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SUMMARY RECORD OF THE 3rd MEETING

Chairman: Mr. SENGWE (Zimbabwe)

later: Mr. STEIN (Germany)
(Vice-Chairman)

later: Mr. SENGWE (Zimbabwe)

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

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The meeting was called to order at 3 p.m.

AGENDA ITEM 126: FINANCING OF THE UNITED NATIONS MISSION FOR THE REFERENDUM IN WESTERN SAHARA (A/50/655/Add.2, A/51/440)

AGENDA ITEM 135: FINANCING OF THE UNITED NATIONS OBSERVER MISSION IN LIBERIA (A/50/650/Add.4, A/51/423)

1. Mr. TAKASU (Controller) introduced the report of the Secretary-General on the financing of the United Nations Mission for the Referendum in Western Sahara (MINURSO) (A/50/655/Add.2), submitted pursuant to Security Council resolution 1056 (1996) of 29 May 1996. In that resolution, the Council had, *inter alia*, supported the proposal of the Secretary-General to reduce the strength of the military component of MINURSO by 20 per cent, endorsed the decision to suspend temporarily the work of the Identification Commission and extended the mandate of the mission for six months from 1 June to 30 November 1996. For its part, the General Assembly, in its decision 50/446 B of 7 June 1996, had authorized the Secretary-General to enter into commitments in the amount of $7,816,100 gross for the maintenance of the mission between 1 July and 30 September 1996, an amount that would have to be assessed on Member States in accordance with the scheme set out in that decision. In mid-September 1996, the Assembly had decided to extend until 31 October 1996 the commitment authorization granted to the Secretary-General in the amount of some $2.6 million gross per month.

2. The revised cost estimates for the period from 1 July 1996 to 30 June 1997 amounted to $31,902,000 gross and reflected a 39 per cent decrease in gross terms in comparison with the original cost estimates, taking into account that it provided for the reduced strength of 230 military observers and 9 civilian police observers, supported by a civilian establishment of 167 personnel (102 international and 65 local) and 2 observers from the Organization of African Unity (OAU).

3. The actions to be taken by the General Assembly, which were set out in paragraph 20 of the report, included the appropriation of approximately $27.9 million gross for the period from 1 February to 30 June 1996, already authorized and assessed, the appropriation of approximately $13.2 million gross for the period from 1 July to 30 November 1996, the assessment of the additional amount of about $5.4 million gross for the period from 1 July to 30 November 1996, taking into account the measures adopted by the General Assembly, and the appropriation of $18.6 million gross for the period from 1 December 1996 to 30 June 1997, to be assessed at the rate of approximately $2.6 million gross per month, subject to the extension of the mandate of MINURSO by the Security Council beyond 30 November 1996.

4. The total amount assessed for the maintenance of the Mission amounted to $49 million; as for the status of reimbursement to troop-contributing Governments, reimbursements had been made up to 30 November 1995.

5. Turning to the report of the Secretary-General on the financing of the United Nations Observer Mission in Liberia (UNOMIL) (A/50/650/Add.4), the Security Council had extended the mandate of the mission for three months, until

30 November 1996, and had supported the decision of the Secretary-General to deploy additional military observers.

6. The revised cost estimates for the maintenance of the Observer Mission for the 12-month period from 1 July 1996 to 30 June 1997 represented a 47 per cent reduction in the previous estimate, due to the reduced staffing level, comprising 34 military observers, 43 international staff and 47 local staff, and the non-implementation of disarmament and demobilization programme. Although the revised estimates contained in the report amounted to some $14.5 million gross, reductions of about $500,000 had been achieved from the adjustments to the deployment plan for military and civilian personnel. Therefore, the total estimates amounted to slightly over $14 million gross. It should be noted that the estimates did not include credits for disarmament and demobilization activities, except for the salaries for a disarmament adviser and some local personnel. In accordance with the request of the Security Council, the Secretary-General hoped to be able to submit in mid-October a revised operational plan having regard to the new political realities. The plan would reflect the expanded operations planned for UNOMIL in support of the electoral process, disarmament, demobilization and electoral assistance. Given that the Mission's mandate would conclude on 30 November, should the Security Council decide to extend and expand the functions of UNOMIL, the Secretary-General would again submit cost estimates for consideration by the General Assembly.

7. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the Advisory Committee's report on the financing of the United Nations Mission for the Referendum in Western Sahara (MINURSO) (A/51/440), said that it was the Advisory Committee's understanding that the increase in staff resources under the Office of the Special Representative of the Secretary-General was attributable to the proposal of the Secretary-General to maintain a political office in Tindouf. In addition, the Advisory Committee was of the view that, in the light of the reduction in staff resources, the number of Mission vehicles was high, and it reiterated its recommendation that the use of aircraft should be restricted. Lastly, with regard to the actions to be taken by the General Assembly, the Advisory Committee was recommending approval of the Secretary-General's proposals set out in paragraphs 20 (a) to (d) of document A/50/655/Add.2.

8. The Advisory Committee's report on the financing of the United Nations Observer Mission in Liberia (UNOMIL) was contained in document A/51/423. Since, between the preparation and introduction of the previous report of the Advisory Committee on the item (A/50/922), hostilities had broken out, the General Assembly had requested the Secretary-General to submit revised cost estimates, which were contained in document A/50/650/Add.4. The background to the revised budget was provided in paragraphs 1 through 8 of the Advisory Committee's report.

9. The final communiqué signed by the Heads of State and Government of ECOWAS on 17 August 1996 (S/1996/679, annex) contained the new programme of implementation of the Abuja Agreement. As indicated in paragraph 6 of the Advisory Committee's report, issues relating to support for the election process, disarmament, demobilization and verification of compliance by the factions had not been covered in the Secretary-General's report, and would be

dealt with in a subsequent report. Accordingly, the Advisory Committee was of the view that the revised estimates might, in due course, be revised once again. The revised estimates amounted to $14,016,000 gross: a breakdown of the reduction of $496,800 gross submitted by the Secretariat was provided in annex I to the report. Lastly, the Advisory Committee was recommending approval by the General Assembly of the Secretary-General's proposal contained in paragraph 28 of his report.

