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Chairman: Mr. Rosenthal . . . . (Guatemala)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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00-66805 (E)

The meeting was called to order at 10.10 a.m.

Agenda item 122: Scale of assessments for the apportionment of the expenses of the United Nations (*continued*) (A/55/11)

1. **Mr. Sessi** (Chairman of the Committee on Contributions) introduced the report of the Committee on Contributions on the work of its sixtieth session (A/55/11). The Committee's main focus had been on the scale of assessments for the period 2001-2003; it had approached that issue on the basis of the methodology used to determine the scale for the current period, its previous analyses of the methodology and the considerations enumerated in General Assembly resolution 54/237 D. Information on the methodology used to determine the current scale and on the evolution of the methodology was given in annexes I and II of the report. It had been suggested in the Committee that a seminar or information meeting could be held, possibly in 2001, on the scale methodology for the benefit of the Fifth Committee.

2. In its resolution 54/237 D, paragraph 4, the General Assembly had requested the Committee on Contributions to submit 12 proposals for a scale of assessments based on the elements and criteria outlined in paragraphs 4 (a) to 4 (l) of that resolution. The Committee had had difficulty in interpreting some of those elements and had had to proceed on the basis of hypotheses concerning the Assembly's intentions, as explained in chapter V, section F, of its report. In addition, annex III of the report provided an overview of how the Committee had interpreted the elements contained in the 12 options. All 12 options were based on gross national product (GNP) as a measurement of income and retained the current floor of 0.001 per cent and the ceiling of 0.01 per cent for least developed countries. All the provisions for conversion rates, though formulated differently, were consistent with the current scale methodology. Eleven of the 12 options set the threshold for the low per capita income adjustment at the average level of total per capita GNP; 10 included a debt-burden adjustment; 10 provided for the complete phase-out of the scheme of limits; and 11 had a ceiling, though different levels had been proposed.

3. In considering the scale for the period 2001-2003, the Committee had had before it statistics for the period 1990-1998 provided by the Secretariat, as well as representations from several Member States; details were given in chapter V, sections C to E, of the Committee's report. As noted in paragraphs 77 to 79, the Committee had considered the effects of the ongoing changeover from the System of National Accounts, 1968 (1968 SNA) to the System of National Accounts, 1993 (1993 SNA), and had decided that greater weight should be given to the most updated and reliable data available for Member States, rather than the most conceptually comparable. The 12 scales set out in annexes IV to XV of the report had been calculated in accordance with that decision.

4. With respect to the exchange rates to be used to convert local currency data to United States dollars, the Committee had recalled its previous conclusion that market exchange rates (MERs) should be used except where that caused excessive fluctuations or distortions in the income of some Member States, when price-adjusted rates of exchange (PAREs) or other appropriate conversion rates should be used. Details on the MERs obtained from the International Monetary Fund (IMF) and on the other rates used were given in paragraph 80 of the Committee's report. In response to a request from the Committee, the United Nations Statistics Division had submitted a report on criteria for when to replace MERs for the purposes of preparing the scale. That report had proposed a simplified version of the new approach to PAREs which the Division had proposed to the Committee at its fifty-ninth session. After an intensive review of the issue, the Committee had concluded that the new method was promising and deserved further consideration, but that, for the scale for 2001-2003, the existing PARE methodology should be used to replace MERs where necessary.

5. The Committee had also considered the issue of whether the divergence between rates of inflation and rates of exchange could be a criterion for determining when to replace MERs by PAREs or other rates of exchange. However, it had been unable to agree on when such divergences should be deemed to cause "excessive fluctuations or distortions". Some Committee members had proposed a divergence threshold of 20 per cent, while others had felt that MERs should be replaced only in clear and extreme cases, when the divergence was higher than 50 per cent. In addition, some members had observed that the results of the analysis of relative rate movements varied significantly according to the periods compared,

and that that cast doubt on the principle behind that operation.

6. The Committee had then carried out a case-by-case review for each Member State. In preparing the 12 proposed scales, it had decided to use the PAREs or other rates used in calculating the current contributions of States for which rates other than MERs had been used. It had also agreed to replace MERs with PAREs for Angola, Iraq, Jamaica, Kyrgyzstan, Lebanon, Liberia, Myanmar, Nigeria and the Syrian Arab Republic, and to use exchange rate figures provided by the Government of the Democratic People's Republic of Korea, which was not a member of IMF. Some Committee members had felt that the resulting machine scales revealed excessive distortions in the data used in respect of some Member States and that further adjustments were necessary; other members had disagreed. Regrettably, the Committee had been unable to reach a wide consensus on the issue of exchange rates; however, the data used in preparing the 12 proposed scales had been the most updated and reliable available.

7. With respect to the request contained in paragraph 5 of General Assembly resolution 54/237 D, the Committee had lacked the time and resources to consider the consequences of depressed commodity prices and the burden of hosting refugees on the countries concerned, and had requested the Department of Economic and Social Affairs to submit a report on the subject at the Committee's sixty-first session. In the meantime, it had recalled its earlier consideration of alternative means of measuring capacity to pay.

8. The low per capita income adjustment had been included in all 12 of the proposals outlined in General Assembly resolution 54/237 D, paragraph 4, and had been part of the scale methodology from the beginning. Some Committee members had felt that the current gradient level of 80 per cent was too high and that the adjustment mainly benefited a limited number of Member States with large economies, and supported the use of a sliding gradient to reduce the adjustment for those countries. Other members had rejected the proposed discrimination against Member States with large populations. It had also been suggested that the permanent members of the Security Council should not be eligible for the adjustment, in view of their special responsibilities and influence. Some Committee members, however, had opposed that idea, stressing that the issue was political and not within the Committee's mandate and that it ran counter to the principle of capacity to pay.

