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New York

SUMMARY RECORD OF THE 6th MEETING

Chairman: Mr. SENGWE (Zimbabwe)

later: Mr. ALOM (Bangladesh)
(Vice-Chairman)

later: Mr. SENGWE (Zimbabwe)
(Chairman)

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

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<u>The meeting was called to order at 10.05 a.m</u>.

AGENDA ITEM 126: FINANCING OF THE UNITED NATIONS MISSION FOR THE REFERENDUM IN WESTERN SAHARA (<u>continued</u>) (A/C.5/51/L.4)

AGENDA ITEM 133: FINANCING OF THE UNITED NATIONS OBSERVER MISSION IN GEORGIA (<u>continued</u>) (A/C.5/51/L.2)

AGENDA ITEM 135: FINANCING OF THE UNITED NATIONS OBSERVER MISSION IN LIBERIA (<u>continued</u>) (A/C.5/51/L.3)

AGENDA ITEM 130: FINANCING OF THE UNITED NATIONS OPERATION IN SOMALIA II

<u>Draft resolution A/C.5/51/L.4</u>

1. <u>Ms. PEÑA</u> (Mexico), introducing the draft resolution on the financing of the United Nations Mission for the Referendum in Western Sahara (A/C.5/51/L.4), which had been the subject of informal consultations, said that it provided for an appropriation to the Special Account for the United Nations Mission for the Referendum in Western Sahara, which had already been authorized and assessed, for the operation of the Mission for the period from 1 February to 30 June 1996 (para. 7); for an appropriation for the operation of the Mission for the period from 1 July to 30 November 1996 (para. 8); and for a further appropriation for the maintenance of the Mission for the period from 1 December 1996 to 30 June 1997, subject to the decision of the Security Council to extend the mandate of the Mission beyond 30 November 1996 (para. 11).

2. <u>Draft resolution A/C.5/51/L.4 was adopted</u>.

<u>Draft decision A/C.5/51/L.2</u>

3. <u>Mr. ABELIAN</u> (Armenia) introduced the draft decision on the financing of the United Nations Observer Mission in Georgia (A/C.5/51/L.2), which had been the subject of informal consultations, and recommended it to the Committee for adoption.

4. <u>Draft decision A/C.5/51/L.2 was adopted</u>.

<u>Draft resolution A/C.5/51/L.3</u>

5. <u>The CHAIRMAN</u> introduced the draft resolution on the financing of the United Nations Observer Mission in Liberia (A/C.5/51/L.3), which had been the subject of informal consultations. If he heard no objection, he would take it that the Committee wished to adopt the draft resolution.

6. <u>Draft resolution A/C.5/51/L.3 was adopted</u>.

7. <u>Mr. STEIN</u> (Germany), speaking in explanation of his delegation's position with respect to the three draft resolutions that had just been adopted, said that, as his delegation had stated on a previous occasion, while it joined the consensus on peacekeeping budgets, it did so with reservations, since it was

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concerned that the amount of every peacekeeping budget would not be fully covered by the contributions of Member States because one Member State had announced its intention to reduce its assessed contribution to those budgets to an amount which it deemed convenient. That unilateral action would further contribute to the already difficult cash-flow situation of the Organization and, in the long run, would jeopardize the implementation of all peacekeeping operations. His delegation took the view that the commitment authority of the Secretary-General for every peacekeeping budget would have to be adjusted to the predictable income level. While his country fully supported the peacekeeping operations in question, and for that reason had joined the consensus, it was not ready to support the non-payment by other Member States or to accept a change in its effective share in the current scale of assessments.

8. Mr. ELZIMAITY (Egypt) said that his delegation had noted with great concern that the countries which still owed money to the budget of the United Nations Operation in Somalia II (UNOSOM II) were making no further payments to that account and that the Secretariat had consequently ceased making reimbursements to the troop-contributing countries. It was also concerned that the debt of Member States to the budget of UNOSOM II was over $240 million and that the largest contributor to the Organization's budget had not contributed to it for many months. That imposed an additional burden on the troop-contributing States, particularly developing countries such as his own.

9. He asked the Secretariat to provide information on the number of claims submitted by States that had participated in UNOSOM II and on the total amount of outstanding claims for reimbursement relating to participation in that operation. He also requested the Secretariat to put forward ideas or proposals as to the means whereby it intended to repay the sums still owing to the troop-contributing countries. He was aware of the scale of the financial crisis facing the Organization, but the problem was primarily a political one and the passage of time itself would not bring a solution.

10. Egypt had been among the countries that had strongly opposed the proposal made the previous year that the Secretariat should be deprived of its capacity to borrow against peacekeeping budgets, when the regular budget was depleted. It was therefore particularly incumbent on the Secretariat to assist the developing countries by specifying how it envisaged making the reimbursements.

