the changes in the world economy. We take this opportunity to highlight areas of discussion that we believe are directly relevant to a scale of assessment methodology that truly reflects the member states' capacity to pay and more equitably distributes assessment shares.

Mr. Chairman,

The United States has a long and accomplished history of support for the United Nations. From its inception, the United States has been the single largest financial contributor to the UN, and has consistently supported the Organization's efforts in meeting new and emerging challenges. From fiscal years 2001 to 2005, the United States has contributed more than \$20 billion to the United Nations system in both assessed and voluntary contributions, with an increase of nearly 30 per cent in total contributions between FY2004 and FY2005. We remain committed to funding the constantly rising peacekeeping assessments, as well as to meet our financial obligations to the regular budget and the international war crimes tribunals.

My government's record of financial support for the Organization is not new. Beginning with the creation of the United Nations in 1946, the United States has always taken a prominent and leading role in providing the critical financial resources necessary for the

effective and efficient functioning of the United Nations. In the more than 60 years since the Organization's inception, the United States has stood by the steady growth of the UN and has often encouraged the Organization to take on many of the most challenging tasks around the globe.

Mr. Chairman,

It is not just the United States, however, that has borne a heavy financial burden in support of the Organization over the years. Others have faced the same challenge. The current scale of assessments is in many respects reflective of the economic balance of power that we saw in the years following the Second World War, and yet the global economic landscape has changed considerably since that time. The time has come to seriously consider whether the current methodology is truly reflective of present-day economic reality and circumstance.

As it stands, the scale methodology allows for little distinction between developing countries in that it gives a flat discount to most, and yet we know that the capacity to pay of developing countries varies enormously. Countries that have emerged as major economic powers and that are actively competing with developed economies receive the same discounts under the scale of assessments as those countries in dire economic straights.

The United States believes firmly in the necessity of all Member States to pay dues to the United Nations. We have and will continue to advocate, however, the strongest possible discounts to those Member States who truly cannot afford to contribute all but the smallest amount. But we cannot continue to stand by a system that places undue burden on a handful of major financial contributors when we recognize that there are major developing economies that can afford to assume a greater share of the expenses of the Organization.

One important indicator to calculate GNI, which offers a different picture of Member States' capacity to pay, is purchasing power parity (PPP). This method, utilized by a number of international organizations, including the International Monetary Fund, has been only loosely considered by the General Assembly and by the Committee on Contributions. The time has come to give more serious consideration to the story that purchasing power parity data has to tell and to make the scale methodology more reflective of this information. We believe that the General Assembly must strongly consider and debate purchasing power parity as a mechanism to effectively measure capacity to pay in the modern world economy.

Mr. Chairman,

Just as the United States considers it important that all Member States provide a financial contribution, even if only at the minimum level, we also firmly believe that the United Nations should not be overly reliant on the financial support of one or two Member States. Our position in this regard is not new, nor are we alone in this thinking. As early as 1946, when the ceiling was set at 39.89% rather than the 49.89% that was considered by the Committee on Contributions, it was done so because the General Assembly

expressed concern that the principle of sovereign equality of Member States could be jeopardized “if one Member State were to dominate the Organization’s finances.” Rather than serve as a reflection of capacity to pay, the ceiling has always served to limit the financial reliance upon – and even the financial dominance by – any one Member State. Since the first scale, the ceiling rate has decreased over time, largely in correlation to the increase in the number of Member States in the United Nations.

The ceiling serves an important role in providing an element of balance in the scale methodology, and yet the distribution of assessment rates still remains unbalanced principally due to the flat rate application of an 80% gradient for all low per capita income countries. The gradient – like the ceiling – has been included since the very first scale, and it serves an important function in ensuring that those many Member States that have populations with below average world per capita income are not overburdened in their assessments to the Organization and, rather, can direct their limited resources to development and other national priorities.

Like the ceiling, the level of the gradient has been set arbitrarily by the General Assembly. However, as a tool to assist developing countries, the gradient has not steadily decreased in correlation to the increase in the standard of living in those same countries. Rather, the opposite has occurred. Over time, through developments in global trade and other factors, we have thankfully seen an increase in the standard of living across so many developing countries. Nevertheless, the gradient, which started at the level of 40% in 1946, has steadily increased over time to an all time high of 85% in 1983. In 1998, the gradient decreased slightly to its current level of 80%.

While this level of relief may be well warranted for many of its recipient countries, the nature of its flat application provides disproportionate relief to a handful of major economic developing countries that each have a considerable share of world income. Accordingly, the United States supports debate on the modification of the gradient to maintain – and even increase in some cases – the current level for most developing countries, while adjusting downward the level of the gradient for large developing countries. The intention behind, and the effect of, such an adjustment is to add an additional balancing element to the methodology such that a small portion of the financial burden is shifted away from the long-time major contributors and is assumed by those major developing countries that can afford a greater share of the assessments.

Over the years, the United States has also maintained a consistent position with respect to the base period. While the length of the base period has varied, we have always maintained that a shorter base period is preferable. Like the increase in the gradient, the base period also reached a peak level of 10 years in the 1980s. However, since then it has declined to 7.5 years, 6 years and the current 4.5 years. Our reasoning for a shorter base period is simple: it better reflects a country’s current capacity to pay. We look forward to a constructive discussion on this matter and will listen to alternative views.

Mr. Chairman,

In conclusion, we have outlined some core concepts and principles that the United States would like to see reflected in the methodology for 2007-2009. Some, like a progressive

gradient and shorter base period, are long-standing positions that we have taken and that Member States are relatively familiar with. Others, like the application of GNI rates based on purchasing power parity, are newer and will require elaboration. We look forward to discussing all of these concepts with our colleagues in the Committee and trust that they will engage constructively and with an open mind to agree upon a scale that is balanced and equitable. In the same spirit, my delegation looks forward to discussing the proposals of others. The Japanese proposal, for example, is interesting and merits serious consideration, as may other proposals to be made during this session.

Mr. Chairman,

We have full confidence that under your able leadership, the members of this Committee will rise to the task of agreeing upon a scale of assessment for the period 2007-2009 before the end of the main 61st General Assembly.

Thank you Mr. Chairman.