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SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS

Report of the Fifth Committee

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1. At its 1311th, 1316th, 1318th to 1321st, and 1324th meetings, held on 23, 29, 31 October, 3, 4 and 7 November 1969, the Fifth Committee considered agenda item 78, "Scale of assessments for the apportionment of the expenses of the United Nations". It had before it the report of the Committee on Contributions.1/

2. The Chairman of the Committee on Contributions, introducing the report of that Committee, recalled that, under General Assembly resolution 2472 B (XXIII) of 21 December 1968, the Committee had been requested "to keep under review the criteria it now uses in establishing the scale of assessments, and also its terms of reference, in the light of the debates on the subject at the twenty-second and twenty-third sessions of the General Assembly ...", and to submit a report thereon to the General Assembly for consideration at its twenty-fourth session. At the twenty-second and twenty-third sessions of the General Assembly, doubts had been expressed by some Member States concerning the guidelines developed over the past twenty years as a framework for the work of the Committee on Contributions. The General Assembly, in resolution 2472 B (XXIII) had therefore expressed the desire to have available all the elements of judgement needed in order to be able to determine whether the Committee's terms of reference were still appropriate and sufficiently precise and "if necessary, to be able to give the Committee on

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1/ Official Records of the General Assembly, Twenty-fourth Session, Supplement No. 11 (A/7611 and Corr.1 and Add.1).

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Contributions guidelines as closely as possible in keeping with the economic realities of Member States, especially those of the developing countries, and with other realities of Member States in relationship to the United Nations". In its report, the Committee on Contributions had given detailed background information on the criteria and guidelines for the establishment of the scale and on the methods followed by it in the implementation of these basic rules. It had also commented on the various observations and suggestions made by Member States in the course of the General Assembly debates on the subject. Under its terms of reference, the Chairman explained, the Committee on Contributions apportions the expenses of the Organization among Members broadly according to capacity to pay, on the basis of national income statistics adjusted for low *per capita* income. During the Assembly debates at its twenty-second and twenty-third sessions, many of the observations and suggestions related to the allowance for low *per capita* income and to the Committee's implementation of the Assembly's request that due attention be given to the special problems of the developing countries. In the course of its review, the Committee on Contributions considered the possibility of variations in the present allowance for low *per capita* income, which provides for a maximum reduction of 50 per cent and an upper limit of $1,000. The opinions of its members were divided, however, as to the best method of giving due attention to the developing countries, as could be seen from paragraph 23 of the Committee's report. Some members were of the opinion that the variant best suited to comply more systematically with the Assembly's request would be to increase from 50 to 60 per cent the maximum allowance for countries with *per capita* incomes below $1,000. Other members felt that, with an increase in the maximum allowance from 50 to 60 per cent, the upper limit should be raised from $1,000 to $1,500. Still others held the view that the present allowance formula should not be changed and that due attention could best be given to developing countries with low *per capita* income through the exercise of the Committee's judgement with respect to groups of such countries or individually as circumstances warranted. Some members expressed the reservation that a change in the allowance formula could only be considered in conjunction with all the rules for assessment. An increase in the maximum allowance alone would have the effect of shifting the burden almost entirely to the countries with *per capita* income above $1,000 except those protected by the ceiling principles. As regards the appropriateness of these principles, as well as the

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floor principle, which were introduced by General Assembly decisions, the Committee on Contributions had felt that it should not pronounce itself. The Committee had not been able to endorse some of the suggestions made by delegations during the General Assembly debates since their adoption might have had the effect of making the scale less a reflection of world economic realities than at present - for example, the suggestion that changes in the scale should be subject to fixed percentage limitations. The debates had, however, focused the attention of the Committee on Contributions on the various problems that would require further study and it had, for instance, requested the Secretariat to provide additional information on price movements and exchange rates for the study of relative price changes at its next session. In conclusion, the Chairman stated that the Committee on Contributions had again been impressed by the interrelationship between the various criteria and terms of reference. It had also been confirmed in its view that the intention of the Assembly had been to establish a coherent set of rules to be observed jointly and simultaneously. Within this framework there might, however, be differences of opinion about the relative importance of the various factors and the interpretation of the Assembly's wishes. In its report, the Committee on Contributions had tried to describe the different points of view in sufficient detail to enable the Assembly to be fully seized of the issues involved and to form a proper judgement of them.

3. In the course of the discussion in the Fifth Committee, many delegations complimented the Committee on Contributions on its report, which, they said, gave a detailed and comprehensive analysis of the Committee's terms of reference, as well as a review of its implementation of the basic rules for the establishment of the scale and of the various observations and suggestions made by Member States during the General Assembly debates. The enlargement of the Committee by two members from Africa had proved valuable by improving its geographical composition and by contributing to its expert knowledge.

