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ARTICLE 17(2)

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TEXT OF ARTICLE 17(2)

The expenses of the Organization shall be borne by the Members as apportioned by the General Assembly.

INTRODUCTORY NOTE

1. The structure of the present study, covering the period 2000-2009, follows the structure of the previous studies on Article 17(2).

I. GENERAL SURVEY

2. At its fifty-fifth session, in December 2000, the General Assembly reduced the maximum assessment rate for the apportionment of the expenses of the United Nations from 25 per cent to 22 per cent and reformed the methodology for apportioning the expenses of peacekeeping operations.¹ These two decisions, though embodied in two resolutions, were the result of a single negotiation conducted in the Fifth Committee from the beginning of October to 23 December, generally in “informal-informal” meetings and often at the ambassadorial level.²

3. The reduction of the maximum assessment rate was a demand formulated by the United States of America in the second part of the 1990s. First, the major contributor announced in 1995 that its contribution to the budget of a peace-keeping operation could no longer exceed 25 per cent of the total assessment for that operation. Then, in 1999, it declared that the ceiling for the regular budget scale should be reduced from 25 to 22 per cent. The General Assembly did not accept these demands, but, at its fifty-second session, it agreed to the principle of a review of various aspects of the scale of assessments and, at its fifty-fourth session, it requested the Committee on Contributions to prepare twelve proposals for the scale

¹ See GA resolution 55/5 B, C, D, E, F of 23 December 2000, Scale of assessments for the apportionment of the expenses of the United Nations, paragraph 1(h), and GA resolution 55/235 of 23 December 2000, Scale of assessments for the apportionment of the expenses of United Nations peacekeeping operations.

² See, in particular, Press Release GA/AB/2425 of 23 December 2000 and *Official Records*, A/55/PV.89. See also *Official Records*, A/C.5/55/SR.5, 8, 11 for the debates in the Fifth Committee on the scale of assessment for the regular budget, and *Official Records*, A/C.5/55/SR.7, 9 and 12 for the debates in the Fifth Committee on the apportionment of the expenses of United Nations peacekeeping operations.

for the period 2001-2003, one of them with a maximum scale of 20 per cent and two with a maximum scale of 22 per cent.³

4. Reporting to the General Assembly at the beginning of October 2000, the Committee on Contributions was not able to recommend the most desirable of the twelve scales it had been requested to elaborate, nor was it able to present an alternative which would have been a “synthesis” of these proposals. Not surprisingly, the main hurdle faced by the Committee had been the issue of the “ceiling” of contribution. Its members could not present a common position on a problem commonly seen as “political” rather than “technical.”⁴ Thus, negotiations had to be conducted in the Assembly itself.

5. Related to the issue of the maximum assessment rate was the question of the distribution among Member States of the financial burden that would result from a lowering of this ceiling. The Group of 77 and China considered that only the major contributors should be affected. Besides, the low per capita income adjustment should be increased and should continue to be applied to permanent members of the Security Council. The European Union, as well as Japan and other developed countries view the current scale as unfair to them and favoring unduly both the United States and the most economically successful developing countries. The principle of capacity to pay should be better respected and the methodology of the scale should be simple, equitable and transparent. Other points of contention were the length of the statistical base period and the taking into account of the debt burden. And, the long standing issue of the arrears owed to the Organization by some Member States, notably the major contributor, was always present in the negotiations.⁵

6. An agreement was reached in the Fifth Committee in the early morning of Saturday 23 December 2000 and resolution 55/5 B, C, D, E, F was adopted by consensus in the Committee and in Plenary. This resolution established the scale of assessments for the apportionment of the expenses of the United Nations for the period 2001-2003. The last of the eight “elements and criteria” on which this scale was based was “a maximum assessment rate of 22 per cent.”⁶ This maximum rate, applicable as from 1 January 2001, was to be reviewed at the end of 2003.⁷

³ These decisions of the General Assembly, expressed in resolutions 52/215 D and 54/237D, as well as the demands of the United States and the related debates in the General Assembly are reported in some details in *Repertory Supplement No.9, Volume II, Article 17(2), paras 8-10 and 25-49.*

⁴ In his comprehensive presentation to the Fifth Committee of the report of the Committee on Contributions, its Chairman had only this to say on the maximum assessment rate: “With respect to the ceiling, it had been suggested that, as more than 50 countries had joined the Organization since the ceiling had last been lowered, a further adjustment was warranted. Some Committee members had noted that the proposal was difficult to support, considering that the share of world GNP of the country concerned was increasing.” See A/C.5/55/SR.5, para 12.

⁵ A more complete summary of the positions taken by Member States is given below in part IIB.

⁶ GA resolution 55/5 B, para 1(h).

⁷ *Ibid*, part C, para 2.

The other elements of the methodology, which, with some simplifications, were the same that had been applied for the scale for the period 1998-2000, were “fixed until 2006.”⁸

7. The last time the General Assembly had modified the maximum assessment rate was December 1972. In resolution 2961 (XXVII), the Assembly had decided that “as a matter of principle, the maximum contribution of any Member State to the ordinary expenses of the United Nations shall not exceed 25 per cent of the total.”⁹ In 1948, “recognizing that in normal times no one Member State should contribute more than one-third of the ordinary expenses of the United Nations for any one year”, the General Assembly had “accepted the principle of a ceiling to be fixed on the percentage rate of contributions of the Member State bearing the highest assessment.” And, it had also decided that “when existing maladjustments in the present scale had been removed and a more permanent scale is proposed, as world economic conditions improve, the rate of contribution which shall be the ceiling for the highest assessment shall be fixed by the Assembly.”¹⁰ This was done in October 1957, when the Assembly decided that “in principle, the maximum contribution of any one Member State to the ordinary expenses of the United Nations shall not exceed 30 per cent of the total”.¹¹

8. Part of the agreement for the reduction of the maximum assessment rate from 25 to 22 per cent was the decision of the United States of America to pay to the United Nations in 2001 an amount equal to 3 per cent of the amount assessed on Member States pursuant to the General Assembly decision on the revised budget appropriations for the biennium 2000-2001.¹² The General Assembly, in its resolution 55/5 B on the scale of assessment, took note of this decision of the United States, and decided “as an exceptional measure and notwithstanding the provisions of the Financial Regulations and Rules of the United Nations, that this amount should be credited against the assessed contributions of the other Member States for the programme budget for 2001, as reflected in annex 1 to the present resolution.”¹³ A total of 91 countries benefited from this voluntary contribution of the United States, which was seen during the

⁸ Ibid, part B, para 2.

⁹ GA resolution 2961 (XXVII) of 13 December 1972, part B, fifth paragraph, sub-paragraph (a). To justify this decision, the Assembly noted that since 1957 (latest decision on this matter) “fifty States have been admitted to membership in the United Nations.” (fourth paragraph). The representative of the United States put forward the same argument in the debate of 2000 on a further reduction of the maximum rate (see below part IIB of this review.) Resolution 2961 B was adopted with a vote of 81.27.22.

¹⁰ GA resolution 238 (III) A of 16 October 1948, para (a) and paras 3 and 5. This resolution was adopted without a vote. In the scale of assessments for the 1949 budget, the United States was charged 39.89 per cent. Next were the United Kingdom, 11.37 per cent, the USSR, 6.34 per cent, China, 6.00 per cent, France, 6.00 per cent, India, 3.25 per cent, and Canada, 3.20 per cent. Eight of the fifty-eight contributing Member States were assessed at 0.004 per cent.

¹¹ GA resolution 1137 (XII) of 14 October 1957, para 1. This resolution was adopted with a non-recorded vote of 39.16.13. The history of this notion of “maximum rate of assessment” is recorded in the successive issues of the *Repertory*. See, in particular, Supplement No 5 (1970-1978), Volume 1, Article 17(2), part II B, paras 21-23.

¹² These revised appropriations were adopted on 23 December 2000, resolution 55/239.

¹³ GA resolution 55/5 B, para 6.

debate as a way to provide some mitigation for Member States who would experience immediate significant increases in their assessments.¹⁴

9. Apart from this voluntary and temporary measure decided by the United States, the General Assembly had noted that the application of the revised methodology “will lead to a substantial increase in the rate of assessment of some Member States” and decided “to apply transitional measures to address those substantial increases.”¹⁵ Not specified in the resolution, these measures were worked out by the Committee on Contributions and were essentially the spreading over a few years of the increases affecting developing countries not eligible for the low per capita income adjustment. Rates of assessments were calculated and presented in resolution 55/5 for each of the three years of the period 2001-2003.