11. He hoped that the Secretariat would provide a response by the end of October to his delegation's request for information and put forward proposals to resolve the problem.

12. Mr. GOKHALE (India) associated his delegation with the statement made by the representative of Egypt. His own country had contributed a full brigade to UNOSOM II and was still awaiting reimbursement. The total amount outstanding to countries that had contributed troops and equipment was over $50 million and he appealed to those countries that had not yet paid their assessments, especially the major contributors, to do so without further delay. He also asked the Secretariat what efforts had been made, and at what level, to put pressure on those States which still owed contributions to honour their commitments so that payments could be made without further delay to countries that were owed money, especially developing countries.

13. Mr. ZULKIFLI (Malaysia) supported the statements made by the previous speakers. His own country had paid its contributions both to the regular budget and to the peacekeeping budgets and was owed a sum which it estimated at $15 million as a reimbursement for its contribution to UNOSOM II. He therefore hoped that the Secretariat would respond promptly to the requests that had been made of it.

14. Mr. ALOM (Bangladesh) agreed with the views expressed by the previous speakers. He hoped that the troop-contributing countries would be paid in full and without further delay.

15. Mr. HOSANG (Director, Peacekeeping Financing Division) said that he had taken note of the statements made by the representatives of Egypt, India, Malaysia and Bangladesh concerning outstanding reimbursements in respect of contributions to UNOSOM II and gave an assurance that answers to the questions raised would be provided before the end of October, as requested by Egypt.

AGENDA ITEM 119: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (continued) (A/50/11/Add.2)

16. Mr. CAMACHO-OMISTE (Bolivia), speaking also on behalf of Argentina, Brazil, Chile, Colombia, Costa Rica (representing the Central American countries), Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela, the members of the Rio Group, expressed support for the work of the Committee on Contributions and took note of the information submitted in its report (A/50/11/Add.2).

17. The Rio Group wished to reaffirm its position that the question of the scale of assessments should be dealt with quite separately from the current financial situation of the Organization, which was due to the failure of certain Member States to comply with their obligations under the Charter.

18. The principle of capacity to pay and that of equity continued to be fundamental to the scale methodology and the principles and structure of the current methodology for the calculation of contributions remained valid. The Rio Group considered that it would be unacceptable to assess contributions solely on the basis of the primary indicator, whether that were gross national product (GNP) or gross domestic product (GDP). Irrespective of the methodology chosen, debt-burden adjustments and low per capita income adjustments remained valid and should continue to be applied. To retain in the methodology factors which balanced the distribution of the expenses of the Organization was not a distortion but a matter of justice and equity. The foreign debt burden continued to be a matter of concern for the countries of the Rio Group, not only in terms of interest payments but also in terms of payments to amortize the outstanding capital sum, and they believed that, even if GDP were eventually used, there would still be a need for debt-burden adjustments. For similar reasons, low per capita income adjustments, which had from the outset been an intrinsic part of the scale methodology, should be maintained. Consideration should also be given to anomalies associated with the utilization of per capita income and to the avoidance of wide variations in assessments. The Rio Group considered that what was required was not a total change in the methodology, but rather specific adjustments.

19. Ms. WILLIAMS-STEWART (Samoa) said that the scale of assessments was an issue of great importance to many small developing countries, including her own. In its report (A/50/11/Add.2, para. 50), the Committee on Contributions recognized that the current floor assessment rate resulted in a serious departure from the principle of capacity to pay for a number of smaller Member States and her delegation noted its recommendation that, in future scales of assessments, all Member States whose share of adjusted national income was less than the current floor rate should be assessed at their actual share of adjusted income, subject to a minimum assessment rate of 0.001 per cent.

20. Her delegation fully supported that recommendation, which recognized that many small developing countries were being assessed at levels beyond their capacity to pay. Her country had nevertheless consistently discharged its obligations under the Charter by paying its contributions in full. The floor rate should be reduced in order to take account of the principle of capacity to pay. There was a considerable degree of consensus on the need for such a reduction, which, in her delegation's view, would enhance the principle of universal membership of the United Nations by enabling a number of small, independent countries which were currently deterred by cost considerations to join the Organization. It would also assist the Organization in its problems with arrears of contributions. Many of the countries which were in substantial arrears as a result of economic factors beyond their control, and which were in danger of losing their right to vote in the General Assembly under Article 19 of the Charter, were floor countries.

21. The ceiling was another element that distorted the current scale of assessments; her delegation would like to see it maintained at its current level.

22. The continuing financial crisis faced by the United Nations made the current session of the General Assembly an opportune moment to take action on the recommendations that had been made; it would be appropriate to begin with matters on which there was near unanimity within the United Nations membership, such as the reduction in the floor rate.