9. With respect to the threshold of the low per capita income adjustment, most Committee members felt that it should be maintained at the level of the average per capita GNP for all Member States during the base period. One member had proposed the addition, as a second threshold, of the threshold calculated by the World Bank for high-income countries. Member States which fell between the two thresholds would neither benefit from the adjustment nor contribute to its financing. That would mitigate the effects of discontinuity for States moving up through the threshold. While some doubts had been expressed, a number of Committee members had felt that the proposal should be considered further.

10. The Committee had considered a number of approaches to the problem of discontinuity experienced by Member States moving up through the low per capita income threshold or just above the threshold. One member had suggested a solution that would also affect the level of the threshold: establishing a band (20 per cent above and 20 per cent below total average per capita income) within which Member States would neither benefit from nor contribute to the adjustment. Another suggestion had been a moratorium for countries crossing the threshold so that they would not have to absorb points for the adjustment for one or more scale periods. It had also been suggested that, for the first such scale period, the countries concerned should be assigned only 50 per cent of the additional points they would normally have to absorb. Another approach would be to distribute the cost of the adjustment among all Member States, as had been done before 1979; the resulting slight decrease in total benefits from the adjustment could be offset through adjustments of the gradient. The proposals in paragraphs 4 (d) and 4 (e) of General Assembly resolution 54/237 D would solve the problem by phasing in the effects of the discontinuity in equal annual instalments. Since that approach would involve separate figures for each year of the scale period, some Committee members felt that it was an unnecessarily complex means of solving a relatively small problem that affected very few Member States.

11. With respect to the base period, some Committee members had favoured the retention of the current six-year period, while others would have preferred a shorter or longer period. One member had suggested

that the Financial Regulations should be amended to accommodate a four-year base period, for the reasons outlined in paragraph 114 of the report. Another member had suggested that each Member State should be allowed to choose whether its own base period should be three, six or nine years.

12. Some Committee members had felt that a number of countries continued to be overassessed as a result of the current floor level of contributions, and had put forward suggestions to remedy that situation. Others had questioned the practicality and cost-effectiveness of reducing the floor below the current level of 0.001 per cent. It had also been pointed out that four small island developing States had joined the Organization since the floor had last been reduced. With respect to the ceiling, it had been suggested that, as more than 50 countries had joined the Organization since the ceiling had last been lowered, a further adjustment was warranted. Some Committee members had noted that that proposal was difficult to support, considering that the share of world GNP of the country concerned was increasing. One member had considered that the least developed countries ceiling unfairly benefited a few least developed countries with large economies. Lastly, with respect to annual recalculation, the Committee had reviewed the issue in depth at its fifty-eighth session and had decided to consider it further in the light of any guidance received from the General Assembly.

13. At its fifty-ninth session, the Committee had decided to consider further the application of Article 19 of the Charter at a future session in the light of any policy guidance from the General Assembly. In the absence of such guidance, it had decided, at its sixtieth session, to defer the issue to an appropriate future session (A/55/11, para. 20). Its views on the requests for exemption under Article 19 received from Burundi, the Comoros, Georgia, Kyrgyzstan, the Republic of Moldova, Sao Tome and Principe and Tajikistan had been transmitted to the Fifth Committee in document A/C.5/55/2. All those requests had been submitted by the deadline specified in General Assembly resolution 54/237 C.

14. Pursuant to General Assembly resolution 54/237 B, the Committee on Contributions had given further consideration to measures to encourage the timely, full and unconditional payment of assessed contributions (A/55/11, chap. III) and had decided to review further at its sixty-first session the possibility of indexation of or interest on arrears, multi-year payment plans and the new assessed fund suggested by one of its members. Guidance from the Fifth Committee in that connection would be welcome.

15. With respect to the assessment of new Member States (A/55/11, chap. VII), the General Assembly had admitted Tuvalu to the United Nations by its resolution 55/1. At its fifty-eighth and sixtieth sessions, the Committee on Contributions had considered income and population data for Tuvalu, which was a least developed country, in the context of its consideration of the assessment of non-member States. It had recommended that Tuvalu should be assessed at the rate of 0.001 per cent for 1999-2000 and for 2001-2003. The Fifth Committee might therefore wish to recommend that Tuvalu should be assessed at the floor rate for the year 2000 and for the period 2001-2003. Pursuant to General Assembly decision 47/456, Tuvalu’s pro rata contribution for 2000 should be treated as miscellaneous income and the amount it had paid in 2000 as a non-member State should be credited to it. For the period 2001-2003, Tuvalu could be added to the scale of assessments to be adopted at the General Assembly’s current session. Since the recommended rate was only 0.001 per cent, it should not appreciably affect the contributions of other Member States as shown in the scales annexed to the Committee’s report. Tuvalu’s contribution to the regular budget for 2000 would be calculated in the same way as those of the other Members, as would its contributions to the two international tribunals. In accordance with past practice, Tuvalu would make advance payments to the Working Capital Fund for 2000-2001. Those advances would be calculated using the rate in force for Tuvalu’s first full year of membership in the Fund. Tuvalu would be fully incorporated into the Fund for the period 2002-2003.

16. At its fifty-ninth session, the Committee had reviewed the assessment of non-member States and had recommended that the flat annual fee percentage for the Holy See should be increased to 25 per cent of the approved notional rate of assessment. At its sixtieth session, it had noted that no action had been taken in that regard and had renewed its recommendation. As a result of the admission of Tuvalu as a Member State, only two non-member States would pay contributions as from 2001. The notional rates of assessment for non-member States corresponding to the 12 proposed scales of assessments for 2001-2003 were given in paragraph

135 of the Committee's report. The Committee had also urged the four Member States which still had outstanding non-member State contributions to pay those assessments as soon as possible.