10. As adopted through this resolution 55/5 of December 2000, the revised methodology for the apportionment of the expenses of the United Nations remained basically unchanged through the first decade of the 2000s. In resolution 58/1 establishing the scale for the period 2004-2006, the Assembly simply referred to the “elements” constitutive of the methodology that had been agreed upon in resolution 55/5, without repeating them.¹⁶ Three years later, for the scale 2007-2009, the Assembly while listing those same elements made only an updating, that is of the period to be considered for calculating the debt burden of contributors.¹⁷ The same updating was made by the Assembly when it adopted, also with the identical methodology, the scale for the period 2010-2012.¹⁸

11. While avoiding new debates on this methodology and therefore confirming the maximum rate of 22 per cent, the Assembly, however, felt the necessity of reaffirming the validity of four principles: First, “the determination of the scale of assessments for the apportionment of expenses of the United Nations shall remain the prerogative of the General Assembly.” Second, “the expenses of the Organization shall be apportioned broadly according to the capacity to pay.” Third, “the obligation (that have) all Member States to bear the expenses of the united Nations, as apportioned by the general assembly in conformity with Article 17, paragraph 2, of the Charter of the United Nations.” Fourth, “the Committee on

¹⁴ See Annex 1 of resolution 55/5 B. The main beneficiaries were Brazil (0,5290 of the 3 per cent), the Republic of Korea (0,4100), Germany (0,3325), France (0,2199), the United Kingdom (0,1883) and Italy (0,1716). Some countries had renounced benefitting from this discount: according to Press Release GA/AB/3425, these included Australia, Canada, Japan, Norway and New Zealand. Most of the smaller contributors were not “arithmetically” eligible.

¹⁵ GA resolution 55/5 B, paras 3 and 4.

¹⁶ See GA resolution 58/1 B of 23 December 2003, Scale of assessments for the apportionment of the expenses of the United Nations, para 1.

¹⁷ See GA resolution 61/237 of 22 December 2006, Scale of assessments for the apportionment of the expenses of the United Nations, para 5 and subpara 5 (d).

¹⁸ See GA resolution 64/248 of 24 December 2009, Scale of assessments for the apportionment of the expenses of the United Nations, para 5 and sub-para 5 (d).a

Contributions, as a technical body, is required to prepare the scale of assessments strictly on the basis of reliable, verifiable and comparable data.”¹⁹

12. Given the change in the methodology made at the end of 2000, and given the stability of this methodology during the ensuing decade, it is appropriate to examine the evolution of the assessments of a few selected Member States. In the table below, the dates chosen are 2000, prior to the changes made, 2003, after these changes, and 2010. The Member States selected are the five permanent members of the Security Council and then a few from the Western group, from Africa, from Asia and from Latin America.

<i>Member States</i>	<i>Scale 2000</i>	<i>Scale 2003</i>	<i>Scale 2010</i>
	<i>Percentage</i>		
China	0.995	1.532	3.189
France	6.545	6.466	6.123
Russian Federation	1.077	1.200	1.602
United Kingdom	5.092	5.536	6.604
United States	25.00	22.00	22.00
Canada	2.732	2.558	3.207
Germany	9.857	9.769	8.018
Italy	5.437	5.064	4.999
Sweden	1.079	1.026	1.064
Egypt	0.065	0.081	0.094
Nigeria	0.032	0.068	0.078
South Africa	0.366	0.408	0.385
India	0.299	0.341	0.534
Indonesia	0.188	0.200	0.238
Japan	20.573	19.515	12.530
Republic of Korea	1.066	1.851	2.260
Argentina	1.103	1.149	0.287

¹⁹ See GA resolutions 61/237, paras 1 to 4, and 64/248, paras 1 to 4.

Brazil	1.471	2.390	1.611
Colombia	0.109	0.201	0.144
Mexico	0.995	1.086	2.356

Sources: Data compiled from GA resolutions 52/215 A, paragraph 2, 55/5 B, Annex 2, 64/248, paragraph 6.

13. The five permanent members of the Security Council accounted for 38,709 per cent of total assessments in 2000, 36,734 per cent in 2003, and 39,518 in 2010. Thus, the lowering of the ceiling – and the small decrease of the share of France – were more than compensated by the remarkable increase of the share of China and the relatively smaller increases of the shares of the Russian Federation and the United Kingdom. Also remarkable were the decreases of the share of Japan and, to a lesser extent, of Germany. In general, the share of the European industrialized countries diminished and the share of the economically emergent countries augmented. All the “non-European” countries included in the above table illustrate this fact. These movements were mainly attributable to changes in the relative weight of countries in the world economy, as measured by the gross national product, and only in part to changes in the methodology for determining the scale for the apportionment of the expenses of the United Nations. It might also be mentioned that countries assessed at the minimum rate of 0,001 per cent, numbered 34 in 2000, 44 in 2003, and 38 in 2010. Also there were 22 countries between this minimum and 0,005 per cent, as compared with 26 in both 2000 and 2003.

14. The second and related accomplishment of the fifty-fifth session of the General Assembly was the reaching of an agreement on a thorough revision of the system for determining the scale of assessments for the apportionment of the expenses of United Nations peacekeeping operations.

15. Prior to this agreement, the existing apportionment of the expenses of peacekeeping operations was the result of an *ad hoc* and provisional arrangement made in 1963 by the General Assembly meeting in a special session to address the severe political and financial problems raised by the United Nations Emergency Force (UNEF) launched in 1956 and the more recent and briefer United Nations Operation in the Congo (UNOC).²⁰ At this fourth special session of the Assembly, it was decided to finance these two operations for the mandated periods through appropriations divided in two parts: the first part, approximately 25 per cent, was apportioned among all Member States according to the scale used for the regular budget

²⁰ Fourth special session of the General Assembly, Financial situation of the United Nations, 14 May-27 June 1963, New York.

for the same year 1963; the second and remaining part was apportioned also according to the same scale, but at only 45 per cent of their apportionment for the “economically less developed countries.” These were all countries except the 26 enumerated in the resolutions for the financing of UNEF and UNOC.²¹

16. Also at its fourth special session on 27 June 1963, the General Assembly adopted another resolution entitled “General principles to serve as guidelines for the equitable sharing of the costs of future peace-keeping operations involving heavy expenditures.” These principles were to serve “as guidelines for the equitable sharing, by assessed or voluntary contributions, or a combination of both, of the costs of future peace-keeping operations involving heavy expenditures that may be initiated in the future.” First principle: The financing of such operations is “the collective responsibility of all Member States”. Second principle: “Whereas the economically developed countries are in a position to make relatively larger contributions, the economically less developed countries have a relatively limited capacity to contribute towards peace-keeping operations involving heavy expenditures”. Third principle: “The special responsibilities of the permanent members of the Security Council for maintenance of peace and security should be borne in mind in connection with their contributions to the financing of peace and security operations”. Fourth principle: “When circumstances warrant, the General Assembly should give special consideration to the situation of any Member States which are victims, of, and those which are otherwise involved in, the events of actions leading to a peace-keeping operation”.²²

17. Ten years later, in December 1973, still a-propos the financing of UNEF, the Assembly decided to divide the appropriation of \$30 million it made for this operation into shares allotted to four groups of countries: (a) \$18,945 000 for the permanent members of the Security Council; (b) \$10,434 000 for “the economically developed Member States”; (c) \$606,000 for “the economically less developed Member States”; (d) \$15,000 for “the following countries among the economically less developed countries” (25 countries were listed). Countries in group (c) were “all except” 26 countries that were listed and the permanent members of the Security Council. Within these four groups, the apportionment among the countries was to be done according to the scale adopted for the regular budget for the period 1974-1976. And, as in 1963, this decision on the financing of UNEF, was “an ad-hoc arrangement” taken “without

²¹ See GA resolutions 1875 (S-IV), 27 June 19, United Nations Emergency Force: Cost estimates and financing for the period 1 July-31 December 1963, and 1876 (S-IV), 27 June 1963, Cost estimates and financing for the period 1 July -31 December 1963.