23. Mrs. RODRIGUEZ ABASCAL (Cuba) said that her delegation regretted that the Committee on Contributions had made few recommendations on the various aspects of the methodology for the scale of assessments that it had studied and noted with concern that, even though, according to rule 160 of the rules of procedure of the General Assembly, the Committee was the technical body responsible for advising the General Assembly concerning the apportionment of the expenses of the Organization, it intended to refer to other negotiating bodies mattes which were within its sole competence.

24. The Committee on Contributions should study he proposals that had been made concerning modifications to the current scale methodology before the Fifth Committee gave it precise instructions regarding the preparation of the scale for the period 1998-2000. Consideration should be given to holding a special session of the Commitment on Contributions to make recommendations which the Fifth Committee would study at a resumed session. That would give Member States a clear indication of the impact of each of the proposals on the future scale.

25. Her delegation suggested that the Committee on Contributions should submit proposals to the Fifth Committee, inter alia, on a specific statistical base period that would reflect capacity to pay as faithfully as possible and would be conducive to the stability of the scale; the phasing out of the scheme of limits in accordance with General Assembly resolution 48/223 B; an analysis of the impact of the enforcement measures on the capacity to pay of those countries to which such measures had been applied; and specific proposals on the scale methodology taking into account the factors specified in paragraph 3 of General Assembly resolution 43/223 B.

26. Her delegation supported the view expressed by some members of the Committee on Contributions that any alterations to the scale methodology should be introduced gradually so as to avoid abrupt changes in the rates of assessments.

27. The principle of capacity to pay had been a main factor in the determination of the scale of contributions for over 50 years but there was still no agreement on the methodology to be used for determining it. That had led over the years to the introduction of various elements to correct anomalies or to accommodate specific political positions which negated the strict application of the principle. Those elements, including debt-burden adjustments and low per capita income adjustments, had introduced a measure a justice in the scale methodology by making allowances for the economic situation of developing countries; they were thus consistent with the objectives and purposes of the United Nations and should therefore continue to be an integral part of the methodology. In the view of her delegation, however, they were not sufficient in themselves to take into account a number of factors which had a negative impact on the capacity to pay of the majority of developing countries.

28. One of the elements which introduced the greatest distortion in the principle of capacity to pay was the existence of a ceiling which not only reduced the actual assessment of the major contributor in terms of its capacity to pay but which obliged many developing countries to bear an additional financial burden. That situation, while it would always be unjust, might be accepted if the main contributor paid its assessments in full and on time and negotiated in good faith instead of trying to impose its views on others through financial blackmail. The major contributor had, however, proposed a reduction of the ceiling to 20 per cent, on the grounds that that would be conducive towards the payment of its contributions. Her delegation could not support any proposal which would involve a transfer of the financial burden from the developed to the developing countries.

29. Her delegation supported the recommendation of the Committee on Contributions that the floor assessment rate should be reduced to 0.001 per cent. That took account of the just demands of many of the least developed countries on which assessment above their capacity to pay had been imposed for many years. Her delegation noted the recommendation of the Committee on Contributions that scales should be based in future on estimates of GNP and looked forward to the results of the study which was to establish a simplified standard procedure for converting GDP/GNP estimates from the 1993 system of national accounts (SNA) to the 1968 SNA, thus addressing the issue raised in paragraph 29 of the report.

30. Her delegation felt that a short base period would make it possible to take into account recent changes in the economies of countries, thus taking more effectively into account their actual capacity to pay. With respect to conversion rates, her delegation considered that, since the Committee on Contributions had not yet made specific recommendations on exchange rates, the provisions of resolution 46/221 B should continue to apply. Her delegation wished to reaffirm the importance of the process of mitigation as a means of taking account of the specific situation of a country at a particular moment.

31. Lastly, her delegation awaited with interest the report which the Committee on Contributions had been requested to provide in paragraph 2 of resolution 50/207. It felt that countries that were likely to become subject to the application of Article 19 of the Charter should be able to explain their situation to the Committee on Contributions before losing their right to vote in the General Assembly.

32. Mr. POERNOMO (Indonesia) said that his delegation still believed that the Organization's current methodology for determining the scale of assessments, which was based on its Member States' capacity to pay, should be retained and should continue to be used in the future. He agreed with the observation in paragraph 26 of the report of the Committee on Contributions (A/50/11/Add.2) that national income appeared to be the fairest guide for measuring capacity to pay, subject to adjustments for factors identified by the General Assembly. However, with respect to the recommended use of estimates of gross national product (GNP) as a first approximation of the capacity to pay (para. 28), his delegation felt strongly that those estimates should be supplemented by other economic and social adjustments in the interests of fairness to developing countries. With respect to the issue of the base period, any further reduction of the current base period should be phased in gradually to avoid excessive fluctuations in the next scale of assessments.