17. At the end of the Committee's sixtieth session, 35 Member States had come under the provisions of Article 19 of the Charter; five of those had been granted exemptions until 30 June 2000. Since then, 16 Members had paid the amount necessary to recover their vote in the General Assembly: Cape Verde, Congo, Djibouti, Ecuador, Gambia, Grenada, Guinea, Kyrgyzstan, Madagascar, Rwanda, Saint Lucia, Sierra Leone, Togo, Turkmenistan, Vanuatu and Yemen. Lastly, the Committee had noted that, pursuant to paragraph 3 (a) of General Assembly resolution 52/215 A, the Secretary-General had accepted the equivalent of $1.7 million from Member States in five currencies other than the United States dollar.

18. **Mr. Levitte** (France), speaking on behalf of the European Union, the associated countries Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Malta, Romania, Slovakia and Slovenia and, in addition, Iceland, said that the European Union, as the largest contributor to the United Nations budget, was committed to ensuring that the Organization's expenses were divided fairly among the Member States. For nearly five years, the European Union had advocated a number of proposals concerning the scale methodology, which were based on the idea that each Member's contribution must reflect as closely as possible its real capacity to pay in the light of its current economic situation and that the scale methodology must be simple, equitable and transparent.

19. Each Member's "purchasing power" in United States dollars depended primarily on its recent macroeconomic performance and on currency movements. Therefore, initial estimates of capacity to pay required reliable and comparable data on GNP. Those data should be converted into United States dollars using market exchange rates where possible. The Committee on Contributions, not the Fifth Committee, was responsible for assessing that technical criterion.

20. In 1998, according to the Committee on Contributions, the European Union had accounted for 29.5 per cent of world GNP, yet it contributed 36.6 per cent of the Organization's regular budget. That meant that each of the Union's 15 member States had paid, on time and without conditions, a surcharge representing one fourth of its share of world GNP. Since the European Union's share of world GNP had fallen in recent years, the share of the regular budget financed by its members should be reduced.

21. The current scale methodology distorted, rather than reflected, the European Union's capacity to pay for three basic reasons. First, the economic information used in calculating the scale for 2000 dated back to 1990 or even 1985, and the transition mechanism included in the calculation used information from 1985. Thus, the scale did not reflect the periods of prosperity and crisis experienced by different countries over the last 10 or 15 years, nor did it take into account the devaluations or appreciations of their national currencies against the United States dollar during that time. Undoubtedly, the best way to ensure that each country's current economic performance was reflected was to select a shorter base period. The European Union had proposed that the base period should be updated annually with more recent economic data. That would eliminate excessive fluctuations from one scale to another and would provide a transition mechanism that would consistently reflect the capacity to pay. If the scale for 2000 had provided for annual recalculation, 55 developing countries would have had their contributions reduced from their current level.

22. In the interests of equity, the low per capita income adjustment should remain a basic feature of the scale. According to the Committee on Contributions, the developing countries as a whole accounted for about one fifth of the world economy, yet they contributed just under one tenth of the regular budget. To ensure that the scale reflected the principle of capacity to pay, the debt-burden adjustment should be eliminated, since it resulted in a lack of transparency, greater complexity and inequality. Because interest payments on debt were already deducted from GNP, that adjustment represented a duplication. Moreover, the gradient for low-income countries should be reduced to a level no higher than 75 per cent.

23. The third distorting element was the ceiling on the contribution of the major contributor, which departed from the principle of capacity to pay. Since that country's share of world GNP was approximately 29 per cent, the current ceiling of 25 per cent should not be lowered any further. Pursuant to General Assembly resolution 52/215, the scheme of limits should be eliminated. The phasing out of that transition

mechanism illustrated the usefulness of annual recalculation, which would replace it.

24. Since 1996, the European Union had advocated four series of measures to restore balance and sustainability to the Organization's finances and to provide it with a predictable, sound, durable and equitable resource base. Those measures included proposals for the reform of the scales of assessments for the regular budget and for peacekeeping operations. However, they could not succeed unless all Member States paid their contributions in full, on time and without conditions.

25. **Mr. Mbanefo** (Nigeria), speaking on behalf of the Group of 77 and China, expressed regret that the Committee on Contributions had not provided sufficient guidance to the Fifth Committee (A/55/11) on the methodology for the preparation of the scale of assessments. The Group of 77 and China believed that the Organization's resources must be commensurate with its mandates and that its expenses should be borne by the Members as apportioned by the General Assembly. The main criterion for the apportionment of the expenses of the United Nations must be capacity to pay. Developing countries should not be assessed at a rate that exceeded their capacity to pay as a result of adjustments to the scale.

26. The threshold and gradient of the low per capita income adjustment should be increased. In addition, there was a need for a mechanism to address discontinuity in order to alleviate the problems faced by developing countries that crossed the threshold. The Group of 77 and China supported the proposal to limit to 25 per cent, for developing countries previously benefiting from its application, the effect of the end of the scheme of limits on an annual basis for the first four years of the post-transition period. The debt burden adjustment should be based on total debt stock, while GNP should constitute the basis for the income measure. The statistical base period should be six years. MERs should be used for the preparation of the scale of assessments except where that would cause excessive fluctuations or distortions in the income of some Member States, when PAREs or other appropriate conversion rates should be used. The floor should remain at 0.001 per cent, while the maximum assessment rate for least developed countries should not exceed the current level of 0.01 per cent.

27. As to the ceiling, it should not be so arbitrary as to obscure the relationship between Members' capacity to pay and the rate of assessment applicable to them. The adjustment of the current ceiling would be considered only if the burden of payment was redistributed among the major contributors, without affecting the Group of 77 and China. Unilateral attempts to modify the scale of assessments were unacceptable. The proposal to introduce a minimum assessment rate for permanent members of the Security Council ran counter to the principle of capacity to pay, while the annual recalculation of the scale of assessments would be impractical.