²² See GA resolution 1874 (S-IV), 27 June 1963, General principles to serve as guidelines for the sharing of the costs of future peace-keeping operations involving heavy expenditures.

prejudice to the positions of principle that may be taken by Member States in any consideration by the General Assembly of arrangements for the financing of peace-keeping operations.”²³

18. For the next seventeen years, peace-keeping operations were financed with these ad-hoc and provisional arrangements. With some occasional adjustments, due essentially to the arrival of new members in the United Nations, the four groups established in 1973 were maintained. For each peace-keeping operation, and for each authorized period, the permanent members of the Security Council were assessed, in rounded terms, for 61/63 per cent of the appropriation, the developed countries for 34/37 per cent, the developing countries, that is the majority of the membership, for around 2 per cent, and the least developed countries for less than 1 per cent.²⁴

19. Calls for changes in this “system” remained muted as long as there were few peace-keeping operations. These, having at the turn of the 1990s multiplied, having become more complex and in general and globally considerably more expansive, criticisms mounted, most notably on the part of the United States of America and the members and associate members of the European Union.²⁵ These countries felt that changes in the relative wealth of the Member States of the United Nations justified a thorough revision of the method for apportioning the expenses of peace-keeping operations. Both scales, in their view, had to be revisited and linked more closely. Developing countries and China were not anxious to entertain these demands. When, however, in the second part of the 1990s, the United States of America, as mentioned earlier in this review, linked its decision to reduce its share to both the payment of its arrears and an overhaul of the scales of assessment, negotiations became unavoidable. At the request of a number of Member States, the General Assembly included on the agenda of its fifty-fifth session the item Scale of assessments for the apportionment of the expenses of United Nations peace-keeping operations.²⁶

²³ See GA resolution 3101 (XXVIII), 11 December 1973, Financing of the United Nations Emergency Force.

²⁴ The eighth special session of the General Assembly, held in New York for two days in April 1978, was devoted to the Financing of the United Nations Interim Force in Lebanon UNIFIL. In resolution S-8/2, the Assembly indicated the overall appropriation for UNIFIL and the amounts to be assessed to each of the four groups of Member States, as it had done in resolution 3101 (XXVIII). The shares were however slightly modified: 61,1 per cent instead of 63 per cent for the permanent members; 36,6 per cent instead of 34,3 per cent for the developed countries; 1,9 instead of 2,2 per cent for the developing countries; and 0,4 instead of 0,5 per cent for the least developed countries.

²⁵ See *Repertory, Supplement No. 9 (1995-1999), Volume II, Article 17(2)*, paras 10 and 53 to 58.

²⁶ By a letter dated 30 June 2000, 39 Member States requested the Secretary-General to include this item in the agenda of the fifty fifth session of the Assembly. These countries included the United States, countries of Eastern and Central Europe, North Africa and Latin America (see A/55/141 and Add.1-3). It was followed by letter from Chile (A/55/193), Argentina (A/55/195), France, on behalf of the European Union and associated countries), Panama (A/55/196), Canada (A/55/198), Australia (A/55/199), Norway (A/55/225) and Costa Rica (A/55/230). All these letters included an Explanatory Memorandum.

20. At the beginning of the negotiations in the Fifth Committee, in October 2000, there was general agreement that the scale established in 1973 needed to be updated. There was also agreement on respecting the overall principle of the capacity to pay and the general principles for apportioning expenses of peace-keeping operations that had been agreed upon in 1963. The interpretations considerable anomalies” in the current scale, as a number of countries with per capita income above the world average were given of these principles, however, varied with national interests. The European Union emphasized the “reductions “for no valid reason” and as the permanent members of the Security Council bore a “surcharge” exceeding 25 per cent.²⁷ The United States pointed out that 14 Member States paid more for peace-keeping than the permanent member with the lowest contribution and that 98 per cent of the financial responsibility for these operations fell on 30 Member States.²⁸ For Japan, all premiums resulting from adjustments in the scale must be shouldered by the permanent members of the Security Council.²⁹ This view was shared by the Movement of Non-Aligned Countries.³⁰ For the Group of 77, the difficult financial situation of the United Nations was not linked to the peace-keeping scale of assessments. It would be resolved if all Member States, particularly the major contributor, were to honor their financial obligations.³¹

21. The agreement reached on 23 December 2000, together with the agreement on the scale for the regular budget, was significant. Having recalled the general principles underlying the financing of United Nations peace-keeping operations (the same that had been established in 1963), and having recognized the need to reform the methodology for apportioning the expenses of these operations, the General Assembly decided that assessment rates “should be based on the scale of assessments for the regular budget of the United Nations, **with an appropriate and transparent system of adjustments based on levels of Member States** (emphasis added) consistent with the (general principles.”³²

22. This “transparent system of adjustments” rested on the division of Member States in ten “peacekeeping scale levels based on average per capita gross national product (PCGNP) of all Member States.” The ten levels replaced the four groups established in 1973. In level A were the permanent members of the Security Council and in level J the least developed countries. Level B was composed of “all Member States” except those in level A and those placed at a given time in levels C to J. In level C were a few nominally designed Member States previously belonging to the undifferentiated group of “developing countries” and subjected to an

²⁷ See *Official Records*, A/C.5/55/SR.7, paras 2 to 7.

²⁸ *Ibid*, paras 14 to 24.

²⁹ *Ibid*, para 31.

³⁰ *Ibid*, para 8.

³¹ See *Official Records*, A/C.5/55/SR.9.

³² GA resolution 55/235, part I, paras 1 to 4.

important increase of their shares.³³ Member States placed in levels D to I, representing the majority of the membership of the United Nations,³⁴ were those with a PCGNP below the average of this same indicator for all Member States.³⁵

23. These Member States placed in levels D to I received a discount - ranging from 80 per cent for level I to 20 per cent for level D - on their assessments established by the regular budget scale. The discount for level J, least developed countries, was 90 per cent. The discount for level C was 7,5 per cent. All discounts were to be borne on a pro rata basis by the permanent members of the Security Council. Movements from one group to another, at the exception of groups A and J, will be automatic, as Member States changed their position in the per capita GNP ladder. The Secretary-General was requested to update the composition of the levels "on a triennial basis, in conjunction with the regular budget scale of assessment reviews." The "structure of levels", however, was to be reviewed only after nine years. Transition periods of two/three years were granted for Member States moving to groups E,D,C and B. This was "to facilitate **automatic, predictable movements between categories** (emphasis added)."³⁶

24. This thoroughly reformed system for determining the scale of assessment for apportioning the expenses of peace keeping operations was implemented starting 1 July 2001 and was renewed without difficulties by the General Assembly at the three-year intervals decided in resolution 55/235. In its subsequent resolutions of December 2003, December 2006 and December 2009,³⁷ the Assembly endorsed the updated composition of levels proposed in the reports of the Secretary General on the basis of the statistical data also used for the regular scale.³⁸ The ten levels were maintained and the rates of discount were also maintained. In its resolution of December 2009, having undertaken the review of the "structure of levels" scheduled nine years after the adoption of the reformed scale, the Assembly reaffirmed and

³³ These Member States were Brunei Darussalam, Kuwait, Qatar, Singapore and the United Arab Emirates. They remained in this level C, with a 7.5 per cent discount, for the entire decade.

³⁴ The composition of the different levels was annexed to resolution 55/235. Level I had 91 Member States, levels C to H had together 19 Member States, and level J, the least developed countries, had 48 Member States. In level B, above the threshold of PCGNP, were 25 Member States. Thus, adding the five permanent members of the Security Council, a total of 30 Member States were not benefitting from a discount on their assessments for peace-keeping operations. At the end of 2000 the United Nations had 188 Member States.

³⁵ The average per capita GNP was calculated to be \$ 4,797 for the period 2001-2003. The threshold for being classified in group B (the developed countries not permanent members of the security Council) was the doubling of the average, i.e. \$9,594. The per capita GNP of each Member State was calculated as the average of 1993-1998 figures. The statistics used were to be the same as those used for preparing the regular budget scale of assessment. The difference between each level from D to I was \$959/960. For the last group, group J, the criteria was the belonging to the separately defined category of least developed country, not the income per capita level.

³⁶ GA resolution 55/235, section B, paras 5, 6, 7, 9, 10, 12, 15 and 16.

³⁷ See resolutions 58/256 of 23 December 2003, 61/243 of 22 December 2006, 64/249 of 24 December 2009, all entitled "Scale of assessments for the apportionment of the United Nations peacekeeping operations".

³⁸ See GA resolutions 58/256, para 2, 61/243, para 2, and 64/249, para 14.

repeated the principles underlying the financing of peace-keeping operations and reaffirmed and repeated the ten levels of contribution defined in 2000.³⁹

25. Before illustrating the working of this reformed system over the period under review with data on the composition of the ten levels and the rates of assessment of some selected countries, it is necessary to mention that one of the innovations agreed upon in December 2000 was the recognition by the Assembly of the possibility for Member States to choose a level higher than the level determined by their position in the GNP/income per capita ladder. The Assembly decided that “at any time during the scale period, a Member state may make a voluntary commitment to contribute to a higher than its current rate by informing the General Assembly through the Secretary-General, and the Assembly may take note of that decision.”⁴⁰ As many as 14 countries made this voluntary move at the time of the adoption of the reformed scale.⁴¹ This was mainly due to the anomalies of the previous scale and only a few took this decision in the course of the decade.