33. Debt-burden adjustment was a vital element of the methodology which was more indispensable than ever for Indonesia and other developing countries whose development efforts were hindered by the ongoing debt crisis. The World Bank World Debt Tables were an acceptable source of information for use in measuring debt-adjusted income. Moreover, market exchange rates should be used in calculating the scale of assessments, except where their use caused excessive fluctuations or distortions in the income of some Member States. Lastly, it was important to observe the guidelines and principles laid down in General Assembly resolutions 1874 (S-IV) and 3101 (XXVIII) with respect to the specific scale of assessments for peacekeeping operations.

34. Mr. OWADE (Kenya) said that his delegation fully endorsed the statement made at the Committee's 3rd meeting by the representative of Costa Rica on behalf of the Group of 77 and China. Like many other delegations, it believed that the Organization's financial crisis was due not to the methodology for determining the scale of assessments but to the failure of Member States, and particularly the major contributor, to pay their contributions in full, on time and without conditions. The Committee on Contributions was the only body which was competent to consider the technical issues related to the scale methodology and to submit proposals thereon to the General Assembly.

35. He agreed that capacity to pay should remain the fundamental criterion for the apportionment of the expenses of the United Nations. That principle had been reaffirmed by both the General Assembly and the Ad Hoc Intergovernmental Working Group on the Implementation of the Principle of Capacity to Pay. Moreover, the adjustment of national income by factors such as GNP, exchange rates, the debt burden and low per capita income did not represent a distortion, but an attempt to achieve greater balance and fairness. The issue of the base period should be discussed further by the Committee on Contributions with a view to formulating a proposal that would ensure stability and predictability while accurately reflecting the relative capacities of Member States. The current base period of 7.5 years had worked well and should not be altered radically; perhaps a slightly shorter period of 6.5 years would be a good compromise.

36. Since the imposition of a ceiling on contribution levels departed from the principle of capacity to pay, the ceiling should not be lowered any further. The current floor assessment rate of 0.01 per cent, which also departed from that principle, should be reviewed in the light of the difficulties experienced by the least developed and other developing countries.

37. Mr. IRAGORRI (Colombia) said that the financial crisis of the United Nations was clearly a payment crisis caused by the failure of one Member State to discharge its binding financial obligations and its attempt to impose conditions on those payments. The financial crisis was completely unrelated to the scale of assessments and any attempt to link the two issues in the current negotiations would run counter to the spirit of consensus which should pervade the Committee's deliberations.

38. As in the past, the scale of assessments must be adjusted to reflect current circumstances. In that connection, some Member States wanted to change not only the methodology for determining the scale of assessments for the regular budget, but also the agreed principles for the current scale for peacekeeping operations. His delegation would not be willing to consider those changes until such time as all of the Organization's 185 Member States - whether developed or developing, nuclear or non-nuclear, members or non-members of the Security Council - had the same real impact in terms of participation and decision-making in the United Nations, and no Member State had the power to veto the political will of the majority.

39. He fully supported the statements made by Costa Rica on behalf of the Group of 77 and China at the Committee's 3rd meeting, and by Bolivia on behalf of the Rio Group at the current meeting. The principle of capacity to pay should be implemented by ensuring that the amounts payable by the smallest and largest contributors were proportionally equivalent. Although he agreed that assessments should be calculated on the basis of GNP, he did not share the view of some delegations that GNP automatically included debt-burden adjustment. In fact, a country's GNP reflected only its debt-service payments, not principal repayments. Meanwhile, the debt crisis had become so severe that the total liabilities of the developing countries had reached $367 billion in 1995 and, in March 1996, the World Bank had classified 50 States Members of the United Nations as severely indebted. It would therefore be unacceptable for the Fifth Committee to adopt a scale methodology that took the debt burden only partially into account.

40. Although his delegation had joined with other Member States in adopting a ceiling of 25 per cent, it acknowledged that that element did not reflect the principle of capacity to pay and disagreed with the argument that lowering the ceiling would result in a better balance and greater equity among Member States. His delegation fully supported the idea of a more egalitarian United Nations, but the degree of political influence of a given Member State was not proportional to its financial contribution. The current ceiling of 25 per cent should therefore remain unchanged. If, however, there was a consensus to lower it, his delegation would join the consensus only if it did not affect the assessed contributions of developing countries.

41. Mr. WANG Xuexian (China) said that any scale methodology which deviated from the basic principle of capacity to pay was unfair and would not be accepted by a majority of Member States. The current criterion for determining the scale of assessments, as formulated by the Committee on Contributions and unanimously adopted by the General Assembly, should be preserved. Isolated deviations from the principle of capacity to pay should be addressed on a case-by-case basis, and attempts to shift the financial burdens of developed countries onto developing countries must be stopped. Nonetheless, one major contributor, in disregard of its obligations under the Charter, had been chronically in arrears with its assessed contributions and had landed the Organization in a serious financial crisis.

