REPERTORY OF PRACTICE OF UNITED NATIONS ORGANS
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VOLUME II

ARTICLE 17(2)

CONTENTS

Article 17 (2)

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 this study follows that of the previous studies of Article 17 (2) in the *Repertory* and its *Supplements No. 1, 2, 3, 4, 5* and *6*, with some exceptions. In this study, a new section dealing with the apportionment of the expenses of the United Nations Iran-Iraq Military Observer Group (UNIIMOG) has been added. Also, in view of the special attention given to the question of external indebtedness, a new sub-section by that title has been inserted under section A.4.

I. GENERAL SURVEY

2. During the period covered by this study, 1985-1988, the General Assembly continued to apportion expenses of the Organization amongst Member States on the basis of the scale of assessments, determined broadly on the principle of the capacity to pay. Pursuant to its original terms of reference, contained in General Assembly resolution 14 (I) of 13 February 1946 and subsequent mandates, the Committee on Contributions recommended the scales of assessments for approval by the General Assembly and also advised the Assembly on other matters pertaining to the implementation of the provisions of Articles 17, paragraph 2, as well as 19.

3. Trends in the rates of assessments, against the backdrop of the prevailing difficult economic environment, especially in developing countries, strengthened the perception among some Member States that the existing scale of assessments was unfair. In 1988, the Chairman of the Committee on Contributions reminded the Fifth Committee that the existing system of apportionment was based on the relative capacity of individual Member States to pay, determined on the basis of national per capita income. In that context, he agreed with those Member States which held the view that "the continuing trend of increasing rates of assessment for OPEC and the member countries of the Group of 77 and decreasing rates for the countries with centrally planned economies and the members of the OECD"

appeared at odds with economic realities and the capacity to pay principle. None the less, the Chairman noted that, as long as the methodology used was based on the relative capacity to pay, various Member States would continue to be the victims of relative inequities which the Committee on Contributions would strive, as it had in the past, to reduce as much as possible.[1]

4. Although national income had been in use during the last four decades as a basis of determining the capacity of Member States to pay, the persistent difficulty of attaining a commonly agreed upon definition of assessable national income made the task of establishing the scale and the process of its approval increasingly contentious. This was due to the differences of views as to what constituted appropriate deductions or adjustments to national income. Following extensive discussions at the forty-eighth session of the Committee on Contributions in 1988, the question arose whether the national income concept it had employed was the most appropriate concept for the measurement of capacity to pay.[2]

5. At the same time, several Member States took issue with one or another aspect of the scale and its methodology during the General Assembly's consideration of the scales of assessments for 1986-1988 and 1989-1991. In 1985, a group of Member States advocated a return to the "simplified method used initially which, with minor changes, had been applied until the end of the 1970s."[3] Those who experienced increases in their rates of assessment, based on their individual capacity to pay as measured by the methodology employed by the Committee on Contributions disagreed with the existing methodology. Others expressed concern about the extent to which adjustments were made to national income data in order to grant deductions to countries with economic difficulties or experiencing anomalies. Still others felt that the scale was not capable of reflecting adequately the economic and financial realities of the 1980s, especially the distortions to the capacity to pay caused by external indebtedness and exchange rate anomalies. In some instances, the adjustments recommended by the Committee were criticized as inadequate.[4]

6. Pursuant to General Assembly resolution 39/247, the Committee on Contributions, at its forty-sixth session in 1986, considered alternative assessment methodologies that were based on a study of the practices of twenty-eight

[1] A/C.5/43/SR.21, para.2
[2] GA (43), Suppl. 11, A/43/11, para 47
[3] A/C.5/40/SR.11, para 56; SR.12, para 16

international organizations. In this context, the Committee considered broad criteria that would: (i) divide the United Nations budget into separate parts, according to the capacity to pay and on the basis of other criteria, (ii) incorporate an element of weighted voting; (iii) relate obligations to privileges; (iv) divide Member States into groups for purposes of determining contributions; (v) apply equal-share apportionment; and, (vi) relate costs to benefits derived by Member States.[5]

7. At its forty-first session, the General Assembly had before it the following four alternative methodologies that had been considered by the Committee on Contributions: (a) Alternative I, assessments by grouping countries, such as OECD countries, centrally planned economies of Eastern Europe and Mongolia, and others comprising of Member States of the Group of 77 and China, (b) Alternative II, relating assessments to factors such as permanent membership in the Security Council, sovereign equality and capacity to pay, (c) Alternative III, apportionment of additional percentage of the budget to non-permanent members of the Security Council during the two-year membership term, (d) Alternative IV, division of the budget between core and non-core parts which would entail differences in assessment criteria.[6]

8. Several Member States were opposed to the departure these proposals entailed from the established principle of the capacity to pay. In that context, one delegation reminded the Committee on Contributions "the remedy for the dissatisfaction caused by that [the existing] methodology was to improve it."[7] Another delegation pointed to the need to supplement the existing per capita income criterion with a "macroeconomic yardstick to measure Member States real capacity to pay."[8] A delegation sympathetic to Alternative II concluded that an equitable system of apportionment could be attained only when maximum comparability of the data produced by different accounting systems was achieved. To that end, the delegation called for technical refinements to the price-adjusted rates of exchange (PARE) for use in respect of inflation adjustments, pending satisfactory developments in the area of purchasing power parity (PPP).[9]