10. Mr. MEDINA (Morocco) said, with regard to agenda item 126, that the concerns expressed by his delegation concerning document A/50/655/Add.1, at the resumed session of the Committee in May 1996 had not been taken into consideration. Paragraph 3 of the introduction to the new report simply repeated what was stated in the report of the Secretary-General to the Security Council. Moreover, the reference to the political mandate included in section II of the new report did not respond to the concerns expressed by Morocco because it did not remove the ambiguity surrounding the reasons for the suspension of the identification process.

11. Mr. MOKTEFI (Algeria) said that the question raised by Morocco was of a political nature. The situation in Western Sahara was a decolonization issue which was before the Fourth Committee and the Security Council. In the quest for a just and lasting solution to the problem, the Fifth Committee should limit itself to issues concerning financing.

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

12. Mr. ETUKET (Chairman of the Committee on Contributions) introduced the report contained in document A/50/11/Add.2, which included the outcome of the second phase of the thorough and comprehensive review of all aspects of the scale methodology undertaken by the Committee on Contributions pursuant to General Assembly resolution 48/223 C. The Committee understood that its recommendations on individual elements of the methodology were presented in the context of that review and not in the context of any specific scale and that the General Assembly would take into account the possible interactions, where they existed, between the individual elements when it mandated a new scale. In its review, the Committee had recalled various General Assembly resolutions which reaffirmed the principle of capacity to pay as the fundamental criterion for the apportionment of the expenses of the Organization. The comparison of estimates of national income would appear prima facie to be the fairest guide to measuring Member States' capacity to pay, subject to adjustments for factors identified by the General Assembly. Discussions on those factors were taking place in the Committee on Contributions.

13. The Committee recommended the use, in future scales, of estimates of gross national product (GNP) as a first approximation of capacity to pay. The problem arising from the change from the 1968 system of national accounts to that of 1993 should also be kept under review. The statistical base period should be a multiple of the scale period. However, discussions on the question of the length of the base period had been inconclusive owing to differences in opinion with regard to the stability which would be achieved with long base periods and the current capacity to pay which would be achieved using shorter base periods.

Various suggestions had been made including one on a gradual reduction in the length of the base period. The Committee recognized the limitations of various conversion rates and agreed to keep that issue under review. In the meantime, it agreed that market exchange rates should be used for the purposes of the scale, except where that caused excessive fluctuations or distortions in the income of some Member States, in which case price-adjusted rates of exchange or other appropriate conversion rates should be employed. The Committee intended to take up that subject again at its next session and, in that regard, it had requested the Secretariat to report on the practice of the International Monetary Fund and the World Bank in choosing appropriate conversion rates.

14. The Committee, having considered debt-burden adjustments, had concluded that, should the General Assembly decide to retain that element of the scale methodology, future calculations to measure debt-adjusted income should be based on debt information available from the World Bank. In that regard, the adjustment should be based on data on actual principal repayments rather than on a proportion of debt stocks. The Committee had held in-depth but inconclusive discussions on the question of the low per capita income adjustment. It had been agreed to keep under review the issue of the discontinuity experienced by Member States rising, between scales, through the threshold level of per capita income.

15. Several Member States had expressed concern with respect to the current floor assessment rate of 0.01 per cent, which they considered to be a serious departure from the principle of capacity to pay for a number of smaller Member States. After reviewing the matter, the Committee had recommended that all Member States whose share of adjusted national income was less than the current floor rate of 0.01 per cent should, in future scales of assessments, be assessed at their actual share of adjusted income, subject to a minimum assessment rate of 0.001 per cent. Therefore, the scale of assessments should be carried to three decimal places. The Committee had no further observations to make on the provisions of General Assembly resolution 48/223 B that the scheme of limits should be completely phased out in the next scale. The Committee’s observations in that connection were reflected in paragraphs 51 and 52 of the report.

16. On the question of the review of procedural aspects of consideration of requests for exemption under Article 19 of the Charter called for by General Assembly resolution 50/207 B, the Committee intended to consider that matter again at its next session and to report to the General Assembly before the end of the fifty-first session. As far as the representation of the Comoros regarding its request for exemption under Article 19 of the Charter was concerned, the Committee had concluded that the failure of the Comoros to pay the amount necessary to avoid the application of Article 19 had been due to conditions beyond that Member State’s control. Accordingly, the Committee had recommended that the Comoros should be permitted to vote through the fifty-first session of the General Assembly and that that waiver should be subject to review before any further extension.

17. Regarding the implementation of General Assembly decision 50/471 B, the Committee had reconsidered the inclusion of the Member State concerned in the list of countries falling under paragraph 2 of General Assembly resolution 48/223 B. As stated in paragraph 17 of the report, the Member State concerned

had met two of the three criteria established by the above-mentioned General Assembly resolution to determine which Member States would benefit from the 15 per cent limitation on the effect of the phasing-out of the scheme of limits on the scale of assessments for the period 1995-1997. Accordingly, while the Committee had sympathized with that Member State's concern about the increase in its rate of assessment, it had found no basis to recommend an adjustment of the rate during the period 1995-1997.

18. Since the adoption of the report, a number of Member States referred to in paragraph 58 had made the necessary minimum payments to avoid application of Article 19 of the Charter during the fifty-first session of the General Assembly. Those States were Bosnia and Herzegovina, Burundi, Dominica, the Dominican Republic, Equatorial Guinea, Georgia, Grenada, Guinea, Latvia, Madagascar, Mali, Mauritania, the Niger and Sierra Leone.