42. The length of the base period should not only reflect changes in economic development, but should also help to maintain the stability of the scale of assessments. His delegation would prefer a six-year base period, and believed that, once it was set, it should remain unchanged in the interests of stability. It agreed with the Committee on Contributions that income data should be converted at market exchange rates, and agreed to keep price-adjusted rates of exchange (PAREs) under review. Purchasing power parities tended to overestimate the incomes of developing countries.

43. Debt-burden adjustment was an indispensable element of the current scale methodology, in view of the serious effects of debt service on developing countries. The low per capita income adjustment was useful for accurately reflecting a country’s actual capacity to pay, and should be fixed for a long period of time to avoid any influence from artificial and political factors. His delegation supported the recommendation that the floor assessment rate should be reduced to 0.001 per cent, since that would alleviate the financial burdens of the least developed countries and would reduce distortions of the principle of capacity to pay. Both the proposal to lower the current ceiling, which already failed to reflect capacity to pay, and the proposal to establish two different ceilings were aimed at shifting the financial burdens of high-income countries to lower-income countries, and must be rejected.

44. Ms. KUNADI (India) said that her delegation associated itself with the position stated at the Committee’s 3rd meeting by the representative of Costa Rica on behalf of the Group of 77 and China. It did not want to preempt or undermine the work of the High-Level Open-Ended Working Group on the Financial Situation of the United Nations, but it disagreed seriously with the proposal made earlier in the debate by the European Union that assessment methodology should be dealt with by the Fifth Committee, leaving the remaining elements of a

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comprehensive package of measures to the Working Group on the Financial Situation. Her delegation believed that the financial crisis was based on a failure to pay assessed contributions and thus reflected a lack of political will on the part of some Member States. It was not the result of any inherent defect in the scale of assessments.

45. The purpose of the Committee's discussions during the current session was to decide on concrete and realistic parameters within which the Committee on Contributions could work out a new scale of assessments for the period 1998-2000.

46. There was no precise definition of what the principle of capacity to pay meant, but she reminded the Committee that in 1946 the General Assembly had observed that it was difficult to measure such capacity merely by statistical means and impossible to arrive at any definite formula. Statistics about a country's national income did not in themselves represent an accurate portrayal of its capacity to pay, nor would simplistic formulae supply the answers to the problem. The observations made by the General Assembly in 1946 were worthy of note because of late the ostensible focus on transparency and simplicity, and the attempt to devise neat statistical formulae, seemed to have become more important ends in themselves than an accurate portrayal of the principle of capacity to pay.

47. With specific reference to the report of the Committee on Contributions (A/50/11/Add.2), her delegation had taken note of the recommendation on the relative advantages of shifting over from gross domestic product to gross national product as the basis for calculating each country's share of United Nations costs. It had also noted the argument that there was merit in using a shorter base period for calculating the assessed contributions than the current one. The report reflected some differences of opinion on whether any allowance or adjustment needed to be provided for debt burden in a future scale. Her delegation believed that relief from debt continued to be a valid and necessary factor in the scale methodology and was prepared to explore a possible revision in the mode of calculating the relief, provided that the continuing validity of providing such relief was not brought into question.

48. Her delegation welcomed the general consensus within the Committee on Contributions regarding the importance of maintaining the relief which was currently given to developing countries with low per capita incomes. Far from being a distortion of the scales, such relief was in fact a moderating element in the existing formula for determining how much each country should pay; it enabled calculations to reflect more precisely the principle of capacity to pay. Her delegation was opposed to linking assessment rates to national income or per capita income; that would place a greater burden on precisely those countries which it was designed to assist - those with the lowest per capita incomes relative to the world's average per capita income. The effect would simply be to shift the burden from high income to low income countries.

49. Her delegation was sensitive to concerns that the current floor rates payable by many small countries strained their capacity to pay and believed that their burden should be alleviated. Any consensus solution regarding changes to the ceiling should ensure that no burden was shifted from the developed to the

developing countries. She expected early consensus to be reached on the manner of phasing out the scheme of limits, on which agreement had already been reached. Finally, her delegation supported the recommendation of the Committee on Contributions (A/50/11/Add.2, para. 55) that the scale should be carried to three decimal places to make it more precise.