26. The number of Member States in the ten contribution levels did not change dramatically during the decade. It can be noted in the table below, however, that the number of Member States in group B (the developed countries) increased from 25 to 32 and that the number of Member States in level I (the developing countries that are not classified as least developed but have a per capita income below the average) decreased from 91 to 82. The number of least developed countries – category J – remained stable at 48/50.

Number of Member States in the 10 levels of contribution to peace-keeping operations

Groups	2001	2004	2007	2010
A	5	5	5	5
B	25	29	32	32
Transition to B	-	3	1	-
C	5	5	5	5
D	2	1	-	-
E	4	2	1	2
Transition to E	-	1	-	2
F	3	2	4	4
G	3	3	2	1

³⁹ See GA resolution 64/249, paras 2 to 6 and 9.

⁴⁰ GA resolution 55/236, 23 December 2000, Voluntary movements in connection with the apportionment of the expenses of peacekeeping operations, paragraph 6.

⁴¹ These countries were Bulgaria, the Czech Republic, Estonia, Hungary, Israel, Latvia, Lithuania, Malta, the Philippines, Poland, Romania, Slovakia, Slovenia and Turkey. See GA resolution 55/236, para 5. Most of these countries move from level I to level H. Two (Estonia and Israel) moved directly from level I to level B and forgone their transition time.

H	2	9	8	10
I	91	81	83	82
J	48	49	50	49
Total	188	190	192	192

Sources: Data compiled from the report of the Secretary-General entitled "Information on the implementation of General Assembly resolution 55/235 and 55/236" (A/C.5/55/38 of 1 March 2001) and from the reports of the Secretary-General entitled "Implementation of General assembly resolutions 55/235 and 55/236" (A/58/157 of 15 July 2003, A/61/139 of 13 July 2006, A/64/220 of 23 September 2009).

27. The evolution of the rates of assessment for peace-keeping from the time of the implementation of the reformed system to the end of the decade is given in the table below. The twenty selected countries are those that were also selected above to illustrate the evolution of the rates of assessment for the regular budget.

Rates of assessment for peace-keeping operations

Member States	2001	2004	2007	2010
China	1.9354	2.5254	3.2350	3.9397
France	8.1674	7.4176	7.5468	7.5625
Russian Federation	1.5071	0.5685	0.8049	1.9786
United Kingdom	6.9931	7.5372	7.9552	8.1565
United States	27.6307	26.8400	26.3497	27.1720
Canada	2.5730	2.8370	2.9770	3.2070
Germany	9.8250	8.7330	8.5770	8.0180
Italy	5.0940	4.9260	5.0790	4.9990
Sweden	1.0330	1.0010	1.0710	1.0640
Egypt	0.0162	0.0240	0.0188	0.0188
Nigeria	0.0124	0.0086	0.0116	0.0156
South Africa	0.0820	0.0588	0.0610	0.0770
India	0.0686	0.0848	0.0918	0.1068
Indonesia	0.0506	0.0286	0.0384	0.0476
Japan	19.629	19.629	16.6240	12.5300

Republic of Korea	0.6221	1.4464	1.9557	2.2600
Argentina	0.4624	0.2892	0.0692	0.0574
Brazil	0.4462	0.3068	0.1786	0.3222
Columbia	0.0372	0.0312	0.0224	0.0288
Mexico	0.2186	0.3798	0.4514	0.4712

Sources: Data compiled from the report of the Secretary-General entitled "Information on the implementation of General Assembly resolutions 55/235 and 55/236" (A/C.5/55/38 of 1 March 2001) and from the reports of the Secretary General entitled "Implementation of General Assembly resolutions 55/235 and 55/236" (A/58/157 of 15 July 2003, A/61/139 of 13 July 2006, A/64/220 of 23 September 2009).

28. In 2001, the permanent members of the Security Council were assessed for 46,2 per cent of the expenses of peace-keeping operations and this share was 48,8 per cent in 2010. During the same period the share of China increased from 1,9 per cent to 3,9 per cent and the share of the Russian Federation from 1.5 per cent to 1,9 per cent. The reduction of the share of Japan was the most spectacular – from 19,6 per cent to 12,5 per cent – but not unique among the economically developed Member States: Germany , France and Italy also experienced a reduction. On the other hand, the United Kingdom, Canada and Sweden were among the countries assessed at a higher rate at the end of the decade than when the reformed of the scale was put in place. The most relatively affluent among the countries still classified in the United Nations as developing countries saw an increase in their contributions during the same period: examples shown in the above table were the Republic of Korea and Mexico. With its share of assessed contributions to the regular budget of the Organization fixed at 22 per cent, the United States of America was charged at rates ranging from 27,6 per cent to 26,3 per cent for peace-keeping operations. Immediately before the reform of the scale – and the lowering of the ceiling – the major contributor's share had reached 31 per cent.⁴²

⁴² See *Official Records, A/C.5/55/SR.7*, para 21, statement of the Permanent Representative of the United States of America to the Fifth Committee of the General Assembly.

II. ANALYTICAL SUMMARY OF PRACTICE

A. Basis for determining capacity to pay

1. Terms of reference

29. In the second part of its fifth-forth session, the General Assembly had requested the Committee on Contributions to present twelve proposals for the scale of assessments for 2001-2003 and had reaffirmed that “the expenses of the Organization should be apportioned among Member States, broadly according to capacity to pay, as established in rule 160 of the rules of procedure of the General Assembly.”⁴³

30. The Committee on Contributions presented in its report the twelve proposals with the requested combination of the eight traditional elements of the methodology of the scale.⁴⁴ It did not make a recommendation to the Assembly. The main reason was lack of agreement among the members of the Committee on the question of the ceiling.⁴⁵

31. At its fifty-fifth session, the Assembly decided on a scale of assessment for the period 2001-2003 that was based on eight “elements and criteria”, including a ceiling of 22 per cent (instead of the previous 25 per cent), the use of average statistical base periods of six and three years (instead of six years only) and a low per capita income adjustment of 80 per cent (with no “gradients”). The other five elements, notably estimates of the gross national product as the first determination of the contributions of Member States, were similar to those that had been used for the previous scales.⁴⁶ In this resolution, the Assembly did not refer explicitly to the principle of capacity to pay. It decided, however, “to continue consideration of the proposal for the re-establishment of the Ad Hoc Intergovernmental Working Group on the implementation of the principle of Capacity to Pay during its resumed fifty-fifth session.”⁴⁷

32. In its subsequent resolution on the scale of assessments, adopted in December 2003, the Assembly did not return to the question of re-establishing this Working Group, but repeated in three different paragraphs the “principle that the expenses of the Organization

⁴³ See *Repertory, Supplement N. 9 (1995-1999), Volume II, Article 17(2)*, para. 17.

⁴⁴ A/55/11, Report of the Committee on Contributions, Sixtieth session, 5-30 June 2000.

⁴⁵ *Ibid.*, paras 128 to 130. “When discussing the ceiling issue the Committee recalled that its terms of reference provided that if a ceiling was imposed on contributions it should not be such as seriously to obscure the relation between a nation’s contribution and its capacity to pay.” (para 128). And, “It was noted that both the ceiling and the floor were inherently political and that neither was in conformity the principle of capacity to pay but while the floor increased the payments of small poor countries the ceiling reduced the payments of one large rich one.” (para 129).

⁴⁶ See GA resolution 55/5 B, C, D, E and F.

⁴⁷ This ad-hoc working group had been established by the General Assembly in resolution 49/19 of 29 November 1994. Its report, contained in document A/49/897, was issued on 8 May 1995.

shall be apportioned among Member States broadly according to capacity to pay.”⁴⁸ It requested the Committee on Contributions “to continue its consideration of possible systematic criteria for deciding when market exchange rates should be replaced with price-adjusted rates of exchange or other appropriate conversion rates for the purposes of preparing the scale of assessments” and “to make a thorough analysis of the revised method of calculating price-adjusted rates of exchange.” Also, the Assembly reaffirmed “that the Committee on Contributions as a technical body (was) required to prepare the scale of assessments strictly on the basis of reliable, verifiable and comparable data.”⁴⁹

33. At its sixty-first session, the Assembly reaffirmed again this requirement of the Committee as well as the “fundamental” principle of capacity to pay. Moreover, the Assembly requested the Committee on Contributions, “in accordance with its mandate and the rules of procedure of the General Assembly, to review the elements of the methodology of the scale of assessments to reflect the capacity of Member States to pay and to report thereon to the assembly by the main part of its sixty-third session.”⁵⁰

34. The Committee on Contributions undertook such review at its sessions of June 2007, June 2008 and June 2009. It considered the following elements of the methodology of the scale of assessments, all having a bearing on the application of the principle of capacity to pay: (a) Income measure; (b) Conversion rates; (c) Base period; (d) Debt-burden adjustment; (e) Low per capita income adjustment; (f) Floor; (g) Ceiling; (h) Other suggestions and other possible elements for the scale methodology. Two such additional elements were discussed by the Committee: (i) Annual recalculation and (j) Large scale-to-scale increases in rates of assessment.⁵¹

35. With regard to (a) and (b), income measure and conversion rates, the Committee recommended a reinforcement of the existing agreements. Member States that had not yet done so were encouraged to adopt the 1993 System of National Accounts and to replace the Gross Domestic Product (GDP) by the Gross National Income (GNI) as measure of their wealth. The universal adoption of the GNI, stated the Committee, would provide for “a more equitable and comparable measure of Member States’ capacity to pay”.⁵² On conversion rates, the Committee “recalled and reaffirmed” its recommendation that conversion rates based on market exchange rates (MER) be used for the scale of assessments,” except when that “would

⁴⁸ GA resolution 58/1 B, fifth preambular paragraph and paras 5 and 6.