19. Mrs. INCERA (Costa Rica), speaking on behalf of the Group of 77 and China, endorsed the recommendations of the Committee on Contributions with respect to the application of Article 19 of the Charter as contained in paragraph 12 of its report. She also endorsed the current methodology which put into effect the notion that Member States with greater resources and wealth, and therefore with a greater capacity to pay, should bear a greater share of the expenses. The current scale of assessments was not the cause of the Organization's financial difficulties since such difficulties continued despite the changes which had been made in the methodology. That indicated that the crisis was due to the non-payment of contributions which had already been approved and adopted by consensus.

20. The principle of capacity to pay should remain the fundamental principle in determining the apportioning of the Organization's expenses amongst Member States. The General Assembly had rejected the clean-slate approach by repeatedly reaffirming that the methodology for determination of contributions was a complex process containing several elements. Simplicity and transparency could not be a substitute for making fundamental alterations in such elements. The starting point for the determination of a Member State's capacity to pay was its national income as a proportion of the world's total income, although it should not be the sole determinant. The adjustment of the national income by additional factors which had been approved by the General Assembly should be retained, including consideration of the factors in resolutions 43/223 B and 46/221. The role and significance of such additional factors should not be minimized, since they sought to balance the use of national income indicators into the exercise. Consideration must also be given to the anomalies associated with the use of per capita income, while extreme variations in assessment should be avoided.

21. The Group of 77 and China believed that it would be more effective to make adjustments to the methodology, if required, based on its principles, rather than revising it entirely. They thus took note of the recommendation of the Committee on Contributions that the basis for calculation of the future scale of assessment should be gross national product. The use of market exchange rates currently offered the most viable and accurate mode of making conversions for the purpose of comparing the national income of different countries. The different situations of Member States with respect to exchange rates must be

taken into account, in accordance with paragraph 3 (b) of General Assembly resolution 46/221 B. International debt obligations continued to seriously hamper the availability of resources and foreign exchange available to developing countries and the current mechanism for debt-burden adjustment thus remained an indispensable component of the scale methodology. The low per capita income adjustment had been accepted from the beginning as an integral part of the scale methodology and must remain so. It was also important to have a base period which took into account the capacity to pay of Member States in a realistic manner.

22. Any future change in the scale methodology should not result in an increased burden on developing countries which was beyond their capacity to pay. The ceiling represented a departure from the implementation of the principle of capacity to pay, with the consequent financial burden on the rest of the membership. The ceiling should therefore not be lowered any further. The current floor assessment also represented a departure from the principle of capacity to pay for a large number of small developing country Member States. The Group of 77 and China therefore urged the General Assembly at its fifty-first session to lower the floor rate and to give due consideration to the difficulties of the least developed and other developing countries. In accordance with the provisions of resolution 48/223 B, the effects of the scheme of limits would be phased out by 50 per cent in the current scale for the period 1995-1997, with a view to its complete phasing out in the next scale for the period 1998-2000. The allocation of additional points resulting therefrom to developing countries benefiting from its application should be limited to 15 per cent of the effect of the phase-out.

23. Mr. KELLY (Ireland), speaking on behalf of the European Union, the associated States of Bulgaria, the Czech Republic, Estonia, Hungary, Romania and Slovakia, and of Iceland, said that, in its resolution 48/223 C, the General Assembly had decided to undertake a thorough and comprehensive review of all aspects of the scale methodology, which currently did not properly and equitably reflect the principle of capacity to pay. That principle should remain the fundamental criterion for determining the scale of assessments. The methodology, as it had evolved, severely distorted the principle and did not truly reflect economic realities. The linkage between reform of the scale methodology and the overall financial situation of the Organization was crucial. The deficiencies and inequities to which the current methodology gave rise must be addressed if the confidence of Member States in the arrangements for the financing of the United Nations was to be fully restored. A coherent and comprehensive approach to tackling the financial crisis was clearly required. Reform of the scale methodology must be coupled with steps by those in arrears to fully pay up. The General Assembly must also receive a credible commitment from those in arrears to honour their financial obligations in future and incentives and disincentives should be put in place to ensure that a crisis of non-payment or late payment did not occur again.

24. The European Union remained convinced that the comprehensive proposals for resolving the financial crisis which had been advanced by the High-level Open-ended Working Group on the Financial Situation of the United Nations remained the best basis for a negotiated solution which could command the support of all Member States. Almost three years after the process of reform had been

initiated, the need for fundamental reform of the scale methodology remained as great as ever. The changes introduced in the context of the current scale period were clearly steps in the right direction, but obviously not sufficient. More fundamental changes were needed if the deficiencies of the current methodology were to be properly addressed.

25. The Ad Hoc Intergovernmental Working Group on the Implementation of the Principle of Capacity to Pay, which had been established in accordance with resolution 48/223 C, had made a very valuable contribution in outlining the types of fundamental reform which would be required. Its report contained many recommendations on how to adjust the scale methodology, which had subsequently informed the views expressed on the matter by the European Union in the work of the High-level Open-ended Working Group on the Financial Situation of the United Nations. The aim of any reform should be to achieve as close as possible a relationship between the contributions of Member States and their actual capacity to pay, while at the same time giving adequate consideration to the needs of countries with low per capita income. The starting point must be the use of gross national product (GNP), converted to United States dollars at market exchange rates, as the most objective measure of the relative wealth of each Member State.

26. The European Union also supported a three-year statistical base period as the best way of ensuring as close a correlation as possible between current capacity to pay and the assessment rates determined for each Member State. The Union also favoured annual recalculation of the scale in order to eliminate excessive fluctuations and to ensure that contributions reflected an up-to-date measure of relative wealth. That would mean that the scale would be automatically adjusted each year and that the contributions of Member States would adjust constantly, but only by very small amounts.