50. Mr. Alom (Bangladesh), Vice-Chairman, took the Chair.

51. Mr. FERNANDEZ (Philippines) said that measuring capacity to pay had never been an easy exercise. It could not be based on any simple formula or methodology since a host of important political, economic and humanitarian considerations had to be factored in. Nevertheless, it was incumbent on the Organization to try to develop a formula which the membership as a whole could accept as being fair and effective. His delegation agreed that the scale of assessments was in itself less important than the political will of Member States to pay their assessed contributions, but believed that a system of assessment that was seen to be fair and efficient would be a powerful incentive for Member States to honour their obligations and contribute in full and on time.

52. His delegation took note of the observation that the base period should be a multiple of the scale period so that data from some years would not be used more frequently than data from others (A/50/11/Add.2, para. 31). The base period should, however, be long enough to provide the scale with stability and predictability, thus enabling Member States to secure budgetary appropriations from their legislatures for the timely payment of assessed contributions. The length of the base period should also be considered in conjunction with the General Assembly’s decision to phase out the scheme of limits in the next scale.

53. External debt continued to be a burden to many developing countries and affected their capacity to pay. Debt-burden adjustment should therefore continue to be maintained in the scale methodology. His delegation also supported the continued provision of relief to developing countries with low per capita incomes, which had been an integral part of the scale methodology from its inception.

54. The Committee on Contributions had noted that, in the case of a number of small States, the current floor rate of 0.01 per cent had resulted in an assessment that was beyond their capacity to pay (para. 50). His Government supported the majority view that the floor should be reduced, taking into consideration the difficulties for the least developed and other developing countries.

55. Some delegations had proposed lowering the current ceiling on the premise that the Organization should rely less on a single Member State for the financing of its activities. Logic and consistency dictated that similar adjustments should be made in the shares of countries involved in the capitalization of the international financial institutions, including the World Bank and regional banks such as the Asian Development Bank.

56. Finally, his delegation had taken note of the recommendation that future scales should be based on gross national product rather than gross domestic product. That aspect of the scale methodology required further discussion.

57. Mr. MOKTEFI (Algeria) said that his delegation associated itself with the statement made by the representative of Costa Rica at the Committee's 3rd meeting setting out the position of the Group of 77 and China. The rigidity of the current procedure for determining the scale of assessments necessitated a new methodology that would better reflect the socio-economic realities affecting Member States. Capacity to pay should be the fundamental criterion for establishing a scale of assessment that was acceptable to all.

58. His delegation was concerned that no clear or unanimous recommendations had been made by the Committee on Contributions. He wished to stress his Government's view that national income should remain the central criterion and the first measure of capacity to pay. Realistic exchange rates should also be factored into any calculations. Debt-burden adjustment should be given greater weight in order to reflect more accurately its impact on the capacity to pay of countries such as Algeria which devoted the bulk of their export earnings to debt servicing. On the question of income measures, his delegation fully agreed that future scales should be based on estimates of gross national product.

59. The extension of the statistical base period would undermine the scale methodology and give a false picture of the real situation when Member States had to make their contributions. Moreover, the use of a longer base period had failed to contribute any element of permanency or continuity. On the contrary, it had allowed significant disparities to emerge, which the various adjustment elements had subsequently been unable to correct. His delegation therefore favoured the use of a shorter base period which would provide a more immediate and up-to-date picture of the economic situation and encourage a more realistic and objective understanding of Member States' capacity to pay. His Government accordingly endorsed a three-year base period.

60. Mr. PHANIT (Thailand) said that his delegation associated itself with the views expressed by the representative of Costa Rica on behalf of the Group of 77 and China and regretted that the High-Level Open-Ended Working Group on the Financial Situation of the United Nations had been unable to reach a consensus on any practical short-term solutions to the current financial problems faced by the Organization. His delegation wished to reiterate its view that the scale of assessments was not the cause of the current financial crisis; it was incumbent on all Member States to honour their obligations under the Charter and the relevant Financial Regulations and Rules by paying their assessed contributions without attaching unilateral conditions.

61. The current scales were the result of negotiations based on consensus. It was therefore difficult to justify that future scales should be adopted on the basis of elements that merely sought to simplify them. Any improvements to the scales should be gradual rather than drastic in nature. The elements set out and agreed by consensus in General Assembly resolution 48/223 B were appropriate for measuring a country's capacity to pay and could constitute a basis for the elaboration of the scales for the period 1998-2000. His Government reaffirmed that capacity to pay remained the fundamental criterion for the determination of

any scales of assessment. National per capita income and external debt were still valid criteria and should continue to be included as components of the scale methodology.

62. A longer base period would reduce the volatility of the scales and help those Member States which faced constant fluctuations in their economies; it would also help to reflect a Member State's capacity to pay more accurately. In that connection, his Government was willing to consider a base period of six years.