28. The Group of 77 and China urged the General Assembly to consider in a timely manner requests for exemption from the application of Article 19 of the Charter of the United Nations received from countries, in particular developing countries, experiencing genuine economic difficulties. It wished to reaffirm in that connection the advisory role to be played by the Committee on Contributions in accordance with rule 160 of the rules of procedure of the General Assembly. The Group of 77 and China remained convinced that the difficult financial situation of the United Nations was not connected with the scale methodology but would improve only when Member States, particularly the major contributor, settled their arrears and honoured their obligations under the Charter to pay their assessments in full, on time and without conditions.

29. **Ms. Wensley** (Australia), speaking also on behalf of Canada and New Zealand, said that the three delegations would participate constructively and cooperatively in the very important task of preparing a scale of assessments for the period 2001-2003. The scale agreed on must be simple, equitable and transparent. Capacity to pay must remain the main criterion for the apportionment of the Organization's expenses. At the same time, the scale must reflect current global economic realities. For example, developing countries experiencing rapid economic growth should be assessed at higher rates. It must be emphasized that methodological adjustments were not a way for Member States to sidestep their obligation to pay their fair share of the Organization's costs.

30. With regard to the various proposals for the scale, the three delegations supported a somewhat shorter base period; a debt burden adjustment based on debt flow, because debt was a burden only if it was actually

repaid; retention of the current method of calculating the low per capita income adjustment and the introduction of a two-tiered gradient, with one gradient of 80 per cent for the least developed countries and a second gradient considerably lower than 80 per cent for other countries below the threshold; distribution of the cost of financing the low per capita income adjustment among all Member States; retention of the current floor of 0.001 per cent and the maximum assessment rate of 0.01 per cent for the least developed countries; and annual recalculation of the scale of assessments based on updated data. They rejected the proposals for the establishment of a special mechanism to address discontinuity and for the reintroduction of the scheme of limits.

31. Referring to GNP data, she said that the Secretariat should continue to adjust data during the transition from the 1968 SNA to the 1993 SNA in order to produce comparable information and so as to avoid confusion. As to the exchange rates for the conversion of local currency to United States dollars, in the absence of a systematic methodology for determining when the use of MERs would result in excessive fluctuations and distortions in the income of some Member States, alternatives, such as PAREs, should be used only in clear and extreme cases. Given the highly technical nature of the scale methodology, the Fifth Committee should be guided by the advice of its expert committee. It should retain the existing practice, unless there was agreement among the experts on a new method.

32. The proposal for a review of the maximum assessment rate deserved support, since the current ceiling was a distortion of the principle of capacity to pay. There was no doubt that the ceiling was a political rather than a technical element of the scale. If Member States agreed on the need to adjust the ceiling, the points should be distributed equitably. While the call to all Member States to pay their assessed contributions in full, on time and without conditions had become familiar, it was imperative that familiarity should not breed contempt. She endorsed the recommendations of the Committee on Contributions concerning the six requests currently before the Fifth Committee for exemption from the application of Article 19 of the Charter. The granting of such exemptions should be a rare occurrence if Article 19 was to remain an effective mechanism for encouraging timely payment of assessed contributions.

33. **Mr. Fonseca** (Brazil) said that his delegation endorsed the statement made by the representative of Nigeria on behalf of the Group of 77 and China. He expressed regret that the Fifth Committee had been unable to give clear guidance to the Committee on Contributions with respect to the basic elements of the scale methodology and that the latter's report (A/55/11) therefore contained no agreed recommendations on that subject. The Fifth Committee faced a difficult task. It was important, above all, that the negotiations on the scale should be conducted transparently.

34. Capacity to pay should be the main criterion for the apportionment of the Organization's expenses. Regrettably, the GNP data provided by the Secretariat contained distortions. For example, when local currency data was converted to United States dollars, Brazil's GNP appeared to have grown by 37 per cent during the base period, whereas the real figure was 10.3 per cent. The distortion should be corrected by using PAREs for the conversion of the data instead of MERs.

35. The current ceiling, which applied to a single Member State, was another distortion of the principle of capacity to pay and placed an undue burden on other States. Past reductions of the ceiling had reflected the fact that the share of the United States in the global economy was decreasing. However, the preliminary data contained in the report of the Committee on Contributions indicated that that share was currently increasing. Thus, if the ceiling was to be adjusted, it should be raised.

36. His delegation favoured a base period of six years, since a shorter base period would too closely reflect the effects of short-term economic volatility. It also believed that GNP remained the best indicator of a Member State's capacity to pay. The low per capita income adjustment was a vital element of the scale methodology. However, the current method of establishing the threshold of the adjustment failed to reflect the increasing disparities with respect to income distribution among rich and poor countries. Furthermore, middle-income developing countries were penalized. His delegation had therefore proposed that a figure of US$ 9,361 should be adopted as the threshold per capita limit. As to the debt burden adjustment, the debt stock criterion was the most accurate expression of the structural constraints on developing countries' capacity to pay. The negotiations in the Fifth

Committee must produce a solution that was not only politically viable, but also fair and financially sound.

37. **Mr. Holbrooke** (United States of America) said that, at the recent Millennium Summit, leaders from countries large and small had come together to create a new vision for the United Nations. Currently, the Organization was at a watershed. The polarization of the cold war years had engendered paralysis and disillusionment, as a result of which the United Nations had become bloated and its structures and systems had atrophied. As the geopolitical climate had begun to thaw, the Organization had done its best to forge a new role in areas ranging from peacekeeping to development to environmental preservation, slowly winning back the trust of its Members. At the Millennium Summit, the world's leaders had united around a new set of goals for the United Nations, goals that were both ambitious and concrete. Today, those goals must be translated into reality, and the Fifth Committee had a pivotal role to play in that regard.

38. In order to meet the targets set at the Millennium Summit, the United Nations must have an adequate and reliable stream of resources. Yet, for the past decade, the Organization had operated in a financial straitjacket. That problem had no single cause. Arrears owed by Member States, including the United States, were undeniably an element, and one that he deeply regretted. But the roots of the problem ran much deeper. The Organization's financial structures had set in stone a system predicated on political rifts that flouted the fundamental principle of the sovereign equality of Member States.