27. Per capita income should continue to be used as the basic criterion for determining relief to developing countries. Only those Member States whose per capita income fell below the world average should be eligible for such relief. The European Union proposed providing relief at 75 per cent of the proportion by which a Member State’s per capita income fell below the world average. That relief would then be applied to the Member State’s share of total gross national product (GNP) for all Member States. In practice, the proposal would be similar to the gradient formula used under the existing methodology. There should be a substantial reduction in or elimination of the floor, taking into account the principle of the sovereign equality of Member States. The concept of the ceiling was quantitatively the second most important distortion factor in the current scale. Nevertheless, the European Union considered it appropriate to maintain the principle that the Organization should not rely excessively on a single Member; consequently, the ceiling should be maintained at its current level of 25 per cent. In addition, debt-servicing should no longer be an element of the methodology for determining the scale of assessments; it would in fact become unnecessary if GNP was taken as the basic measure of income, since the actual cost of debt-servicing would already be reflected in GNP data.

28. It was estimated that, by introducing a scale which reflected real capacity to pay, the majority of Member States would end up paying less than they

currently did. In general terms, the European Union’s proposals were designed to ensure that the structure of contributions would become more equitable and fair for all Member States. Under those proposals, relatively few developing countries - those whose average income exceeded the world average - would pay more, while the large majority would pay less. There was now no reason why the General Assembly should postpone taking decisive action to bring about a fundamental reform of the methodology for calculating the scale of assessments. What was needed was a clear political will on the part of Member States to tackle the problems and deficiencies associated with the current methodology and to agree on a comprehensive package of reforms that could be implemented by the start of the next scale period. Obviously, the General Assembly would have to address the question of the arrangements and timetable that should apply in implementing a reformed scale methodology. The European Union wished to recall that, under its proposal, a reform of the scale methodology for regular budget expenditures would also have implications for the scale of assessments for peacekeeping operations.

29. The European Union appreciated the efforts made by the Committee on Contributions to prepare its report in accordance with General Assembly resolution 48/223 C. However, it noted that, although many proposals had been made, the report contained only a limited number of recommendations for adjusting the scale methodology. Clearly, it had not been easy for the Committee to reach agreement on the political decisions required to reform such elements of the methodology as the debt-burden adjustment, the low per capita income adjustment and the length of the base period. However, it was somewhat disappointing that the Committee had not been able to agree on more far-reaching recommendations as to how the methodology might be reformed. The General Assembly had before it a golden opportunity to start putting in place some of the measures that would be required to resolve the financial crisis. A new scale would have to be adopted in 1997; if the Committee on Contributions had a proper set of instructions for preparing the scale, one of the items on the agenda of the High-level Open-ended Working Group could be dealt with effectively, thereby allowing the Working Group to concentrate on putting in place the remaining elements of a comprehensive package of measures for resolving the financial crisis when it resumed its activities in January 1997.

30. There was no alternative to reaching agreement on the comprehensive measures that must be implemented, since anything less would only succeed in perpetuating existing inequities and would not restore the confidence of all Member States in the Organization’s financial arrangements, which was necessary if the financial crisis was to be resolved. Half-measures or proposals that involved departures from strict respect for the principle of capacity to pay were clearly not the answer at such a dire moment in the financial history of the United Nations. With the necessary political will of all delegations, solutions could be found during the current session.

31. Mr. BLUKIS (Latvia) said that the final goal of the current reform was to achieve a more stable methodology for calculating the scale of assessments and a series of data that could be modified much less frequently than every three years. In that connection, five considerations must be borne in mind. The first, and most important, was that the principle of capacity to pay should be fully respected rather than merely reaffirmed, as had been the case in the past.

In paragraph 25 of its report (A/50/11/Add.2), the Committee on Contributions recalled that the expenses of the United Nations should be apportioned broadly according to capacity to pay; that wording should make it easier to implement that principle, since the modifier "broadly" allowed for a flexible interpretation of the meaning of capacity to pay. Secondly, a scale methodology would have to be developed that neither conferred privileges nor discriminated against small groups of Member States. The third consideration involved the principle of sovereign equality provided for in Article 2, paragraph 1, of the Charter, which in the present context meant financial obligations that were equitable and fair. Fourthly, Member States had to seek agreement on the basis of their common long-term interests and not, as had frequently occurred in the past, on the basis of each country's short-term interest in receiving fewer points in the next scale. Lastly, the reform would have to be implemented at a prudent and deliberate speed, as was currently being done with the scheme of limits.

32. One of the important problems that reform must address was that of reliability and comparability of data. The Committee on Contributions assumed that the data provided by national statistical institutions were the most reliable and comparable. However, such national data could not be verified in any systematic way. The General Assembly should ask the Committee on Contributions to study the feasibility of systematically gathering information and conducting related statistical studies to verify the extent of reliability and comparability of the data used to determine assessment rates. Information arising out of that study could make the determination of a State's capacity to pay more precise, especially by minimizing the effects of excessive fluctuations or distortions of exchange rates; that would help Latvia, and probably also other Member States, improve their data collection and analysis systems. As to the most appropriate criterion in determining capacity to pay, Latvia agreed with the recommendation that gross national product (GNP) should replace national income.

33. With regard to the methodology for calculating assessment rates, Latvia supported the European Union's proposal because it offered the most comprehensive basis for negotiations. The table in annex IV of document A/50/11 showed the surprising result that many of the poorest countries had the highest assessments, while other similarly poor countries had the lowest. A citizen of one of the small poor countries near the top of the table paid the United Nations up to 1,000 times more than a citizen of a similarly poor but large country at the bottom of the table. To reduce such inequities, Latvia supported the recommendation of the Committee on Contributions in paragraph 50 of its report (A/50/11/Add.2), which was consistent with the European Union's proposal and the position of the Group of 77, namely, to lower the floor assessment rate to 0.001 per cent. Accordingly, 20 to 30 countries would pay the new floor rate, compared to the nearly half of the Member States that paid the current floor rate, and none of those 20 to 30 countries would pay more than a few thousand dollars above their capacity to pay, a situation which could be described by the qualifier "broadly" in the formulation of the principle of capacity to pay previously referred to.

