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Summary record of the 10th meeting

Held at Headquarters, New York, on Tuesday, 21 October 1997, at 10 a.m.

Chairman: Mr. Chowdhury .... (Bangladesh)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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97-82168 (E)

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

Agenda item 120: Scale of assessments for the apportionment of the expenses of the United Nations (continued) (A/51/11 and Corr.1)

1. Mr. Subedi (Nepal) associated himself with a statement made by the representative of the United Republic of Tanzania on behalf of the Group of 77 and China and said that all Members of the United Nations, without exception, must abide by their financial obligations to the Organization. The principle of capacity to pay remained the fundamental criterion in the assessment of contributions. Under the current system, irrespective of their share of adjusted world income, a large number of smaller countries were required to pay a fixed amount that bore little relationship to their capacity to pay, an arrangement which was neither fair nor scientific. Yet, the majority of them paid their assessed contributions in full and on time.

2. In seven of the eight options proposed, the floor rate would be lowered or abolished. The position of the Committee on Contributions was clear: the floor should be lowered to 0.001 per cent, because of the serious departure from the principle of capacity to pay for a number of smaller States in the existing scale. To safeguard the interests of the least developed countries, a cap of 0.01 per cent should be put on those countries' rates of assessment.

3. Mr. Edwards (Marshall Islands), speaking on behalf of the Solomon Islands and other States as well as his own country, expressed displeasure that the largest contributor had not yet paid its arrears, thereby disdaining the trust which States placed in the United Nations. Since the principle of capacity to pay was not being respected, the Marshall Islands had decided to support the proposals of the Committee on Contributions, believing it essential to begin the reform of the scale without delay and to carry it out in two or three rounds, if necessary.

4. The first issues to settle should be the floor rate, the base period and the low per capita income adjustment. The current floor rate discriminated against some smaller countries, which found themselves spending more on their assessed contribution than on their actual representation at United Nations Headquarters, which was certainly not the case for most developed countries, particularly those which wanted to maintain the status quo.

5. Since the vast majority of the Member States were in favour of lowering the floor rate, if not abolishing it, it was difficult to understand why the necessary decision had not been taken. In general, it was a source of surprise that there was no consensus on a fair scale of assessments based on strict technical criteria, especially the principle of capacity to pay. The obligation to pay was not an issue; it would merely seem less onerous to some countries if the scale was more equitable. It was therefore essential to reach agreement on the priority issues, on the basis of the principle of capacity to pay, or else henceforward to omit all reference to that fundamental principle.

6. Mr. Park Soo Gil (Republic of Korea) welcomed the efforts of the Committee on Contributions to formulate a ninth proposal. While total agreement had not been reached in that regard, at least there was a tentative consensus on some elements, including the base period, the debt burden adjustment and the scheme of limits.

7. The principle of capacity to pay was paramount, because it aimed at producing fairness and equity. The scale must also be stable and predictable, since otherwise the fluctuations in assessed contributions would be excessive. It had been to meet the latter requirement that the scheme of limits and the longer base period had been adopted. His delegation was therefore pleased that the Committee on Contributions had recommended that the scheme on limits should be phased out gradually and that the effects of the phase-out should be limited to 15 per cent of what would normally have been the case for some developing countries. As the Committee on Contributions had stated, a six-year base period represented a reasonable compromise between the position of those who advocated its lengthening and the position of those who advocated its shortening.

8. The economic status of the developing and least developed countries must be taken into consideration, the debt burden adjustment and the low per capita income relief must be maintained, and agreement must be reached on the relief gradient to be adopted. The floor rate should be adjusted downwards to 0.001 per cent, as recommended by the Committee on Contributions.

9. As to the ceiling rate, it seemed plausible to reduce it from 25 per cent to 20 per cent to eliminate over-reliance on contributions from a single Member State; however, the result of such action would be to aggravate the already serious deviation from the principle of capacity to pay and to transfer the additional burden to other Member States. In that regard, it bore repeating that the Organization's financial ills could be cured if only Member States had the political will to discharge their financial obligations in full, on time and without condition.

10. With regard to peacekeeping operations, the Republic of Korea was considering a gradual move from group C of contributors to group B and would submit a plan for the

transfer after the adoption of a resolution on the scale of assessments for the regular budget for 1998-2000.

11. Mr. Albin (Mexico) said that proposal B in the report of the Committee on Contributions (A/51/11) was the same as the one in draft resolution A/C.5/51/L.21, which Mexico had submitted in December 1996. His delegation was convinced that that proposal provided a good basis for an agreement but was prepared to participate constructively in negotiations to find a compromise solution satisfactory to all Member States.

12. Any decision which the General Assembly might take on methodology should have three major components: respect for the principle of capacity to pay; obligation of all Member States to contribute equitably to the expenses of the Organization; need for assessed contributions to be stable and predictable.

13. His delegation deemed it important that assessments should not be established unilaterally by Member States. In accordance with the Charter, the General Assembly must set the individual rates of assessment. Any State which so wished could then make voluntary contributions in addition to its assessed contribution.

14. As to requests for exemption under Article 19 of the Charter, the Committee on Contributions rightly considered that every request should be considered in the light of the individual situation of the State concerned. Decisions should have an exceptional character, and there was no need for uniform criteria. If exemptions were accorded too frequently, the measures provided for in the Charter in the case of non-payment of assessments ran the risk of becoming a dead letter.

15. Adjusting the scale would not in itself be sufficient to settle the financial crisis of the Organization. The only solution to that problem was for all Member States to abide by the Charter and pay their contributions in full, on time and without condition.

16. Mr. Retta (Ethiopia) associated his delegation with the statement made on behalf of the Group of 77 and China and said that the review of the scale of assessments was destined to play only a marginal role in resolving the financial crisis. The financial situation would be restored to normal only if all Member States undertook to pay their assessed contributions in full and on time.

17. The only countries which could benefit from the exemption provided for in Article 19 of the Charter were those facing extreme difficulties in the aftermath of a conflict or a serious external shock to the economy or a natural disaster. The General Assembly should give a clear mandate to the Committee on Contributions to devise a set of criteria for granting such exemption.

18. The macroeconomic situation of developing countries was still affected by the crises of the mid-1980s and by liberalization and globalization. The base period must be sufficiently long to reflect that reality. His delegation therefore favoured a base period of at least six years.

19. Ideally, the conversion rate for statistical data for each country should be the official rate which it used for transactions with the rest of the world in the period under consideration. In the case of excessive and continuing fluctuations affecting the assessment of a Member State, there should be negotiations between it and the United Nations so that the problem could be addressed objectively.

20. One of the main obstacles to sustainable development was the debt overhang and the debt-service payment. That reality should be taken into account in the methodology of the scale by addressing the specific situation of developing countries. The low per capita income adjustment was the only criterion to be directly correlated with the principle of capacity to pay; the gradient should remain at 85 per cent or be increased. As to the floor, his delegation endorsed the recommendation of the Committee on Contributions that all Member States whose adjusted income represented less than 0.01 per cent of adjusted world income should be assessed at their actual share of the latter amount, subject to a minimum rate of 0.001 per cent. Lastly, it emphasized that the Committee on Contributions should give the necessary consideration to the difficulties of the least developed countries when it resumed its work on the formulation of a new scale of assessments.

The meeting rose at 10.45 a.m.