39. Efforts to place the United Nations on a more secure financial footing must begin with the updating of the two scales of assessment. There was considerable support for reform of the peacekeeping scale. The Governments of the Russian Federation and China had made a commitment to fulfil their special responsibility for the financing of the United Nations peacekeeping operations through contributions commensurate with their countries' role and status. Nearly 20 other Member States from all regions of the world had announced their willingness to pay more under a credible system of assessments.

40. There was growing agreement on the basic elements of a new system, namely, more up-to-date economic data and broader burden-sharing among Member States based on the criteria of real capacity to pay and real responsibility to contribute. His delegation considered, in addition, that the base period should be shortened, in order to better reflect current economic realities, and that the Organization's tax base should be broadened by introducing a sliding gradient that took more account of the capacity to pay of the world's powerhouse developing economies. The debt-burden adjustment, if maintained, should be based on actual debt flows. Lastly, the United Nations must abandon the practice of placing excessive reliance on a single contributor. The principle of capacity to pay was not absolute. The ceiling was a means of modifying the principle in order to avoid dependence on any one Member State, just as the floor was an acknowledgement of the situation of countries with a very limited capacity to pay. Since 1973, when the ceiling had been reduced to 25 per cent, 56 new Member States had joined the United Nations and the world economy had been transformed, with new economic Powers emerging as others retreated. Those new realities must be taken into account. The time had come to re-establish the balance that the authors of the Charter had sought to strike.

41. The United States was not backing away from its unique responsibility to the United Nations. Of the nearly $3 billion that the United States would contribute in 2000, more than $2 billion represented voluntary contributions. The United States was proud to have been the Organization's largest contributor for the past 55 years and intended to maintain that record. However, the United Nations must have a reformed financial structure so as to be able to tackle the challenges that lay ahead. His delegation was committed to work towards achieving such reform and would strive, for the remainder of the term of the current Administration, to ensure that the United States honoured its financial obligations to the Organization.

42. **Mr. Wang Yingfan** (China) endorsed the statement made on behalf of the Group of 77 and China. His delegation reaffirmed its view that capacity to pay was the principle on which the apportionment of the expenses of the Organization should be based. Any adjustment to the scale must rely on that principle and be agreed on by consensus after extensive consultations.

43. The low per capita income adjustment was the best expression of the principle of capacity to pay in assessing contributions. His delegation noted with regret that certain States were opposed to applying the

low per capita income allowance to permanent members of the Security Council; some had even suggested that there should be a floor for permanent members. Those proposals violated the principle of capacity to pay and were unacceptable to his Government.

44. While economic globalization had facilitated the development of the world economy, it had also had a negative impact on many developing countries. Meanwhile, a country that had been enjoying sustained and robust economic growth was doing everything it could to have its assessment rate lowered.

45. The United Nations was still experiencing financial difficulties, mainly as a result of the large arrears accumulated by a small number of countries. In order to solve those problems, all Member States, particularly, the major contributor which had the capacity to do so, must pay their assessed contributions on time, in full and without conditions.

46. While his country's economic growth had been relatively high in the past 20 years, its per capita income was still very low. It was estimated that by the end of 2000, China's per capita GNP would be only $800, far below the threshold of $4,318 set for the current methodology based on average world per capita income. Proposals to increase sharply his Government's assessment in disregard of its actual capacity to pay were unrealistic.

47. **Mr. Lavrov** (Russian Federation) said that the concept of relative capacity to pay, chosen by the founders as the basis of the scale of assessments for apportionment of the expenses of the Organization, had proved its viability. Deviations from that principle had caused problems in the determination of rates of assessment for Member States.

48. GNP was currently the most objective income measure for the calculation of assessment rates. As suggested by the Committee on Contributions, MERs should be used for calculating GNP. As to the base statistical period, the shorter it was, the closer the resulting assessment rates were to real capacity to pay. In that connection, his delegation took note of the alternative proposal contained in paragraph 114 of the report concerning the four-year base period.

49. His delegation reaffirmed the validity of the low per capita income adjustment. At the same time, that adjustment was currently made on a political basis, at least as far as the gradient was concerned. Accordingly, his delegation supported efforts aimed at ensuring that objective economic criteria were used to calculate the adjustment. The idea of applying a sliding gradient, as proposed in paragraph 117 of the report, also deserved consideration. Any proposals that permanent members of the Security Council should not be eligible for relief under the low per capita income adjustment were absolutely unacceptable, as they directly contravened the principle of capacity to pay and the Charter of the United Nations.

50. As a permanent member of the Council, the Russian Federation was meeting and would continue to meet additional financial obligations in respect of peacekeeping operations. It strongly objected, however, to attempts to impose a special financial responsibility on permanent members of the Council and to establish artificially a regular budget floor rate for those States.

51. The ceiling on contributions to the regular budget was the result of a political decision by the General Assembly. The terms of reference of the Committee on Contributions specified that, if a ceiling was imposed, it should not be such as seriously to obscure the relation between a nation's contribution and its capacity to pay. The Assembly should adopt a balanced decision taking into account the interests of all parties concerned and providing a sound financial basis for United Nations activities.

52. **Mr. Sun Joun-yung** (Republic of Korea), referring to the decision of the Committee on Contributions to use the latest estimates of GNP for each Member State, regardless of whether they were based on the 1968 or the 1993 SNA, drew attention to the question of comparability between the data of different Member States. Up to 75 per cent of Member States still presented their GNP estimates based on the 1968 SNA. Under those circumstances, it was unfair to many Member States to see their GNP share increase substantially with updated data, while old and unreliable data continued to be used for most other Member States.

53. Second, with regard to exchange rates, his delegation regretted that the Committee on Contributions had been unable to provide an agreed data set to the General Assembly. His delegation supported the Committee's earlier conclusion that market exchange rates should be used for the purposes of the scale unless they had caused excessive

fluctuations or distortions in the income of some Member States. The term “excessive” should be interpreted strictly to cover only a small number of cases.