34. The floor rate would have to be lowered in a balanced manner, taking into account the question of the privileged rates of a few countries. Another large

inequity was also clearly visible in annex IV. Beginning with position 34 and below, the table listed the names of some 20 poor-to-moderately-rich countries that in 1997 would have assessment rates well above their shares of the world economy as a result of the distortions caused by the scheme of limits, even though the first 50 per cent of the effects of the scheme would have been eliminated by 1997. It was clear that the elimination of the other 50 per cent of the effects of the scheme of limits must be an important component of the reform. As to the low per capita income adjustment, a study had shown that the adjustment divided the current assessment rates into two major groups. In the first group the rates were primarily determined by a country’s share of world income, with a moderate correction owing to the adjustment. The rates in the second group were very different from the corresponding share of world income because they were primarily determined by the adjustment itself. To achieve a stable scale methodology based on gross national product, it would be necessary to make GNP a true first approximation of capacity to pay through the gradual reduction of the gradient to the level that prevailed before the mid-1970s. In that context, Latvia supported a moderate reduction of the gradient, to 75 per cent, in the next scale.

35. With regard to other adjustments to GNP, such as debt-burden adjustment and mitigation, which were a part of the current scale, to take account of countries with particular economic characteristics, the General Assembly could decide that such adjustments were sufficiently small to make them unnecessary for apportioning assessment rates "broadly according to capacity to pay", and therefore should be gradually eliminated. As for the length of the base period, Latvia would be willing to negotiate a stable base period that would always protect its interests and those of other countries during times when a country’s economy was doing poorly in relation to the world average. Such a base period would have to be as short and current as possible, i.e., three years, and would be subject to annual reviews. Latvia therefore supported the European Union’s proposal concerning the length of the base period.

36. With respect to the relative roles of the Fifth Committee and the High-level Open-ended Working Group on the Financial Situation of the United Nations in putting together the comprehensive package required to resolve the financial crisis, Latvia supported the European Union’s approach and noted that the Group of 77 had been advocating a similar approach in the High-level Open-ended Working Group.

37. Several mitigating factors could be noted with regard to increases in the assessment rates of some countries as a result of the reforms: absorption of costs would be eased by the lowering of peacekeeping budgets and a regular budget that was constant in dollars subject to inflation; the aggregate number of points shifted by the reforms would not be very large compared to the number of points shifted by changing economic conditions; and a gradual approach and special payment plans could help the few Member States that currently had assessment rates much below capacity to pay. The reforms to the scale of assessments would bring benefits to Member States, the most important of which was that a scale methodology that enjoyed general confidence and respect would be an excellent basis for comprehensive reforms in the financial area and even outside it.

38. Mr. ARMITAGE (Australia), speaking on behalf of his own country and Canada and New Zealand, said that the current methodology for calculating assessment rates did not meet the minimum requirements of simplicity and transparency. Many of its elements had nothing to do with the principle of capacity to pay and imposed a disproportionate burden on many Member States, particularly the smallest and poorest of them. Economic and population data for 1992 and the regular budget assessments for 1996 indicated that 16 Member States paid a higher assessment per capita than the Member State with the highest rate of assessment. There were more than 90 countries whose people were assessed a higher proportion of their per capita income than the citizens of the Member State with the highest rate of assessment. Over 70 of those Member States were developing countries, and of them over 40 were assessed at the minimum rate. Such anomalies were the cumulative effect of the floor, the ceiling, the base period, the scheme of limits, the present low per capita income adjustment and other elements, all of which explained why the revision of the methodology should be comprehensive.

39. Although in the past the delegations of Canada, New Zealand and Australia had maintained that the only element in the current methodology that could be considered a transparent and equitable measure of capacity to pay was net national income, they could accept the recommendation of the Committee on Contributions to base future scales on estimates of gross national product if it was part of a comprehensive set of methodological changes. The current base period, by giving excessive weight to the past, was a distortion of capacity to pay. It would be preferable to use a three-year base period with annual recalculations.

40. The debt problem facing many developing countries certainly was serious, but the existing debt-burden adjustment did not reflect the actual burden faced by many countries and did not provide the relief intended. It would be preferable to eliminate it entirely. However, he took note of the proposal by the Committee on Contributions in paragraph 41 of its report that if the element was retained, it should be based on actual principal repayments, subject to appropriate data being available. Canada, New Zealand and Australia were prepared to ask the Committee on Contributions to look into the technical feasibility of that approach.

41. The current formula used to calculate the low per capita income adjustment was neither simple nor transparent. The report of the Ad Hoc Intergovernmental Working Group on the Implementation of the Principle of Capacity to Pay had noted the difficulty of arriving at clear parameters for its two elements, namely, the per capita income limit and the gradient of relief. The adjustment should be maintained but the parameters should be changed to reduce existing imbalances. In the existing formula the principle of progressivity applied only to countries with a per capita income below the world average (or threshold) and created a discontinuity at the threshold which penalized those countries just over the limit. He drew the Committee’s attention to the Canadian proposal to extend the principle of progressivity throughout the scale, which would eliminate the current anomaly at the threshold, and proposed that the Committee should request the Committee on Contributions to study that proposal and other options with a view to recommending a simpler formula for low per capita income adjustment which more closely reflected capacity to pay.