63. The phasing out of the scheme of limits should be gradual in order to avoid an excessive increase in the assessments of countries currently affected by it. The impact on developing countries benefiting from the phasing out of the scheme of limits should be limited to 15 per cent of the total effect of the phasing out. It was also necessary to include low per capita income adjustment based on the reduction of assessable national income for those countries whose national per capita income was below the agreed threshold. His delegation supported the current gradient of 85 per cent but was willing to give serious consideration to the proposal of a 75 per cent gradient.

64. His Government supported the recommendation of the Committee on Contributions that the floor rate should be lowered. Such a step would help to rectify the so-called distortions in the capacity to pay of smaller Member States. His delegation was, however, unable to support the abolition of the floor; that would run counter to the obligations of Member States under Article 17 of the Charter. His Government favoured retaining the current ceiling rates.

65. Mr. GELBER (United States of America) said that, for many delegations, the solution to the Organization's problems was simple: the major contributor should immediately pay what it owed without asking for any changes in the scale, and the financial problem would then go away and no further action would be necessary. Such a view was, however, unrealistic. Part of the problem had been the growth of programmes, committees and activities without due attention being paid to their overlapping and outdated nature. The Efficiency Board had gone some way towards addressing that problem, but there was more work to be done.

66. It was true that Member States should pay what they owed, but other changes in financial arrangements needed to be made if the United Nations was to be restored to financial health. The method of assessments, like the method of budget preparation and review, could no longer be operated as if nothing had changed in 20 years.

67. The United States was committed to meeting its obligations and it was paying off what it owed. In the fiscal years 1995 and 1996, the United States had paid out more to United Nations agencies and programmes than any other Member State. The same was true for peacekeeping operations. Payments from the United States were good news for the Organization, but they should not be allowed to detract from the need to address the unique role of the United States in United Nations cost-sharing.

68. His Government had proposed that the General Assembly should lower the regular budget ceiling rate from 25 to 20 per cent. The ceiling rate had been lowered 11 times in the first 30 years of the Organization's existence, but not at all in the past 20, notwithstanding shifts in the global economic balance. It was time to adjust the financial demand placed on the United States by the current ceiling, and for other Member States to pay increased shares of the costs.

69. That was an issue for the General Assembly, not the Committee on Contributions, since it was a political decision. The primary concern was to re-establish a productive financial relationship between the United Nations and its contributing Members, in particular to reduce the current heavy dependence on the United States. All 185 Members had a major stake in the Organization and there should be a wider sharing of responsibility.

70. His delegation recognized that it would not be easy to reach agreement on a 20 per cent ceiling, but in recent years Portugal and Greece had both voluntarily agreed to increase their peacekeeping rates and numerous countries had joined the consensus two years previously on a regular scale that increased their rates. It should not be impossible to consider having some rates go up and others go down as the Organization evolved. The issue was one of the highest priorities for his delegation: the Fifth Committee must instruct the Committee on Contributions to make recommendations on a scale for the period 1998-2000 on the assumption of a 20 per cent ceiling.

71. Other changes to the scale methodology were also necessary and should be made at the same time so as to improve the prospects for agreement. In particular, his delegation supported the changes proposed by the European Union, as modified by its own ceiling concept. It also found the Canadian proposal regarding the methodology interesting.

72. All delegations needed to work with diligence and a sense of realism to address fundamental financing issues so that the Organization would emerge stronger and more capable in the twenty-first century.

73. Mr. SENGWE (Zimbabwe) resumed the Chair.

74. Mr. HAHM (Republic of Korea) said that clear guidelines must be established for the Committee on Contributions regarding the scale of assessments for the period 1998-2000. His delegation had difficulty in accepting the argument that the financial crisis stemmed from unfairness and inequity in the current scale: it shared the majority view that it was due to the failure of some States to pay the contributions stipulated under the scale. Even the formulation of a perfect methodology might therefore not resolve the Organization's financial problems.

75. The primary objectives of ensuring fairness and equity while creating a methodology which could withstand the test of time must be borne firmly in mind. While capacity to pay was aimed at ensuring fairness, both the scheme of limits and a longer base period had been designed to promote stability in the methodology, a principle which should carry the same weight.

76. With regard to the remaining 50 per cent phase-out of the scheme of limits, the approach should be a gradual step-by-step one, with the phase-out to be completed by the year 2000. The phase-out would, however, result in a disproportionate assessment for some Member States particularly those experiencing rapid economic growth. That raised the issue of how stability could be ensured for those countries. In his delegation's view, the best answer was a longer base period.

77. Careful consideration needed to be given to the economic status of some developing countries: in that connection the current mechanisms for debt-burden adjustment and low per capita income adjustment should be retained in the methodology. The floor should also be lowered to 0.001 per cent. The political rationale for the ceiling remained compelling: it should not be changed.

78. The recommendation for the use of gross national product as the basis for calculating national income should be carefully evaluated in terms of data availability, comparability and simplicity.