⁴⁹ Ibid, paras 7,8 and 9.

⁵⁰ GA resolution 61/237, paras 3, 4 and 7.

⁵¹ See A/62/11, Report of the Committee on Contributions, Sixty-seventh session, 11-29 June 2007, Summary. The same list of elements was repeated in A/63/11 and A/64/11, reports of the Committee on its sixty-eighth session (9-27 June 2008) and sixty-ninth session (1-25 June 2009).

⁵² A/62/11, paras 12 and 17.

cause excessive fluctuations and distortions (...) in which cases price-adjusted rates of exchange (PAREs) or other appropriate conversion rates should be applied.”⁵³ On the issues of “floor” and “ceiling”, the Committee repeated that these were “political” rather than “technical” matters, which therefore fell outside its domain of competence.⁵⁴

36. For all other elements of the methodology of the scale – base period, debt-burden adjustment, low per capita income adjustment – and for new possible elements that might be added to this methodology – annual recalculation and ways to mitigate large scale-to-scale increases in rates of assessment, the Committee on Contributions stated repeatedly in its reports that it will continue to study and discuss them, but that it needed “further guidance by the General Assembly” in order to be in a position to make recommendations for modifying and improving the method adopted by the Assembly in 2000. The Committee on Contributions could not be expected to offer “technical” solutions to issues on which the Assembly itself could not reach a consensus.⁵⁵

37. At the end of the period, when adopting in December 2009 the scale for the period 2010-2012, the Assembly: (1) reaffirmed “the fundamental principle that the expenses of the Organization shall be apportioned broadly according to the capacity to pay”; (2) recognized “that the current methodology can be enhanced bearing in mind the principle of capacity to pay”; (3) also recognized “the need to study the methodology in depth and in an effective and expeditious manner, taking into account the views expressed by Member States”; (4) decided “to review, at its earliest opportunity, all elements of the methodology of the scale of assessments with a view to a decision before the end of its sixty-sixth session to take effect, if agreed, for the 2013-2015 scale period”; and, (5), requested the Committee on Contributions, “in accordance with its mandate and the rules of procedure of the General Assembly, to make recommendations, in the light of the review referred to in paragraph 9 above (the (4) of this text), and report thereon to the Assembly at its sixty-fifth session.”⁵⁶

2. Statistical information

38. In each of its annual reports the Committee on Contributions continued to have a part entitled “Statistical information” and the rubrics covered remained unchanged: a short introduction explaining the composition and sources of the database used by the Committee

⁵³ Ibid., para. 25.

⁵⁴ Ibid., paras 52 and 53.

⁵⁵ See A/62/11, A/63/11 and A/64/11, in their summaries and in their parts concerning the methodology for the scale of assessment. For instance, see A/63/11, Summary, p. iii, and Part III, Methodology for the preparation of the scale of assessments, sections A and B, pp. 3 to 16.

⁵⁶ GA resolution 64/248, paras 2,7,8,9 and 10.

was followed by sections on population, external debt, gross national product (by mid-decade gross national income) and exchange rates (by mid-decade conversion rates). After these sections, the reports evoked specific cases of countries having requested adjustments to the data concerning them.⁵⁷

39. Regarding the change from gross national product (GNP) to gross national income (GNI), the Committee noted that the GNP came from the System of National Accounts, 1968, and the GNI from the System of National Accounts, 1993. Involved were a series of technical changes to the accounts, concepts and classifications used by the System of National Accounts (SNA). These changes, however, generally had a limited effect on the total gross national product/income of the countries, because “most of the changes at the more disaggregated levels (i.e. final consumption, gross capital formation, exports and imports etc.) tend to offset each other at the level of the total economy.”⁵⁸ At the end of the decade, the Committee observed that “132 countries, representing an estimated 95.5 per cent of the total world GNI in 2007 and 86 per cent of the world population, had implemented the 1993 SNA.”⁵⁹ However, a new revision of the system, the 2008 SNA, was being implemented.

40. The question of the exchange rates to be adopted for converting local currency data into United States dollars figured prominently in all reports of the Committee. Since a number of years, and for most countries, the Committee used the annual averages of market exchange rates (MERs) published by the International Monetary Fund (IMF) in *International Financial Statistics*. There were cases, however, mainly due to significant differences over time between exchange rates movements and prices movements, where the use of MERs caused “excessive fluctuations or distortions” in the income – and therefore in the assessments, of the Member States concerned. In such cases, the practice of the Committee, endorsed by the Assembly, was to use price-adjusted rates of exchange (PAREs), or “other appropriate conversion rates”.⁶⁰ The determination of the cases where MERs ought to be replaced by PAREs raised a number of technical cum political issues that demand considerable attention from the Committee on Contributions, including through dialogues with the Member States concerned.⁶¹

⁵⁷ See, for instance, A/55/11, part E, paras 72 to 103, and A/64/11, part D, paras 57 to 73.

⁵⁸ A/55/11, para 78(a).

⁵⁹ A/64/11, para 63.

⁶⁰ These words and concepts, “excessive fluctuations and distortions”, or “other appropriate conversion rates”, figured in reports of the Committee on Contributions as well as in resolutions of the General Assembly on the scale of assessments. See, for instance, GA resolution 64/248, para 5(c).

⁶¹ For the scale for 2010-2012, the Committee on Contributions examined the cases of 11 countries that might qualify for the replacement of MERs by PAREs: Angola, Armenia, Azerbaijan, Belarus, Equatorial Guinea, Georgia, Iraq, Kazakhstan, Romania, Russian Federation and Ukraine. Only Iraq was retained. However, the Committee also examined other cases where, for different reasons, MERs ought to be replaced by “other appropriate rates of exchange”, namely United Nations operational rates of exchange, and Member States found to qualify were the

3. Use of comparative estimates of national income

41. See above, section II.A.2.

4. Factors to be taken into account to avoid anomalous assessments

42. See also above, General Survey and part II, sections A.1. and A.2.

B. Upper and lower limits of contributions

43. The question of the upper limit, or ceiling of contributions, and the change from 25 per cent to 22 per cent that was agreed upon in December 2000, has been reported upon above in the General Survey.

44. The lower limit, or floor of contributions had been changed from 0,01 per cent to 0,001 per cent at the end of the 1990s.⁶² It remained at this level in the first decade of the 2000s. However, some discussion on the appropriateness of a floor took place in the Committee on Contributions. For instance, the report on the sixty-seventh session of this Committee, held in June 2007, stated the following: "Some members noted that the floor was inconsistent with the principle of capacity to pay since it increased the burden for these countries whose rates of assessment had to be raised to the floor rate. Some members favored lowering the floor by expanding the number of decimal points to four digits, or eliminating it altogether. Other members disagreed. There was a certain base minimum that Member States should contribute."⁶³

45. Also, during the period under review the maximum assessment rate for the least developed countries, a category of Member States established by the General Assembly, remained at 0,01 per cent.

C. Revision of scale of assessment

46. With the revised methodology for establishing the scale of assessment decided upon by the General Assembly in December 2000, notably the quasi-automaticity of the movements of

following: the Democratic People's Republic of Korea, Myanmar and the Syrian Arab Republic. See A/64/11, para 67.

⁶² Agreed upon in 1997, this change was first reflected in the scale for the years 1998, 1999 and 2000. See resolution 52/215 of 22 December 1997, Scale of assessment for the apportionment of the expenses of the United Nations, paragraph 1(f). The successive levels of the minimum assessment, or floor, were the following: 1946: 0,04 per cent (GA resolution 69 (I)); 1972: 0,02 per cent (GA resolution 2961 (XXVII)); 1976: 0,01 per cent (GA resolution 31/95); 1997: 0,001 per cent (GA resolution 52/215).