42. The floor was another anomaly which placed an excessive burden on the smallest and poorest countries. He was pleased that the Committee on Contributions had recommended a substantial reduction in the minimum assessment rate to 0.001 per cent, but agreed with the Ad Hoc Intergovernmental Working Group that the floor was a political element and should not be included in the methodology. The ceiling conferred a benefit on the largest and wealthiest contributor at the expense of the others. It bore no relationship to the principle of capacity to pay. Although it had been argued that the United Nations should reduce its dependence on a few large contributors, that could not be achieved without setting the ceiling at such a low level that the principle of capacity to pay might just as well be abandoned. Accordingly, he opposed any proposal to reduce the current ceiling. On the contrary, fairness, equity and the principle of capacity to pay demanded its elimination. He looked forward in the next scale of assessments to the end of the scheme of limits. The scheme had caused continuing disparities and had not met its objectives. Mitigation represented a purely political exercise, had no technical basis and therefore should not be included in the methodology.

43. The scale of assessments for peacekeeping activities, which should continue to be based on the scale of assessments for the regular budget, should be raised. The group system did not reflect current realities and should be replaced by a more transparent and equitable and less arbitrary system. A substantial surcharge should continue to be levied on all permanent members of the Security Council and the benefit of the surcharge should continue to flow to low per capita income countries. There should be no floor or ceiling in the peacekeeping scale. He reiterated the opposition of Canada, New Zealand and Australia to any attempt by a Member State unilaterally to alter its rate of assessment. The only valid rates of assessment were those adopted by the General Assembly. Although there were inequities and distortions in the current scale of assessments, it was important that all Member States continued to meet their legally binding financial obligations under the Charter while negotiations continued on improvements to the scale of assessments.

44. Mr. Stein (Germany), Vice-Chairman, took the Chair.

45. Miss PEÑA (Mexico) said that for political reasons the Committee on Contributions had been unable to reach a consensus on possible technical recommendations, a situation which undermined the advisory role assigned to it by the General Assembly under rule 160 of its rules of procedure. She hoped that the General Assembly would instruct the Committee as soon as possible to prepare a draft scale of assessments for the period 1998-2000 for consideration at the fifty-second session of the General Assembly. The current methodology had evolved from a broad and systematic technical and political process which was designed to reflect the capacity to pay of Member States. It was not necessary to alter the methodology in order to foster compliance with the contractual financial commitments which Member States had undertaken vis-à-vis the United Nations.

46. With regard to the recommendations of the Committee on Contributions, she believed that the basis for calculating national income should continue to be gross domestic product (GDP), and expressed doubts about basing future scales on estimates of gross national product (GNP). Moreover, she failed to understand

the recommendations to reduce the minimum assessment rate to 0.001 per cent; the reasons advanced concerning the impossibility of paying the current floor rate of 0.01 per cent, which currently was equivalent to $108,777, did not seem very convincing. She had no objection to rounding the rate to three decimal points or to having the United Nations Statistical Division maintain a database suitable for evaluation and simulation of the system. She reiterated her delegations's belief in the relevance of the debt-burden adjustment and the low per capita income adjustment and of using a long base period and market exchange rates. She noted with interest that the Committee had decided to continue to review the procedural aspects of consideration of requests for exemption under Article 19 of the Charter at its fifty-seventh session. She could accept the Committee's recommendation to the General Assembly that the Comoros should be permitted to vote through the fifty-first session of the Assembly and that the waiver should be subject to review before any further extension. In the long run, however, repeated exemptions of that kind undermined the only means available to the United Nations to penalize States for non-payment.

47. Mr. Sengwe (Zimbabwe) resumed the Chair.

48. Mr. ZLENKO (Ukraine), after underscoring the need for all Member States to pay their assessed contributions in full and on time, said that the unsound financial situation of the United Nations was a direct result of the unfair apportionment of its expenses. The current assessment rates of many countries, including Ukraine, substantially exceeded their capacity to pay. That led to the chronic indebtedness of those countries to the United Nations. The paradox was that, for many years, the assessment rates of the major industrialized countries had been below their economic potential. The methodology for calculating the scale of assessments for the period 1998-2000 should be adapted and improved in order to make it genuinely reflective of the capacity to pay of Member States. Other solutions proposed by some Member States during the meetings of the High-level Open-ended Working Group on the Financial Situation of the United Nations would, on the contrary, deepen the existing anomalies and should be rejected.

49. Although more impressive results had been expected, the report of the Committee on Contributions on the work of its fifty-sixth session showed that substantial progress had been made in reforming the methodology, and the Committee's achievements should be formalized with the establishment of parameters for the scale of assessments for the period 1998-2000. For the purpose of determining assessment rates, the "clean slate" approach reflected the capacity of countries to pay, although Ukraine was prepared to support the existing system, in which estimates of national income would continue to be adjusted in accordance with factors determined by the General Assembly; however, in the next scale, the cumulative effect of such adjustments should be minimal in relation to the capacity to pay of Member States. His delegation also supported the recommendation of the Committee on Contributions to use gross national product for the establishment of the scale.

50. His delegation supported the recommendation of the Ad Hoc Intergovernmental Working Group on the Implementation of the Principle of Capacity to Pay that a three-year base period should be used. The use of a shorter base period more accurately reflected the real capacity to pay of Member States and was in

keeping with the three-year period of the scale. The uniform application of market exchange rates provided by the International Monetary Fund should be extended to the calculation of the rates of assessments of all Member States. At the same time, his delegation agreed with the observations in that regard in paragraph 38 of the report of the Committee on Contributions. Debt-burden adjustment should be excluded from the scale methodology if GNP was used to evaluate national income. Nevertheless, his delegation was prepared to support the proposal in paragraph 41 of the Committee's report. The recommendation in paragraph 50 of the Committee's report, to the effect that in future scales of assessment, all Member States whose share of adjusted national income was less than the current floor of 0.01 per cent should be assessed at their actual share of adjusted income, subject to a minimum rate of 0.001 per cent, should be implemented as soon as possible. Finally, his delegation would continue to insist on the complete phase-out of the scheme of limits when the next scale was adopted.