4. A number of delegations expressed disappointment that the report of the Committee on Contributions was not more positive and that the Committee had not accepted suggestions made by delegations at preceding sessions merely because their adoption would be contrary to the basic principle of capacity to pay. Other criteria, such as the ceiling and floor principles, also introduced deviations from

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the principle of capacity to pay. The main question was not whether a suggestion was at variance with the principle of capacity to pay, but who would benefit from the proposed measure. One delegation pointed out that a limitation on large increases in assessments would, for instance, act as a stabilizer in the scale. In the interest of avoiding changes that were too drastic, it was hoped that the Committee on Contributions, in the exercise of its discretion, would continue to give attention to this question. Some delegations regretted that the Committee on Contributions had not found it possible to make a systematic allowance for the payment difficulties of Member States, and urged that it should continue its efforts to devise a more systematic approach to this problem at future sessions. They stressed the importance of this factor and welcomed the Committee's expressed intention to continue to take into account, in calculating individual rates, payment difficulties of Member States, particularly those deriving from easily identifiable factors, such as the burden imposed by the servicing and amortization of external debts.

5. In the course of discussion, a number of delegations referred to the criticisms voiced during the debate of the present scale at the twenty-second and twenty-third sessions of the General Assembly, in which assessments of highly-developed countries had been decreased, while those of developing countries had been increased. This was not in keeping with world economic realities nor with the Assembly's request that attention be given to developing countries in view of their special economic and financial problems, and a recurrence must be avoided. These delegations supported an increase in the maximum allowance from 50 to 60 per cent for countries with per capita income below $1,000 and agreed with the opinion that this formula would be best suited to comply more systematically with the Assembly's request concerning the attention to be given to developing countries. The proposed increase would give more equitable treatment to developing countries and would bring the reductions in the assessment of the low-income countries more in line with the theoretical percentage reduction in national products accorded to them by the present formula of a 50 per cent maximum allowance. It also had the advantage that it would substantially reduce the need for the present practice of making small downward adjustments in the rates of assessment of countries with per capita income below $300. In connexion with the application

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of the allowance formula, the hope was expressed that the Committee on Contributions would bear in mind the result of its study on the classification of countries as "developed" or "developing", although on the basis of the later data to be used for its next review of the scale, the practical significance of that distinction might be reduced.

6. Some delegations expressed the view that, if the maximum allowance for low per capita income were increased, it would also be desirable to raise the present limit of $1,000 for the application of the allowance. They noted that when the present formula was adopted, there were only two Member States with per capita income above $1,000, and that seventeen Members now had per capita income above that figure. The system of assessment was based on the concept of graduated taxation and with the world-wide inflationary trends, an upward adjustment in the limit for allowance to $1,500, or perhaps to a figure between $1,500 and $2,000, would be justified. Unless the limit was adjusted now or in the near future, it would, they contended, become unrealistic. Other delegations held that for the purpose of assessment the $1,000 limit could still be considered the best indicator for "low per capita income". They supported the view expressed in the report of the Committee on Contributions that it would not be appropriate at this time to raise the limit beyond $1,000, particularly since it would introduce radical shifts in the scale of assessments. Some believed, however, that the possibility should not be excluded that, in future, a revision of the upper limit might be justified in the light of changes in the economic situation of Member States.

7. In connexion with the suggested changes in the allowance formula, reference was made by some delegations to the conclusion of the Committee on Contributions that the terms of reference and criteria for assessment are a coherent set of rules to be observed jointly and simultaneously. Since an increase in the allowance for low per capita income, under the present rules for assessment, would have the effect of shifting the additional burden to the countries in the intermediate and higher levels of per capita income, except those protected by the ceiling principle, they agreed that the Committee on Contributions might require a certain amount of flexibility so as not necessarily to exclude the highest contributor in the distribution of the burden. One delegation expressed the view

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that changes in allowance formula and in the ceiling principle were not necessarily related: an increase in the maximum allowance was an arithmetic operation dictated by the need to improve the adjustment of the scale to the economic situation of Member States, while the ceiling was a decision of principle based on political considerations. Other delegations held that as the ceiling was not in conformity with the basic principle of capacity to pay, it might require reconsideration. The principle of a maximum contribution at the level of 30 per cent was arbitrary and prevented the establishment of an equitable scale. It was also difficult to justify, considering that United Nations Headquarters was situated in New York and its budget operations transacted in United States dollars so that the United States benefited from the inflow of considerable amounts of foreign currency. As regards the further implementation of the ceiling principle, a number of delegations expressed their agreement with the view contained in paragraph 38 of the report of the Committee on Contributions that further reductions in the assessment of the largest contributor may not be appropriate in the present circumstances. The ceiling principle, on the other hand, was established by a specific General Assembly decision and one delegation stressed that it should be maintained and implemented in compliance with resolution 1137 (XII).