⁶³ See A/62/11, para 52.

Member States along the set levels, not only the revision of the scale could be maintained at intervals of three years – and simplified – but the scale itself became unchanged for each year of the three-year period. For the first scale after the reform, however, the numerous adjustments that were necessary imposed different scales for the years 2001, 2002 and 2003. These scales were nevertheless calculated in 2000 and were not open to subsequent modifications. The following scales were established for the entire three-year periods of 2004-2006, 2007-2009 and 2010-2012.⁶⁴

****D. Relative merits of the percentage system and the unit system of assessment**

E. Extent to which expenses have been shared by non-member States

47. The Holy See, “not Member of the United Nations, but which participate in certain of its activities” was called “to contribute to the expenses of the Organization for 2001, 2002 and 2003 (and then 2004-2006, 2007-2009 and 2010-2012) on the basis of a notional assessment rate of 0,001 per cent , which represents the basis for the calculation of the flat annual fees to be charged to the Holy See in accordance with General Assembly resolution 44/197 B of 21 December 1989.”⁶⁵ This rate of 0,001 per cent was unchanged from the previous period.

48. The other country assessed as a non-member of the United Nations was Switzerland, at a rate of 1,274 per cent for the period 2001-2003, a slight increase from the 1,215 per cent for the period 1998-2000. Starting with the assessments for the period 2004-2006, Switzerland was assessed as a State Member of the United Nations. Its rate was 1,197 per cent for this period 2004-2006, 1,216 per cent for 2007-2009, and 1,130 for 2010-2012.⁶⁶

F. The Working Capital Fund

49. The General Assembly established the working capital fund at the level of \$150 million for the biennium 2008-2009.⁶⁷ The Assembly confirmed this level for the biennium 2010-2011.⁶⁸ The previous level was \$100 million.

****G. Adjustments of accounts with Member States and non-member States**

****H. Membership and methods of work of the Committee on Contributions**

⁶⁴ See GA resolutions 55/5, 58/1, 61/237 and 64/248.

⁶⁵ See GA resolutions 55/5, section D, para 2, 58/1 B, para 3(b), 61/237, para 8(b) and 64/248, para 12 (b).

⁶⁶ See GA resolutions 55/5, para 8(b), 58/1B, para 2, 61/237, para 6, and 64/248, para 6.

⁶⁷ See GA resolution 62/240 of 22 December 2007, Working Capital Fund for the biennium 2008-2009, para 1.

⁶⁸ See GA resolution 64/247 of 24 December 2009, Working Capital Fund for the biennium 2010-2011, para 1.

I. Apportionment of the expenses of the United Nations peace-keeping and related operations

50. The adoption by the Assembly of a thoroughly reformed method for the apportionment of the expenses of peace-keeping operations has been reported above in the General Survey. It is appropriate, however, to evoke here the positions of the main actors in a negotiation that was long and arduous. Moreover, since this negotiation on the peace-keeping assessment was conducted together with the negotiation on the regular budget assessment, statements on the latter are also mentioned.

51. The debate on the scale of assessments for regular expenses of the Organization started on 2 October 2000 in the Fifth Committee and the debate on the scale for peace-keeping operations followed on 3 October, also in the Fifth Committee. In both debates, the representative of the members of the European Union spoke first, followed by the representative of the Group of 77 (or the representative of the non-aligned countries) and by the United States of America. Excerpts from their statements and from the statements of China, the Russian Federation and Japan, are given below.

52. France, speaking on behalf of the European Union, ten associated countries and Iceland, first on the scale for the regular budget:

“For nearly five years, the European Union has advocated a number of proposals concerning the scale methodology, which were based on the idea that each Member’s contribution must reflect as closely as possible its real capacity to pay in the light of its current economic situation and that the scale methodology must be simple, equitable and transparent (...) The current scale methodology distorted, rather than reflected, the European Union’s capacity to pay for three basic reasons. First, the economic information used in calculating the scale for 2000 dated back to 1990 or even 1985 (...) Thus, the scale did not reflect the periods of prosperity and crisis experienced by different countries over the last 10 to 15 years, nor did it take into account the devaluations or appreciations of their national currencies against the United States dollar (...) The European Union had proposed that the base period should be updated annually with more recent economic data (...) (Second) the low per capita income adjustment should remain a basic feature of the scale (...) (yet) the developing countries as a whole accounted for about one fifth of the world economy, yet they contributed just under one tenth of the regular budget (...) The debt-burden adjustment should be eliminated, since it resulted in a lack of transparency, greater complexity and inequality (...) The third distorting element was the ceiling on the contribution of the major contributor, which departed from the principle of capacity to pay. Since that country’s share of the world GNP was approximately 29 per cent, the current ceiling of 25 per cent should not be lowered any further(...) (Measures to reform both scales) could not succeed unless all Member States paid their contribution in full, on time and without conditions.”⁶⁹

53. Same speaker, on the scale for expenses of peace-keeping operations:

⁶⁹ A/C.5/55/SR.5, *Official Records*, paras 18 to 24.

“The European Union considered reform of the scale of assessments for peace-keeping operations to be essential if the Organization was to have an equitable and therefore stable and sustainable financial basis (...) The future scale for peace-keeping operations must be established in close observance of the principles of capacity to pay, the special responsibility of the permanent members of the Security Council, and the relatively limited capacity of countries with less developed economies to make contributions. Finding the resources to provide the financial backing for the mandated activities of the United Nations, including peace-keeping operations, was a collective responsibility of Member States. The arrangements for financing peace-keeping operations must not, therefore, over the long term, depart from the principal of capacity to pay (...) There were considerable anomalies in the current peace-keeping scale: about 20 countries with a per capita income above the world average were granted a considerable reduction for no valid reason, and one country with a per capita income below the world average was granted no reduction (...) Those inequities must be corrected as part of the overall reform. One of the European Union main objectives was reform of the groups so as to create a more fluid structure based on effective criteria, in particular per capita income, which would better reflect each Member State’s capacity to pay. The composition of the groups would thus be regularly updated as new economic data became available.

The permanent members of the Security Council must assume special responsibility with regard to financing peace-keeping operations (...) While a surcharge of 15 per cent on the permanent member’s assessments would be reasonable in the European Union’s view, the level of the surcharge remained to be discussed (...) The surcharge must be fixed, predictable and negotiated and agreed upon by all Member States (...) As an example of the extent to which the principle of capacity to pay had been distorted in the name of the special responsibility of the permanent members of the Security Council, under the current system the surcharge of the permanent members of the Security Council would exceed 25 per cent in 2001.

The surcharge (...) was intended to reduce the burden on countries with poorer economies, in consideration of the relatively low capacity of such countries to contribute to defraying the costs of peace-keeping operations. That was a further solidarity measure to complement the planned mechanisms for redistributing the financial burden in the regular scale.

In 1996, the European Union had proposed four set of measures to restore the balance and sustainability of United Nations finances (...) Reform of the scale of peace-keeping operations had been part of the package, as had been reform of the scale of the regular budget. The objective would, however, be fully achieved only if all Member States paid their contributions in full, on time and unconditionally (...)⁷⁰

54. Nigeria, speaking on behalf of the Group of 77 and China, on the scale for the regular budget:

“The Group of 77 and China believed that the Organization’s resources must be commensurate with its mandates and that its expenses should be borne by the Members as apportioned by the General Assembly. The main criterion for the apportionment of the expenses of the United Nations must be the capacity to pay. Developing countries should not be assessed at a rate that exceeded their capacity to pay as a result of adjustments to the scale.

⁷⁰ A/C.5/55/SR.7, Official Records, paras 2 to 7.

The threshold and gradient of the low income per capita income adjustment should be increased (...)The debt burden adjustment should be based on the total debt stock, while the GNP should constitute the basis for the income measure. The statistical base period should be six years (...)The floor should remain at 0.001 per cent, while the maximum assessment rate for least developed countries should remain at 0.01 per cent.