51. Ukraine had been one of the countries most affected by the unfair redistribution of the excessive assessment of the former Soviet Union for the regular budget of the Organization. The Ukrainian Government had twice asked the Committee on Contributions to determine an assessment rate that would reflect its real capacity to pay. However, the scale for the period 1995-1997 still contained rates of assessment several times higher than Ukraine's capacity to pay. Various other Member States were in a similar situation. The Committee on Contributions appeared to be unable to recommend an equitable apportionment of the expenses of the United Nations on account of the utilization of obsolete methodological elements, in particular the scheme of limits. In a spirit of consensus, his delegation had agreed to adopt without a vote resolution 48/223 B, whereby the scheme of limits would be phased out over two scale periods. After prolonged negotiations, his delegation had also agreed to a compromise decision on the establishment of a three-step scale for the period 1995-1997. However, the gradual phasing out of the scheme of limits had, in practice, delayed the adoption of changes in the scale of assessments and prevented a large group of Member States from fulfilling their obligation to pay their contributions in full and on time. His delegation therefore insisted on the complete phase-out of the scheme of limits in the next scale in one step, in other words in 1998. The measures of relief for the developing countries benefiting from the application of the scheme of limits specified in paragraph 2 of resolution 48/223 B were of a general nature and should be taken into account in establishing the parameters for the scale of assessments for the period 1998-2000.

52. Mr. HASMY BIN AGAM (Malaysia) said that his delegation associated itself with the statement made by the representative of Costa Rica on behalf of the Group of 77 and China. Malaysia, which had paid its contributions to the Organization on time, believed that the financial crisis which the United Nations was facing was attributable to the failure of some Member States to fulfil their obligations under the Charter with regard to the payment of contributions. Moreover, the current scale of assessments was perfectly valid, since it adequately reflected the principle of capacity to pay and the consensus agreed to by all Member States. With regard to the criteria for determining the capacity to pay of Member States, annual automatic realignment, which was

proposed as a measure to simplify the methodology, would pose difficulties for his delegation and could prove disruptive.

53. The length of the base period, which was currently seven and a half years, contributed to the stability of the scale, yet it was based on statistics which were already three or four years out of date. It would be too drastic a change to adopt a three-year base period. A base period of five or six years would therefore be reasonable and would provide a basis for consensus. His delegation agreed with the recommendation in paragraph 50 of the report of the Committee on Contributions regarding the floor, and would agree to its reduction. As for the ceiling, if only capacity to pay was taken into account, the major contributor would have to pay more than 25 per cent of the regular budget. It would, however, not be in the best interests of the Organization if it had to rely on just one Member State for over a quarter of its budget. His delegation was prepared to continue discussions on that issue. With regard to the complete phase-out of the scheme of limits in the scale of assessments for the period 1998-2000, in accordance with General Assembly resolution 48/223 B, his delegation supported the gradual three-step approach. That was a compromise solution which would make it possible to establish a balance between those Member States whose rates would increase and those whose rates would decrease; it would also avoid excessive changes in rates of assessment for that period. Moreover, in accordance with resolution 48/223 B, the allocation of points to developing countries benefiting from the application of the scheme of limits should be limited to 15 per cent of the effect of the phase-out.

54. His delegation believed that both the debt-burden adjustment and the low per capita income adjustment continued to be valid elements in the scale methodology. As for the rounding of assessment rates, his delegation concurred with the recommendation of the Committee on Contributions that the scale should be carried to three decimal places. Finally, his delegation could not accept any unilateral decision to reduce peacekeeping assessments. In that connection, it reaffirmed the validity of the principles and guidelines set out in General Assembly resolutions 1874 (S-IV) and 3101 (XXVIII).

55. Mr. EDWARDS (Marshall Islands), speaking on behalf of the South Pacific Forum Island Countries which were also members of the Group of 77, namely, the Federated States of Micronesia, Fiji, Papua New Guinea, Samoa, Solomon Islands, Vanuatu and the Marshall Islands, welcomed the statement made by the representative of Costa Rica on behalf of the Group of 77 and China.

56. The delegations on behalf of which he was speaking strongly supported the recommendation in paragraph 50 of the report of the Committee on Contributions. In that connection, they reiterated the call which had been made to the High-level Open-ended Working Group on the Financial Situation of the United Nations for the reduction of the floor rate. If the Fifth Committee should decide to approve the recommendation of the Committee on Contributions, over 60 countries would benefit and a number of countries in the region which were not members of the United Nations for economic reasons would be able to apply for admission to the Organization. Those delegations had indeed asked for the floor rate to be abolished, but they understood that, for the time being at least, there had to be a minimum assessment for membership in the United Nations. The reduction of the floor would be an important first step, among the measures being considered,

since there appeared to be unanimity - not just consensus - on the need to introduce that change in the scale of assessments.

57. Mr. PALIZ (Ecuador) fully supported the statement made on behalf of the Group of 77 and China. He also supported the ministerial statement of the Movement of Non-Aligned Countries of 25 September 1996 to the effect that the principle of capacity to pay should continue to be the fundamental criterion governing any revision of the methodology for the calculation of the scale of assessments. With regard to the report of the Committee on Contributions, it was important to promote stability in the scale methodology. In determining the scale of assessments, the difficulties of the developing countries should be taken into account so that any adjustments made would not affect them and would be applied gradually and adopted by consensus. It was also important to take into account the fact that debt-servicing seriously affected the balance of payments of those countries. The principles of international solidarity and equitable apportionment should prevail in the management of the finances of the Organization. The contributions of Member States should be regarded as investments in peace, democracy and development, and the payment of those contributions as a political and legal commitment to the proper functioning of the United Nations. His delegation reiterated that the review and consideration of the scale methodology did not relieve Member States of the obligation to pay their contributions to the Organization, which had entered on its second half-century with serious cash-flow problems.