8. Referring to the minimum rate of assessment of 0.04 per cent, which is now applicable to sixty-one Member States with varying degrees of economic and financial difficulties, it was suggested that that rate should continue to be examined even if the grounds for its adoption were still valid.

9. A number of delegations supported the opinion that due attention could best be given to developing countries not by a change in the present formula but by the exercise of the judgement of the Committee on Contributions with respect to groups of such countries or individually, as circumstances warranted. An increase in the allowance for low per capita income would accord reductions to an entire group of countries without consideration of special problems in individual cases. In this connexion, one delegation pointed out that many of the countries in the low per capita income category had received substantial reductions, some of more than 50 per cent, in their assessment rates since 1953, while those of others had been increased. Consequently, an examination of each case was essential, particularly

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since a group reduction would shift the assessment burden to another group of States. In the original terms of reference of the Committee on Contributions, the Assembly had recognized that an equitable scale could not be arrived at by statistical means alone, and it was evident from the discussion that no mathematical formula could be devised which would meet all the views expressed. That fact had also been recognized by the Committee on Contributions when it cautioned against the hope that a scale could be devised which would meet completely all the divergent interests of Member States.

10. A number of delegations shared the view of the Committee on Contributions "that the various guidelines laid down for it by the General Assembly have withstood the test of time and permit the establishment of a balanced and equitable scale".[2/] It would not be advisable to upset the delicate balance achieved by the present complex set of rules for assessment, which should continue to be observed and respected. Through the exercise of its judgement and discretion, the Committee would be able to ensure that changes in the scale reflected changes in the world economy, taking into account the various factors and considerations referred to in the course of the discussion, such as, for instance, payments difficulties of Member States and the effects on national economies of such factors as inflation and devaluation. Within the present framework, it would be possible for the Committee on Contributions to achieve an equitable distribution of financial responsibility through the judicious use of its discretion. Other delegations questioned that the scale was "balanced" and "equitable" and cast some doubts on the reasons why the various guidelines had withstood the test of time.

11. Some delegations emphasized that the financing of the United Nations was a joint responsibility and it would be in the best interests of the Organization if a decision in the Fifth Committee on the report of the Committee on Contributions could be reached by mutual agreement.

12. Referring to the level of assessment of the permanent and non-permanent members of the Security Council, some delegations expressed the view that the important role played by the permanent members of the Security Council should

2/ Ibid., para. 47.

also be reflected in their financial contributions. They hoped therefore that the Committee on Contributions would have regard to this question - although it had not been foreseen in its terms of reference - when it reviewed the scale next year.

13. In connexion with the next review of the scale, it was requested that the Committee on Contributions should, in its report, give detailed explanations and information on any substantial changes in the scale. This was particularly important since the suggested system of advance consultations with Governments whose assessments were to be substantially increased had not been accepted.

CONCLUSION

14. In the course of the Fifth Committee's debate it became evident that the divergent views held by members of the Committee on Contributions, as expressed in its report, were also reflected in the statements of delegations. It also became evident that at this time no general agreement could be reached on revision of any of the criteria or guidelines used by the Committee on Contributions for the establishment of the scale. In the course of the discussions a number of textual proposals for inclusion in the Fifth Committee's report were submitted by various delegations. These delegations made it clear, however, that they did not wish to press their various proposals to a vote.

15. In conclusion, the Fifth Committee decided to take note of the report of the Committee on Contributions and to express its appreciation for the comprehensive and informative nature of the report. The Fifth Committee also recommended that the Committee on Contributions should take into due consideration the debate which had been held on this item during the twenty-fourth session of the General Assembly, continue its studies related to the establishment of the scale of assessments and report on this, as appropriate. In order that the Committee on Contributions might be fully cognizant of all the views and proposals presented during the debate, the Fifth Committee decided that the summary records of the discussion as well as the texts of the proposals submitted by certain delegations (A/C.5/L.994, 995, 997, 998 and 999) should be made available to the Committee on Contributions at its next session in connexion with the general review of the scale of assessments.

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16. In connexion with the use of the terms "criteria" and "guidelines" for the establishment of the scale of assessments in paragraph 14 above, the Fifth Committee noted that it should not be construed to imply any new limitation on the exercise by the Committee on Contributions of its discretion and judgement.