79. His delegation was deeply concerned at the lack of progress in resolving the financial disarray of the Organization, and emphasized that the solution lay in the political will of Member States to discharge their financial obligations in full, on time and without conditions. His Government had consistently paid its assessed contributions to both the regular and peacekeeping budgets, and would continue to do so.

80. Ms. FIGUERA (Venezuela) said that every element of the methodology must be transparent and reliable and serve to measure and reflect capacity to pay. In that regard, she took note of the recommendations of the Committee on Contributions concerning the use of estimates of gross national product, the floor, and carrying the scale of assessments to three decimal places.

81. Her delegation supported a base period that would most closely correspond to the scale period. It should reflect the economic conditions of each country, whether it was experiencing growth or recession. The concepts of stability and extreme fluctuations were secondary to realistic measurement of national economies. While lengthy base periods and a strict scheme of limits had helped to resolve certain extraordinary situations, they had also delayed realistic reflection by the scale of capacity to pay. In that regard, she welcomed the complete phase-out of the scheme of limits in the next scale. Her delegation favoured accurate measurement of capacity to pay and mitigating factors.

82. Debt-burden adjustment remained extremely important. External indebtedness involved transfers of resources for debt-servicing and amortization and inhibited investment. The Assembly should give further consideration to the proposal that debt adjustment should be based on actual principal repayments only, as well as to the extent to which that was compatible with the broader issue of external indebtedness.

83. Low per capita income adjustment was a further important element in determining real capacity to pay. The primary rationale for that adjustment was inflation, and the principal limitations were the links to the United States dollar and to fluctuations in exchange rates and purchasing power. Her

delegation was concerned at the current perception that the existing threshold and relief gradient were excessive and that proposals were being made that ignored the original rationale. The matter required full study.

84. Lastly, the scale of assessments was not the cause of the Organization's financial difficulties and solutions to the Organization's other problems should not be sought therein.

85. Mr. MIRMOHAMMAD (Islamic Republic of Iran) said that capacity to pay remained the fundamental criterion for determining the scale of assessments. Capacity to pay could not, however, be determined only by national income and per capita income, since disparities between developed and developing countries meant that they could not be placed on an equal footing.

86. He concurred in the view of the Committee on Contributions that stability should not imply rigidity in the scale methodology, since future changes might call for further adjustments. His delegation sought the earliest possible implementation of measures to bring the scale into line with real capacity to pay, but could not agree to the so-called "clean slate" approach. Among elements to be taken into account were natural and man-made disasters, refugees, debt-burden adjustment and low per capita income. The scheme of limits should be completely phased out in the next scale.

87. Given the structural adjustments in the national economies of many States, a short base period of three years would better reflect real capacity to pay, as it would provide more recent data; longer base periods were distorted by outdated figures. Lastly, his delegation could not support a reduction in the ceiling, since it would represent a clear departure from capacity to pay.

88. Mr. DEINEKO (Russian Federation) said that assessment rates which were above capacity to pay accounted for a considerable part of the arrears owed to the Organization. A sound financial basis could not be secured without a just apportionment of expenses.

89. His delegation supported the recommendation of the Committee on Contributions that the Comoros should be permitted to vote throughout the main part of the fifty-first session. It also agreed that stability in the methodology should not imply rigidity.

90. In view of the enduring relevance of capacity to pay, he supported the recommendation that future scales should be based on estimates of gross national product rather than net national income. Scales based on data collected years before did not conform to capacity to pay. Accordingly, his delegation supported a six-year statistical base period for the next scale. Market exchange rates were more objective for conversion purposes, and he welcomed the intention to keep under review the criteria for replacing market exchange rates where their use caused excessive distortions.

91. The use of gross national product made adjustment for external debt irrelevant for scale purposes. Nevertheless, should it be retained, the adjustment amount should be based on actual principal repayments rather than on a proportion of debt stocks.

92. Per capita income should remain a decisive factor in granting reductions to developing countries, although distortion resulted from determining the adjustment under the current methodology. The matter should be kept under review.

93. His delegation fully supported the recommendations that the floor should be reduced to 0.001 per cent, and that the scale should be carried to three decimal places. The scheme of limits should be phased out as soon as possible.

94. However useful the recommendations of the Committee on Contributions, they were only adjustment measures and not a comprehensive proposal for reform of the apportionment of the Organization's expenses. The time had come to adopt a procedure for the apportionment of all expenses, including peacekeeping, which would enjoy the confidence of all Member States and thereby ensure the stable financing of the Organization. The proposal made by the European Union in the High-Level Open-Ended Working Group on the Financial Situation of the United Nations would provide a good basis for such a comprehensive revision.

The meeting rose at 12.50 p.m.