



**STATEMENT ON BEHALF OF THE GROUP OF 77 AND CHINA BY MS. KAREN LOCK,
PERMANENT MISSION OF SOUTH AFRICA TO THE UNITED NATIONS, ON AGENDA ITEM 126:
IMPROVING THE FINANCIAL SITUATION OF THE UNITED NATIONS (New York, 1 June 2006)**

Mr. Chairman,

I have the honour to speak on behalf of the Group of 77 and China on agenda item 126, entitled: "Improving the financial situation of the United Nations".

The Group wishes to thank the Controller, Mr. Warren Sach, for presenting the report of the Secretary-General on the financial situation of the United Nations. Member States traditionally use this opportunity to reflect on our collective efforts to ensure the financial health of the Organisation, as well as reaffirm our commitment to meeting our legal obligation to bear the expenses of the Organisation. The Group of 77 and China believes that this reflection has become even more imperative than usual.

Mr. Chairman,

The United Nations is discussing the financial situation of the Organization at a difficult time. On 29 May 2006, the Group of 77 and China held a Special Ministerial Meeting in Putrajaya, Malaysia, and noted with concern that the United Nations is operating under a spending cap that limits the manner in which the Secretary-General has to implement his mandates. The Group of 77 and China remains concerned over the policy of withholding financial obligations due to the United Nations and thereby creating a linkage with the reform of the United Nations. This deliberate withholding of funds budgeted and approved for the year 2006 creates an artificial political leverage that alters the established principles of governance of the United Nations on the basis of sovereign equality of Member States. The Group of 77 and China is deeply apprehensive about the grave implication of the spending cap on the financial health of the Organisation.

The spending cap was regrettably imposed on the Organisation during the budget negotiations in 2005. At the time, the Group of 77 and China made it clear that we believed that the spending cap would be automatically lifted when the Secretary-General makes a request for the funds already approved to implement his mandate. We did not recognise any link between the unprecedented and one-time decision to introduce a spending cap and our collective efforts to reform the Organisation in various areas. We were also assured during the negotiations that the spending cap was not intended to harm the Organisation.

The Special Meeting of the Ministers of the Group of 77 and China in Malaysia reaffirmed that efforts to use the size of financial contributions to push for the adoption of certain proposals are counter-productive and violate the obligations of Member States to provide resources for the Organisation, as enshrined in its Charter. The Ministers also reaffirmed that, in order to avoid a crisis within the United Nations, the limit on the expenditure of the Organisation shall be automatically lifted and urged all Member States to act accordingly.

Mr. Chairman,

The statement made by the Controller that the financial situation of the United Nations at the end of 2005 had been "generally quite positive" is encouraging. This is based on information showing that there was an improvement in the cash position of the regular budget, as well as in the accounts of the International Tribunals and peacekeeping operations, as compared to the positions at the end of 2004. However, the improvements of last year are overshadowed by indications that significant amounts are still owed to the Organisation and that the United Nations has a long way to go before it could receive "a clean bill of financial health".

The minor improvements achieved last year are also overshadowed by indications that the financial position of the regular budget at 30 April 2006 was weaker than it was at the same date in 2005, with unpaid assessment being up by more than \$200 million and actual payments received being down by \$300 million. This is despite the fact that more Member States have paid their assessments in full by 30 April 2006 than the total number of Member States that paid in full at the same juncture a year ago. The presentation indicates that those who have imposed the spending cap are placing an additional burden on the financing of the Organisation by not paying their assessments in full and on time.

The Group would appreciate receiving more information on the expenditure pattern of the past five months, as well

as the amount that has been expended so far. Furthermore, the Group seeks reassurances from the Secretariat that the implementation of the programmes and activities of the United Nations that are funded from the regular budget have not been delayed or scaled down in 2006.

We also seek assurances that funds are not being diverted from so-called non-essential activities to finance other activities, in order to make ends meet until the General Assembly receives the request of the Secretary-General for the release of the remaining funds approved for 2006. Such actions would lead to a reprioritization of the programmes and activities approved by the General Assembly in the programme budget for the biennium 2006-2007, as well as the Biennial Programme Plan. In this context, we wish to stress that the setting of the priorities of the Organisation is the prerogative of Member States, as reflected in legislative mandates.

Mr. Chairman,

With respect to the two International Tribunals, we welcome the indication that their financial situation has continued to improve with outstanding assessments for 2005 down significantly as compared to previous years. However, it is concerning to note that more than half of the Membership has not paid their dues to either one or both Tribunals in full at the end of 2005. The Tribunals consequently remain in a difficult financial position and may continue with the unhealthy practice of cross-borrowing from closed peacekeeping operations to provide supplementary financing in 2006.

On the amounts owed to troop and equipment contributors, the Group welcomes indications that payments made by the Secretariat exceeded the projections made in October 2005 and thereby reduced the debt owed to Member States to \$695 million. This amount, however, remains high. We urge that every effort be made to further reduce the amounts owed to Member States, whilst recognizing that there are exigent factors that may impact on the ability of the Secretariat to reimburse Member States in a timely manner.

Mr. Chairman,

In conclusion, the Group of 77 and China wishes to reaffirm our commitment to meeting our legal obligations to bear the expenses of the Organization in accordance with the Charter of the United Nations. We urge other Member States to join us in placing their commitment to the Organisation on record. Furthermore, while recognizing the need to extend sympathetic understanding to those temporarily unable to meet their financial obligations as a consequence of genuine economic difficulties, the Group urges all Member States to pay their assessed contributions in full, on time and without conditions.

It is for this reason that we believe that Member States should use this opportunity to go beyond mere expressions of commitment to meeting our Charter obligation and supporting the Organisation. The success of the Organisation depends not only on our political support but also on the extent to which we ensure that it receives adequate resources and reliable financing for the execution of its mandates and activities. The future of the Organisation is important to all of us and we cannot afford to allow a cloud of uncertainty to remain hanging over it.

I thank you.