54. Third, the scale should be stable and predictable, particularly when the budgetary process of each Member State was being considered. His delegation noted with appreciation paragraph 98 of the report, which stated that the prospective increase of assessment rates by 50 per cent or more was a considerable financial burden for the countries concerned.

55. Fourth, his delegation reaffirmed the continuing relevance and importance of debt-burden adjustment, low per capita income relief and flow rates as basic elements in calculating the scale, despite a divergent view that they were contrary to the principle of capacity to pay.

56. Lastly, with regard to the maximum assessment rate, his delegation while concerned that lowering the current ceiling of 25 per cent would aggravate the already serious deviation from the principle of capacity to pay, was open to constructive proposals.

57. **Mr. Šimonović** (Croatia) confirmed his delegation’s long-standing position that the principle of capacity to pay was the basic principle of the scale, with GNP data as the first element of methodology. The scale of assessments approved in 1997 was a significant step forward, but there was still room for improvement in the methodology. In order to reflect current economic reality, a short base period was appropriate. Nevertheless, his delegation could accept the argument that a longer base period provided for greater stability over time.

58. His delegation encouraged cooperation between the Committee on Contributions, the United Nations Statistics Division, IMF and the World Bank in using market exchange rates, with some necessary exceptions where price-adjusted rates should be employed. His Government recognized the negative impact of the debt burden on a country’s capacity to pay and supported the retention of the debt-burden adjustment.

59. Low per capita income adjustment was a very important element of the scale. His delegation supported the maintenance of the current threshold at the level of the average per capita GNP of the United Nations membership as a whole. While the 80 per cent gradient appeared to be appropriate for a number of States, his delegation could support a further reduction, or two different gradients, one for least developed countries and one for others.

60. His delegation supported maintaining the floor, or minimum assessment rate, at 0.001 per cent. It was also of the view that every deviation from the principle of capacity to pay should be by consensus, primarily among those Member States which would share the cost of any lowering of the ceiling. While agreeing that the Organization should not rely upon one major contributor, his delegation also believed that due regard should be given to the impact which lowering the ceiling would have on other Member States, especially developing countries.

61. The Croatian delegation supported the implementation of Article 19 of the Charter, as it was the only sanction against Member States which were not meeting their obligations. The existing procedure of granting a waiver from the provisions of Article 19 should be maintained so as to ensure equal treatment for all Member States. His delegation supported the efforts of the Committee on Contributions to deal with countries on a case-by-case basis.

62. Lastly, his delegation believed that contributions should be paid, not just apportioned. It was inappropriate to assess a former Member State which had ceased to exist eight years earlier, namely, the Socialist Federal Republic of Yugoslavia. Similarly, an assessment should not be made for a State that had not yet applied for membership, namely, the Federal Republic of Yugoslavia. His Government would welcome the application of the Federal Republic of Yugoslavia for membership of the United Nations following democratic changes in that country.

63. **Mr. Kobayashi** (Japan) said that the most urgent task facing the Fifth Committee at the current session was the reform of the scales of assessments for the regular and peacekeeping budgets. His Government’s proposal for the reform of the regular budget scale was contained in General Assembly resolution 54/237 D, paragraph 4 (*i*). It was aimed at modifying the current low per capita income adjustments, which resulted in an inequitable scale of assessments. While the concept of low per capita income adjustments was a good one, it was unfair that countries not eligible for adjustments should have wide discrepancies between their GNP shares and scales. It was very difficult for the Japanese

people to understand why Japan's share of the assessed budget was now more than 20 per cent, while its GNP share remained approximately 17 per cent. Moreover, under the current system, large developing economies fared better than smaller ones. A limited number of countries with large economies benefited more from the low per capita income adjustments than a larger number of developing countries which truly needed such relief. As a result, the capacity to pay of the countries with large economies was undervalued.

64. His Government proposed to lower the entire per capita income adjustment level and introduce "sliding gradients" for the allocation of adjustments. Three levels of gradients were proposed, namely, 10 per cent for countries whose GNP share was more than 3 per cent, 40 per cent for those whose share was between 1 and 3 per cent and 70 per cent for those whose share was less than 1 per cent. The proposal also asked the permanent members of the Security Council to give up the benefits of per capita income adjustments. The permanent members clearly had special responsibilities within the United Nations that should be reflected in the scales of assessment, not only for the financing of peacekeeping operations, but also for the regular budget.

65. **Mr. Kolby** (Norway) said that the principle that had underpinned the Organization's finances since its inception, notably, capacity to pay, must remain the basic criterion for the scale of assessments.

66. The challenge confronting the Fifth Committee was essentially a political one. The numerous criteria determining capacity to pay and the degree of anomalies to which the current, overly complex methodology gave rise had distorted the relation between many Member States' shares of global income and their United Nations contributions. There was a need to restore the basic principles and to obtain reliable, verifiable and comparable data reflecting each Member State's real capacity to pay. The methodology should continue to include a low per capita income adjustment. His Government had also supported the financial reform proposals put forward by the European Union almost five years earlier with regard to individual elements of the scale of assessments. In addition, the pros and cons of retaining the current ceiling should be examined.

67. His Government was a strong supporter of the United Nations and of intergovernmental cooperation. That was why its voluntary cash contributions to the United Nations system stood at nearly 20 times the total amount of its assessed contributions.

68. **Mr. Albrecht** (South Africa), speaking on behalf of the States members of the Movement of Non-Aligned Countries, endorsed the statement made on behalf of the Group of 77 and China.