58. Mr. ALOM (Bangladesh) said that the report of the Committee on Contributions afforded a sound technical basis for a stimulating discussion on the future of a more stable, simpler and more transparent scale methodology. Nevertheless, instead of making adjustments exclusively to selected matters which would succeed only in maintaining the disparities in apportionment of the financial burden of the Organization, the review of the proposed methodology should be conducted more meticulously so as to establish an overall framework for consensus among Member States. The scale of assessments continued to be the most equitable method the United Nations could resort to in order to raise revenues from its Members. Even so, the formula used presented technical problems that did not call in question the method itself, such as the establishment of accurate baseline data for many countries, issues concerning the definition of capital consumption, and the working of some adjustment instruments in special circumstances. Nevertheless, there were some problems of a more fundamental nature, such as the facts that full and prompt delivery of revenues was not possible because of late payments by many Member States, that a number of Member States were deliberately violating the obligations entered into under the Charter with regard to the operation of the methodology and that severe imbalances in the distribution of revenue-sourcing were inevitable while so many developing countries continued to be impoverished by the existing economic system.

59. Capacity to pay was the fundamental principle for determining the scale. The way in which some Member States had used that principle, in accordance with which, by definition, States with higher capacity to pay would contribute more to the regular budget of the United Nations, could not be overlooked. If there was not a sufficient proportion of Members with acceptable capacity to pay and one Member State or a group of Member States provided an inordinate proportion

of the budget, it must be asked how they would respect the Charter and whether they would refrain from exerting financial pressures on the Organization. Elements that moderated and balanced a methodology based on mathematics should be employed.

60. The plight of the 48 least developed countries had placed them below the floor rate, and a decisive reversal of their socio-economic deterioration was not in sight. Consequently, Bangladesh reiterated the importance of maintaining the existing protective measures in establishing the scale methodology criteria in order to help the least developed countries and other small and vulnerable Member States overcome the difficulties of the transition. Bangladesh welcomed the fact that the Committee on Contributions recalled General Assembly resolution 48/223 B of 23 December 1993, which had decided that individual assessment rates for the least developed countries should not exceed the level of 0.01 per cent.

61. While national income should remain the basic tenet, certain factors such as per capita income, seriousness of the external debt burden or the availability of foreign exchange were indispensable to ascertaining actual capacity to pay. The base period, currently set at 7.5 years, ensured stability and avoided fluctuations. Nevertheless, it could change to take cognizance of the changed circumstances during a given cycle. Similarly, the low per capita income allowance had provided some sort of relief to many developing countries, and should accordingly figure in the methodology as an automatic adjustment mechanism. With regard to conversion rates, the use of market exchange rates was the most viable and accurate way of making conversions for the purpose of comparing the national incomes of countries. Nevertheless, there would be a need to consider the possibility of establishing alternatives such as the use of the World Bank Atlas conversion rates or price-adjusted rates of exchange. However, it was premature to consider using purchasing power parities. There was also a need to establish realistic alternatives to conversion rates for Member States that experienced distortions in their income. Bangladesh believed that obligations relating to the debt burden continued to seriously hamper the availability to developing countries of resources and foreign exchange, and that the current mechanism for debt adjustment relief should remain an indispensable component of the methodology. It might be necessary to adopt new formulas for strengthening that adjustment factor in order to take into account the special problems of high indebtedness of a large number of developing countries.

62. Mrs. PHAM THI NGA (Viet Nam) expressed Viet Nam’s deep concern at the financial situation of the Organization, which was now worse than ever before. In that respect, Viet Nam agreed with the Group of 77 and China that the crisis stemmed from the fact that Member States, mainly the major contributors, had not fulfilled their obligations to the Organization, thus impairing the ability of the United Nations to implement its activities. That serious situation could not be resolved until those States paid their outstanding contributions in full and promptly. The Organization’s financial difficulties were not linked in any way to the current scale of assessments.

63. The scale of assessments for the regular budget for 1998-2000 must be based on the capacity to pay of each State. To that end, certain criteria should be taken into consideration so that the scale would be fair and equitable.

Regarding the length of the statistical base period, Viet Nam was in favour of a long period, at least six to nine years, because data compiled over a long period more accurately reflected a country's economic situation. With regard to the minimum rate of assessment, Viet Nam supported the recommendation of the Committee on Contributions that in future scales of assessments all Member States whose share of adjusted national income was less than the current floor of 0.01 per cent should be assessed at their actual share of adjusted income, subject to a minimum assessment rate of 0.001 per cent, in order to reduce the number of developing countries affected. No change should be made in the scale of assessments that would entail for the developing countries an assessment higher than their capacity to pay. With regard to the question of ceilings, the current ceiling of 25 per cent should be maintained. Lastly, with regard to Article 19 of the Charter, the Committee on Contributions should further study and examine all aspects of its application to developing countries experiencing extremely difficult situations.

64. Mr. GJESDAL (Norway) expressed his support for the statement made by the European Union on the scale of assessments; the package of proposals contained the best basis for financial reform of the United Nations. He recognized the need for reform of the scale methodology and the importance of the Fifth Committee providing guidance to the Committee on Contributions in that respect so as to facilitate the process of reform, the first step in which had been the review of the scale methodology carried out by the latter Committee. In addition, the suggestion of lowering the ceiling in the regular budget scale of assessments raised a number of questions which could be dealt with only in the context of a broader solution to the financial crisis, including reform of the scale of assessments, payment of arrears and the introduction of penalties and incentives.

ORGANIZATION OF WORK

65. The CHAIRMAN said that the officers of the Committee had agreed that the issue of the assessments of Slovakia and the Czech Republic for the peacekeeping budget would be considered in relation to agenda item 140 and that informal consultations on the subject would be scheduled later on, preferably when the Committee took up the item.

The meeting rose at 5.50 p.m.