At to the ceiling it should not be so arbitrary as to obscure the relationship between Member's capacity to pay and the rate of assessment applicable to them. The adjustment of the current ceiling would be considered only if the burden of payment was redistributed among the major contributors, without affecting the Group of 77 and China. Unilateral attempts to modify the scale of assessments were unacceptable. The proposal to introduce a minimum assessment rate for permanent members of the Security Council ran counter to the principle of capacity to pay, while the annual recalculation of the scale of assessments would be impractical (...)”⁷¹

55. South Africa, speaking on behalf of the Movement of Non-Aligned Countries, on the scale for peace-keeping operations:

“During the thirteenth Ministerial Conference of the Movement, held in April 2000, the Ministers had reaffirmed the importance of maintaining the principle of the capacity to pay as a fundamental criterion in the apportionment of the expenses of the Organization. Any unilateral attempt to modify the scale of assessments by establishing conditions contrary to the principles of the United Nations was unacceptable to the 114 members of the Movement. The Ministers had reiterated that the principles and guidelines for the apportionment of the expenses of peace-keeping operations approved by the General Assembly in its resolutions 1874 (S-VI) of 27 June 1963 and 3001 (XXVIII) of 11 December 1973 must be adopted on a permanent basis. In that regard account must be taken of the special responsibility of the five permanent members of the Security Council for the financing of such operations. Furthermore, the Ministers had stressed that member countries of the Movement and other developing countries should be classified in a category no higher than Group C.”⁷²

56. The United States of America, first on the scale for the regular budget:

“At the recent Millennium Summit, leaders form from countries large and small had come together to create a new vision for the United Nations. Currently, the Organization was at a watershed. The polarization of the cold war years had engendered paralysis and disillusionment, as a result of which the United Nations had become bloated and its structures and systems had atrophied. As the geopolitical climate had begun to thaw, the Organization had done its best to forge a new role in areas ranging from peace-keeping to development to environmental preservation, slowly winning back the trust of its Members (...)

In order to meet the targets set at the Millennium Summit, the United Nations must have an adequate and reliable stream of resources. Yet, for the past decade, The Organization had operated in a financial straightjacket. The problem had no single cause. Arrears owed by Member States, including the United States, were undeniably an element, and one he deeply regretted. But the roots of the problem ran much deeper. The Organization's financial structures

⁷¹ A/C.5/55/S.R.5, paras 25 to 28.

⁷² A/C.5/55/SR.7, para 8.

had set in stone a system predicated on political rifts that flouted the fundamental principles of the sovereign equality of Member States.

Efforts to place the United Nations on a more secure financial footing must begin with the updating of the two scales of assessment. There was considerable support for reform of the peace-keeping scale (...) There was growing agreement on the basic elements of a new system, namely more up-to-date economic data and broader burden-sharing among Member States based on the criteria of real capacity to pay and real responsibility to contribute (...) The base period should be shortened (...) The Organization's tax base should be broadened by introducing a sliding gradient that took more account of the capacity to pay of the world's powerhouse developing economies. The debt-burden adjustment, if maintained, should be based on actual debt flows.

Lastly the United Nations must abandon the practice of placing excessive reliance on a single contributor. The principle of capacity to pay was not absolute. The ceiling was a means of modifying the principle in order to avoid dependence on any one Member State, just as the floor was an acknowledgment of the situation of countries with a very limited capacity to pay. Since 1973, when the ceiling had been reduced to 25 per cent, 56 new Member States had joined the United Nations and the world economy had been transformed, with new economic Powers emerging as others retreated. Those new realities must be taken into account. The time had come to re-establish the balance that the authors of the Charter had sought to strike.”⁷³

57. Same speaker, on the scale for peace-keeping operations:

“The Fifth Committee must, by the end of the year, fundamentally revamp and institutionalize the manner in which United Nations peace-keeping operations were financed (...) No one doubted that the financial arrangements agreed upon in 1973 was outdated or that the financing of peace-keeping operations must be made more equitable (...) Two aspects of the peace-keeping reform effort must be addressed simultaneously: the way the Department of Peace-keeping Operations worked and the way Member States financed its operations(...)

While the details of peace-keeping financing were technical, the decision on whether to save the United Nations peace-keeping was political. Virtually all Member States agreed that to start the year 2001 with the current ad-hoc arrangement in place would be untenable (...) It assigned 98 per cent of the financial responsibility for peace-keeping to 30 Member States, while the other 159 Member States paid only token amounts, regardless of their economic circumstances.

By its resolution 1874 (S-IV) of 27 June 1963, the General Assembly had agreed on the fundamental principles that must underpin any revision of the scale: the collective responsibility of all Member States for financing peace-keeping operations; the special responsibility of the permanent members of the Security Council; and the relatively limited capacity of low-income countries to contribute to peace-keeping. The first principle dictated that the scale must no longer be predicated on political divisions and pre-conceptions. The criteria for categorizing Member States for the purposes of the scale must be neutral, objective and transparent. Per capita income and gross national product were examples of such criteria (...)

⁷³ A/C.5/55/SR.5, paras 37 to 41

The scale must better reflect the diversity of the world economy. Under the current structure, countries were given either an 80 per cent discount or no discount at all on their contributions, and they were divided into only four categories. However, the Organization's Members represented more than four different levels of economic strength (...) Regardless of the number of additional groups, the system must provide for automatic updates so that countries would move up or down in the scale in relation to their economic circumstances.

The scale should also reflect the special responsibility of the permanent members of the Security Council (...) Currently however, only three of them were among the top five contributors; no fewer than 19 Member States contributed more to the regular budget than the permanent member of the Security Council with the lowest contribution, while 14 Members paid more for peace-keeping. Meanwhile the peace-keeping assessment of the United States continued to grow and would reach a record level of over than 31 per cent in 2001 (...) His delegation would not support any proposed revision of the scale that would increase the peace-keeping assessment rates for countries with low per capita income. It would support the continuation of the current 80 to 90 per cent discount levels for all low-income countries.

The case of South Africa, which was a victim of the Fifth Committee's failure to adapt the ad-hoc scale to changing economic realities, exemplified the current problem. Although its per capita income had fallen below the world average, South Africa was still in group B, where it had been placed in 1973(...) His delegation supported South Africa's request to change groups no later than January 2001, regardless of whether or not a revised scale was fully in place by that time (...)”⁷⁴

58. China, on the scale for the regular budget:

“Capacity to pay was the principle on which the apportionment of the expenses of the Organization should be based (...) The low per capita income adjustment was the best expression of the principle of capacity to pay in assessing contributions. His delegation noted with regret that certain states were opposed to applying the low per capita income allowance to permanent members of the Security Council; some had even suggested that there should be a floor for permanent members. These proposals violated the principle of capacity to pay and were unacceptable to his Government.

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

While his country's economic growth had been relatively high in the past 20 years, its per capita income was still very low (...) Proposals to increase sharply his Government's assessment in disregard of its actual capacity to pay were unrealistic.⁷⁵

59. The Russian Federation, speaking on the scale for the regular budget:

⁷⁴ A/C.5/55/SR.7, paras 14 to 24.

⁷⁵ A/C.5/55/SR.5, paras 42 to 46.

“The concept of relative capacity to pay, chosen by the founders as the basis of the scale of assessments for apportionment of the expenses of the Organization, had proved its viability. Departures from that principle had caused problems in the determination of rates of assessments for Member States.

GNP was currently the most objective income measure for the calculation of assessment rates (...) As to the base statistical period, the shorter it was, the closer the resulting assessment rates were to real capacity to pay (...) His delegation reaffirmed the validity of the low per capita income adjustment. At the same time, that adjustment was currently made on a political basis, at least as far as the gradient was concerned. The idea of applying a sliding gradient, as proposed in paragraph 117 of the Report (of the Committee on Contributions) also deserved consideration. Any proposals that permanent members of the Security Council should not be eligible for relief under the low per capita income adjustment were absolutely unacceptable (...)

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

The ceiling on contributions to the regular budget was the result of a political decision by the General Assembly. The terms of reference of the Committee on Contributions specified that, if a ceiling was imposed, it should not be such as seriously to obscure the relation between a nation’s contribution and its capacity to pay. The Assembly should adopt a balanced decision taking into account the interests of all parties concerned and providing a sound financial basis for United Nations activities.”⁷⁶

60. Same Member State, on the scale for peace-keeping operations:

“In view of the unprecedented increase in United Nations peace-keeping activities and expenditures, the time had come to guarantee the sustainability of peace-keeping financing by adopting a new scale of assessments for peace-keeping operations (...) A reformed scale of assessments for peace-keeping operations should reflect the real capacity to pay of Member States and the special financial responsibility of the permanent members of the Security Council. Under the Charter, that special responsibility arose exclusively in connection with the discharge of functions related to the maintenance of international peace and security (...)

The proposal to establish one or more groups between groups B and C in the peace-keeping scale was long overdue and completely logical. Clear economic criteria must be agreed upon for the assignment of countries to one group or another (...)

The reform of the scale for peace-keeping operations was inseparable from the principle of the responsibility of Member States to honor their financial obligations without conditions. The reform would be viable only if the agreements reached included the payment of arrears and guarantees that the Organization would not be subjected again to artificially created financial crisis. Final decisions on the reform of the scale of assessments should be taken by consensus.”⁷⁷

⁷⁶ A/C.5/55/SR.5, paras 47 to 51.