69. At the twelfth summit meeting of Heads of State and Government of the Movement of Non-Aligned Countries, held at Durban in September 1998, it had been emphasized that lowering the ceiling of the scale of assessments for the regular budget would distort the principle of capacity to pay and was therefore unacceptable. During the Thirteenth Ministerial Conference of the Movement of Non-Aligned Countries, held at Cartagena on 8 and 9 April 2000, the ministers had reiterated that the principle of capacity to pay was a fundamental criterion in the apportionment of the expenses of the Organization and should be maintained. The scale of assessments for the period 2001-2003 must take into consideration the economic conditions of the developing countries. Any unilateral attempt to modify the scale of assessments through conditionalities which were contrary to the Charter of the United Nations was unacceptable. Any significant modification of the scale would be considered only if it spread the burden of payment more broadly among the major contributors, in accordance with the principle of capacity to pay, without adversely affecting the States members of the Non-Aligned Movement and other developing countries.

70. **Mr. Listre** (Argentina) said the fact that the General Assembly had asked for twelve proposals for a scale of assessments and that the Committee on Contributions had been unable to provide an agreed set of data for that purpose indicated the technical and political difficulties inherent in the topic. In any event, it was not realistic to seek the sole cause of the current financial crisis in the methodology for calculating the scale of assessments. Member States, in particular the major contributor, had also to discharge their obligations in a timely, full and unconditional fashion.

71. The fundamental criterion for determining the scale of assessments was the principle of capacity to pay, with which all other elements of the methodology used to determine that scale must be consistent. His delegation therefore viewed with concern some of the proposed methodologies, which, were they to gain a

following, would result in an increase in the level of assessment not only for Argentina but for many other countries out of all proportion to their levels of development and access to world decision-making. The distribution of the Organization's financial burden must be equitable and satisfactory to all Member States. His delegation viewed with interest, moreover, the proposal made earlier by the Brazilian delegation to the effect that the threshold for calculating the scale should be raised to $960,000, the same figure as was used by the World Bank to distinguish between developing and developed countries.

72. **Mr. Sharma** (India) said that his delegation associated itself with the statement made by the delegation of Nigeria on behalf of the Group of 77 and China. It viewed all aspects of the reform and renewal of the United Nations as important goals requiring vigorous pursuit. The failure of the Committee on Contributions to recommend an agreed set of data for the purpose of calculating the next scale of assessments presented a challenge to the Fifth Committee.

73. The chief problem was whether or not to lower the ceiling on contributions. Even at its present level, the ceiling represented a departure from the principle of capacity to pay. If it was to be changed, Member States should have two objectives in mind: firstly, that no contributor should have a preponderant weight simply because of the volume of its contributions; secondly, that the United Nations would not again undergo the travails it had suffered over the previous five years with assessed contributions being withheld. Any changes considered by the Fifth Committee should guarantee that assessed contributions would never be withheld in the future and should release the United Nations from undue dependence on a few major contributors. His delegation would be willing to accommodate modifications to the scale if they spread the permanent burden of payment more broadly among the major contributors. Since any scale eventually adopted would represent a very delicate political balance, a consensual approach to its negotiation was of prime importance.

74. His delegation agreed with the Committee on Contributions that GNP should continue to be the basis of the income measure. It also agreed that the base period should be a multiple of the scale period. MERs should be used for currency conversion; their replacement by PAREs or other appropriate conversion rates should be resorted to only where excessive fluctuations or distortions in the income of Member States were brought about through the use of MERs. The debt-burden adjustment should be retained in the scale methodology and, since the overall level of debt per se constituted a burden, should be based on the debt-stock approach.

75. His delegation noted the Committee's reaffirmation of the continuing relevance of the low per capita income adjustment and concurred with the Group of 77 and China on the need for an upward revision of the gradient from the current level. It agreed with the recommendations of the Committee on Contributions with regard to the floor. While a maximum assessment rate ceiling for the least developed countries of 0.01 per cent was acceptable, the question of reducing the maximum assessment rate would require a consensus political decision. His delegation endorsed the Committee's view that troop-contributing countries should be reimbursed promptly and fully for the costs they incurred in that regard.

76. It was vital for delegations to pledge payment of their assessed contributions in arrears in full, without conditions, and against a specified time schedule. Exemptions under Article 19 of the Charter of the United Nations should be provided only if it had been proved beyond doubt to the General Assembly that the failure of Member States to pay their assessed contributions on time was due to conditions beyond their control. Finally, his delegation would like budget surpluses to be distributed to Member States that were current with their obligations.

77. **Mr. Ahmad** (Pakistan) said that his delegation associated itself with the position of the Group of 77 and China.

78. The principle of capacity to pay had been the unanimously agreed fundamental criterion for the apportionment of the expenses of the United Nations since its inception. For an objective, realistic and equitable assessment of a country's capacity to pay, the gradient of the low per capita income adjustment, at present 80 per cent, needed to be revised upward. The element of debt-burden adjustment based on the total debt stock should be maintained. In the context of prevailing global economic realities, adjustment for high levels of indebtedness was of even greater importance.

79. In seeking any adjustment of the scale, it was imperative not to lose sight of the economic difficulties

of developing countries, especially the least developed countries, small island developing States, and landlocked developing countries, as well as those with economies in transition. He called on the Committee to recommend favourable consideration of the requests of developing countries for exemption under Article 19 simply because the amounts at stake were so insignificant, and because the extremely difficult political and economic conditions faced by those countries were caused by circumstances well beyond their control.

80. The review of the scale of assessments for the regular budget should not be predicated on the reform of the United Nations. Any attempt to link the contribution factor to membership in important organs of the United Nations system ran counter to the whole concept of the universality of the United Nations and meant in effect that some Member States would be unable to seek membership in such organs because they lacked the necessary means. Finally, because the United Nations needed sufficient resources to carry out its mandated activities, timely and full payment of contributions by Member States was of critical importance.

81. **Mr. Valdivieso** (Colombia), speaking on behalf of the Rio Group, said that the Group had always been concerned at the negative effect of discontinuity experienced by two groups of States, namely, those moving up through the low per capita income threshold between the scale periods and those just above the threshold. On previous occasions, the Committee on Contributions had agreed that that situation was clearly inequitable. It was the responsibility of the General Assembly to take corrective measures, and to that end, formulas had been proposed, ranging from establishing a grace period for countries crossing the threshold to new formulas for calculating the low per capita income threshold.

82. The time had come to address the situation taking into account the experience of the World Bank in establishing income thresholds. His delegation noted with satisfaction that proposal “c” of General Assembly resolution 54/237 D adopted that approach. The General Assembly should consider the option described in that proposal for basing the low income threshold on a method that had the advantage of relying on reliable data and detailed consideration of the economic realities of developing countries.

83. In considering the low per capita income adjustment, account should be taken of the context in which the earlier negotiations on the scale had taken place. It would be recalled that the adjustment had been reduced in the scale of assessments for the period 1998-2000 from 85 per cent to 80 per cent. In his delegation’s view, the conditions did not exist for that decline to continue and the current percentage should therefore be retained.

84. With regard to the base statistical period, he reiterated his delegation’s view that it would be best to maintain the current period of six years as a mechanism that could go some way towards neutralizing excessive fluctuations in the income of Member States during the base period. He joined other delegations in noting that the proposal to automatically recalculate the scale each year was in open contradiction to rule 160 of the rules of procedure of the General Assembly, which clearly stated that the scale of assessments should not be subject to a general revision for at least three years.

85. The Rio Group favoured maintaining the debt-burden adjustment methodology, based on the debt-stock approach. Since the debt burden was one of the most important issues on the international agenda in the new millennium, the United Nations, in considering the scale of assessments, could ill afford to ignore the impact of that burden on the economies of developing countries. A further important problem involved cases in which the gap between inflation rates and exchange rates was excessive. It was important to avoid excessive distortions that neglected the real growth in the economies of countries that affected their capacity to pay.

86. The report of the Committee on Contributions had cited the problem of variations of more than 50 per cent in contribution increases, a situation which bore no logical relationship to the real economic growth of the countries concerned or their economic and social conditions. The problem affected a large number of countries in Latin America, but the lack of flexibility in dealing with the situation had blocked any initiative that might have prevented the region from being disproportionately affected. His delegation found it difficult to understand why the Commission had failed to consider the need, clearly stated in the report, to correct the data for States that had experienced significant fluctuations, resulting in excessive increases in assessed contributions, and why it had not made any recommendation in the matter. Additionally, while the

Committee had decided to replace the MER by the PARE in a number specific cases, it was hard to understand why that could not also be done in the case of the countries of Latin America. The region had experienced its worst financial crises during the decade of the 1990s, and many countries of the region were also still recovering from the devastating effects of Hurricane Mitch and the phenomenon known as “El Niño”.

87. The Rio Group was of the view that no effort should be spared to ensure complete transparency in the compilation of statistical data. The process must guarantee access by Member States to their data, enable them to express opinions, and, in particular, provide them with convincing explanations where discrepancies were noted. It was essential to maintain a balance in the process whereby transparency was not supported by a questionable concept of confidentiality. Finally, he stated that even though the conclusions of the report implied that most of the proposals would result in significant increases for a large number of States in Latin America, the delegations of the Rio Group were committed to making every possible effort to achieve a consensus solution which all Member States could accept and honour.

88. **Mr. Legwaila** (Botswana) said that his delegation fully associated itself with the statement of Nigeria on behalf of the Group of 77 and China, and it welcomed the report of the Committee on Contributions as a sound basis for negotiations on the scale of assessments for the period 2001-2003. The elements that formed the current scale methodology were a direct consequence of the cumulative decisions of the General Assembly in the light of experience. Although some of those elements had been incorporated by the General Assembly on non-technical grounds, their validity to date and their continued retention in future scales remained crucial and could not be overlooked.

89. On numerous occasions, the General Assembly had reaffirmed the principle of capacity to pay as the fundamental criterion for the apportionment of the expenses of the Organization. There had always been general agreement that the best possible measure of capacity to pay was one which was based on widely acceptable measures and which relied on the least unsatisfactory of elements and fairest guides. His delegation supported the Committee’s view that GNP was the least unsatisfactory basis for estimating income and capacity to pay, and that GNP should therefore be maintained for future scales. MERs had proved to be the most widely acceptable conversion rates and should continue to be used, except where their application might result in excessive fluctuations or distortions in estimating the incomes of some Member States. In that case, other alternative and appropriate conversion rates, including PAREs could be employed.

90. Significant portions of the national incomes of the majority of developing countries remained committed to the servicing of external debt, imposing serious fiscal constraints on them, hampering their socio-economic progress and development, and resulting in the diminution and distortion of their capacity to meet their financial obligations to the Organization. A strong case remained, therefore, for debt-burden adjustment to be retained in the next and future scales of assessments, calculated on the basis of the debt-stock approach. Furthermore, the adjustment allowance for Member States with low per capita income had been part of the methodology of assessments since the founding of the Organization. While its threshold and gradient had evolved with time, all developing countries still deserved that relief to cushion them from the heavy socio-economic burden they endured. No change in the application of the low per capita income adjustment should diminish the benefits they derived from that measure.

91. With regard to the ceiling and floor assessment rates, his delegation supported the long-standing view of the Committee on Contributions and other bodies that, if the General Assembly found it necessary to continue imposing the ceiling at whatever desirable level, that ceiling should not be such as to seriously obscure the relation between a nation’s contributions and its capacity to pay. Retention of the floor, however, remained a valid means of ameliorating the plight of developing countries with low per capita income. The current floor of 0.001 per cent should be retained for the next scale of assessments. By the same token, the maximum assessment of 0.01 per cent for the least developed countries should be maintained to provide relief to 48 members of the Organization, 33 of which were African countries.

The meeting rose at 1.20 p.m.