⁷⁷ A/C.5/55/SR.7, paras 35 to 28.

61. Japan, on the scale for the regular budget:

“The most urgent task facing the Fifth Committee at the current session was the reform of the scales of assessments for the regular and peace-keeping budgets. His Government’s proposal for the reform of the regular budget scale (...) aimed at modifying the current low per capita adjustments, which resulted in an inequitable scale of assessments. While the concept of low per capita income adjustments was a good one, it was unfair that countries not eligible for adjustments should have wide discrepancies between their GNP shares and scales. It was very difficult for the Japanese people to understand why Japan’s share of the assessed budget was now more than 20 per cent, while its GNP share remained approximately 17 per cent. Moreover, under the current system, large developing economies fare better than smaller ones (...)

His Government proposed to lower the entire per capita income adjustment level and introduce “sliding gradients” for the allocation of adjustments (...) The proposal also asked the permanent members of the Security Council to give up the benefits of par capita income adjustments. The permanent members clearly had special responsibilities within the United Nations that should be reflected in the scales of assessment, not only for the financing of peace-keeping operations, but also for the regular budget.”⁷⁸

62. Same speaker, on the scale for peace-keeping operations:

“The permanent members of the Security Council had special responsibilities with regard to the financing of peace-keeping operations, and all premiums resulting from adjustments to the scale of assessments must be consequently be borne by them. That principle was of long standing and should be maintained in any new system. Moreover, any new system for determining the scale of assessments for peace-keeping operations should reflect the economic realities of the present-day world. The current system was outdated (...)⁷⁹

63. After the adoption by the Fifth Committee early Saturday morning, 23 December, and by the Plenary a few hours later of the scale of assessments for 2001-2003 and of the reformed scale for peace-keeping operations,⁸⁰ statements were made by a few delegations. Here are some excerpts:

64. China, in the Fifth Committee (from Press Release):

“Following several months of arduous negotiations, Member States had reached a consensus (...) Everybody knew that China’s rate would increase. In accepting the decision, China would pay a high price. He hoped that countries should not forget that China was a country with a population of about 1.3 billion, and per capita income just approaching \$1,000.

The long-running financial difficulty of the United Nations of the United Nations was due to the arrears owed by the major contributor. The major Power arbitrarily set up the scale which deviated from the principle of capacity to pay. He could not accept that practice of imposing things on other countries.

⁷⁸ A/C.5/55/SR.5, paras 63 and 64.

⁷⁹ A/C.5/55/SR.7, para 31.

⁸⁰ See GA resolutions 55/5 B, C, D, E, F and 55/235, both of 23 December 2000.

China had joined the consensus because it knew that for the United Nations to operate normally, it must have a regular budget. For the sake of the Organization, China had accepted greater burdens. He demanded that the country with the biggest amount of arrears demonstrate its political will with concrete action and pay all its arrears.”⁸¹

65. United States of America, in the Fifth Committee (from Press Release):

“The Committee had come a long way. Like a great mountain climb, the last ridge was the hardest. There was tremendous amount of tension and acrimony, because each State was trying to protect its national interest while trying to advance the goals of the Organization. It had been one of the toughest negotiations of his career.

He felt comfortable with the current outcome in its macro form. From the outset, he had made it clear that the United States understood why the nations of the world were unhappy. Nevertheless, they allowed the United States to go down to 22 per cent, and he appreciated it. In his personal judgment, following conversations he had had with Washington, including with Senator Biden moments earlier, he believed the Committee would see a growing understanding in Washington of the fact that the United Nations was working with the United States to fix the financial resources of the Organization.

Much was left to be done, he said, including continuing reform – with particular attention to full implementation of the Brahimi Panel (...)

Many nations had stated that they did not want peacekeeping to be improved at expense of development assistance. He fully agreed – as did major contributors. All had increased development assistance at the same as supporting increased resources for peace-keeping. Development helped prevent conflicts.

He thanked Member States for their patience, help and effort. Over 100 members of the United States Congress, a co-equal branch of his Government, had travelled to New York in the last year to learn about the United Nations and to share their views. They had returned impressed with the Organization’s efforts. He was grateful to them, especially Senators Biden and Helms.

When he took up his job in the summer of 1999, during his test before Senator Helms, he had laid out the priorities that would govern his efforts during his tenure as United States Permanent Representative to the United Nations. He had said that his highest priority would be implementation of reform. He could now report to Congress that the United Nations had gone a substantial way in that direction. Congress would act on its own, and the new United States Administration must take up the baton from there, but he could report that there had been a breakthrough.

Many other commitments he had made 17 months ago had also been fulfilled. The Western European and Other Group of States had accepted Israel as a member. The Brahimi Panel had made significant step forward. The Security Council had examined health issues for the first time in its history. Efforts to support the “Group of 77” developing countries in their efforts for

⁸¹ Press Release GA/AB/3425, 23 December 2000, p. 11.

*development had been strengthened. He could end the year knowing that, while nothing is perfect in politics, a major step had been taken.*⁸²

66. Nigeria, speaking on behalf of the Group of 77 and China, in the Fifth Committee (from Press Release):

"The journey to the decision had been stormy. All the obstacles and difficulties at different moments had made him wonder if the Committee would ever arrive at a new scale for peace-keeping operations. Surely, the commitment at the Millennium Summit to strengthen the Organization would have been brought to naught if there was no agreement on the apportionment of expenses for peace-keeping operations.

The Group of 77 and China was indeed proud to have shown great flexibility on the matter. It was important to also recognize the flexibility on the part of the Group's partners. The negotiations had been characterized by great passion and courage. That was to be respected (...)

*Turning to the position of the United States, he expressed appreciation for the effort of Ambassador Holbrooke. It was also important to convey the message of the Group of 77 to the United States: "Do not put the United Nations in jeopardy. Do not forget the great leaders like President Roosevelt, who was one of the driving forces in the establishment of the United Nations. For the sake of the Organization, international peace, security and development, please pay your arrears in full and without delay."*⁸³

67. Cuba, in the Fifth Committee (from Press Release):

"He wanted to express its profound disagreement with the motives and conditions that had led to the approval of the drafts before the Committee. His delegation had decided to join the consensus, hoping that the overwhelming majority of Member States, the Secretary-General and the President of the General Assembly were right in their belief that it was the only way to avoid damaging the United Nations even more.

Cuba had also done that out of respect for the Group of 77. It had always put the important goals of the United Nations and the collective interests of developing countries before its own views.

(...) He did not see any reason to be satisfied. The situation further confirmed that the United Nations could not elude the uni-polarity of today's world, nor could it avoid the inequity, exclusionary nature and injustice of an unstable international order.

The essence of what happened is that the United Nations had had to give in to blackmail and intimidation by the Government of the United States, which blamed its poorly democratic Congress, where a senile old man managed to impose his will and arrange for the United States to pay less than what its prosperous economy meant it should (...)

⁸² Ibid., pp. 11 and 12.

⁸³ Ibid., p. 13.

He believed there was a clear understanding that if the United States did not pay at least the agreed amount, the whole package would be terminated and Member States would return to the starting point.”⁸⁴

68. France, in Plenary, speaking on behalf of the European Union:

“If we have been able safely to reach this solemn Hall with a great success to our credit, it is thanks above all to Gert Rosenthal. I wish to pay a solemn tribute to the Chairman of the Fifth Committee (...) The member countries of the European Union wish to offer their heartfelt gratitude and a fraternal salute to the Ambassador of Nigeria, who led the work of the Group of 77 and China (...) We set out from positions that were often very far apart and we managed to find common ground on the two scales (...) I wish to include the Ambassador of Colombia in these words of thanks. He turned out studious week-ends into times of intellectual pleasure in the conference room, which we feel has now become one of New York’s most select clubs.

The Millennium Summit – the greatest Summit ever assembled – gave new impetus to our Organization. Today, we can perpetuate that impetus by placing the United Nations on a solid footing. The Brahimi report will be implemented, ensuring better management of peace-keeping operations (...)

This great success story is a collective one and the Member States of the European Union wish to convey our gratitude to all delegations (...) More than ever before, the European Union is resolved to provide its decisive support to help us attain our common aspiration: the practical, daily implementation of the ideals of the United Nations.”⁸⁵

****J. United Nations bonds**

****K. The question of whether certain expenditures authorized by the General assembly constituted “expenses of the Organization” within the meaning of Article 17(2)**

⁸⁴ Ibid., p. 14.

⁸⁵ A/55/PV.89, official Records, p. 9.