9. Still another delegation attributed the problem of the scale to the lack in the United Nations of a system

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[4] A/C.5/40/SR. 4, 7, 9, 11-12, 16, 69; A/C.5/43/SR.9, 15, 21, and 51
[5] GA (41), Suppl. No.11, A/41/11, para. 5
[6] Ibid, paras 10-47
[7] A/C.5/41/SR.10
[8] Ibid, SR.22, para. 1
[9] Ibid, SR.10

which would meet the three basic criteria of: "(a) that it [the scale] was consistent with the collective wishes of United Nations Member States; (b) that it [the scale] was fair and equitable, and (c) that it [the scale] was easy to understand,"[10]

10. Although some delegations expressed sympathy with Alternatives I, II and IV, none of the proposed alternative assessment methodologies received general support from Member States. Consequently, the General Assembly requested the Committee on Contributions to continue its work on the basis of its mandate, taking into account the views expressed by Member States during the debate in the Fifth Committee on the report of the Committee on Contributions on its forty-sixth session.[11]

11. The system of special assessment rates for peace-keeping operations continued in effect during the period covered by this study. At the same time, the use and treatment of voluntary contributions received special attention: in approving the appropriations for the United Nations Iran-Iraq Military Observer Group (UNIIMOG) in 1988, the General Assembly decided that voluntary contributions received in cash should be credited as income to be taken into account in the calculation of the total amount to be assessed on Member States for future mandate periods.[12]

II. ANALYTICAL SUMMARY OF PRACTICE

A. BASIS FOR DETERMINING CAPACITY TO PAY

1. TERMS OF REFERENCE

12. In maintaining the principle of capacity to pay as the fundamental criterion for determining the scale of assessments, the General Assembly in its resolution 39/247 B had issued revised guidelines to the Committee on Contributions. Adopted after protracted negotiations, these guidelines defined the parameters that were used by the Committee in establishing the scales of assessments for the periods 1986-1988 and 1989-1991. In operative paragraph 1 of that resolution, the General Assembly decided that:

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[10] Ibid.
[11] GA resolution 41/179, para. 1
[12] GA resolution 43/230

(a) "The ten-year statistical base period should be maintained;

(b) "The upper limit of the low per capita income allowance formula shall be raised from $2,100 to $2,200;

(c) "In the redistribution of burden of relief, the Committee on Contributions should apply a limit to the relief burden borne by Member States to take into account their developmental status and developmental requirements;

(d) "The individual rates of assessments of the least developed countries should not exceed the present level;

(e) "The Committee on Contributions should develop a methodology to take account of the problem of the serious economic and financial situation in the world, in pursuance of the deliberations mentioned in paragraph 54 of its report;

(f) "Scheme III, as defined in paragraph 49 of the report of the Committee on Contributions, should be used in order to limit the variations of individual rates of assessment between successive scales after pertinent modifications in the light of the views expressed by Member States in the Fifth Committee, particularly in respect of the rates below the level of 1 percent."

13. In respect of the scale adopted for the period 1989-1991, these terms of reference were supplemented by the provisions of General Assembly resolution 42/208 of 11 December 1987, by which the Assembly called for a review of the scheme of limits to avoid excessive variations in individual rates of assessment between successive scales.

2. STATISTICAL INFORMATION

14. With respect to statistical data, in 1986 the Committee on Contributions concluded that, with the exception of the cases of eighteen countries, all at the floor level, the data on gross domestic product in national currency compiled by the United Nations Statistical Office and the World Bank were, on the whole, comparable.[13] In 1987, the Committee reaffirmed its commitment to establish the scale of assessments on the basis of United Nations statistical data, compiled from official information submitted by statistical offices of Member States.

15. In that connection, the Committee underlined the importance of a uniform and homogeneous database in

improving the objective use of national income as an indicator of the capacity to pay. During this period, members of the Committee agreed that statistical information gathered outside the framework of the United Nations could be used only in the most exceptional cases, and that procedures governing their use would be established. As a rule, it was also agreed that the Committee's financial data sources would be limited to the United Nations Statistical Office, the World Bank or the International Monetary Fund (IMF). In addition, the Committee agreed that it would be undesirable to use non-published data for purposes of establishing a scale of assessments.[14]

16. The Committee on Contributions proceeded to establish the scale of assessments for the period 1986-1988 on the basis of information received from 123 Member States, 109 of which had submitted complete national income data for the period from 1974-1983. Only 14 Member States provided partial information. Of the 36 countries that had not provided any information, 33 had rates of assessment at or below 0.03 percent.[15]

17. The Committee noted significant improvement in the availability of information during the preparation of the scale of assessments for 1989-1991. For the period 1977-1986, comprehensive data were available for all Member States and non-member States on national income in local currency, population, and exchange rates. The latter were compiled on the basis of data received from 140 countries that had provided information for at least one year out of the ten-year base period.[16]

18. Following a country-by-country review of data at its forty-fifth session, the Committee on Contributions considered whether to accept revision of data submitted by Member States without questioning. In the past, the Committee had generally accepted information from Member States adjusting the data upwards. Revised information from one Member State significantly reducing its ten-year income was received at the forty-fifth session, however. Some members of the Committee held the view that data submitted by a Member State should be accepted without question. Others felt that the Committee's role should include taking note of possible discrepancies, and, wherever necessary, seeking clarification from the Member States concerned.[17]

19. On the occurrence of such a case, the Committee decided to accept the revised data submitted by the

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[13] GA (41), Suppl. No.11, A/41/11, para. 49
[14] GA (42), Suppl. No.11, A/42/11, paras. 6-10
[15] GA (40), Suppl. No.11, A/40/11, para. 33
[16] GA (43), Suppl. No.11, A/43/11, paras. 41-43

Member State, substantially reducing its national income. As in the past, however, when glaring anomalies were observed, the Committee examined comparative data from other sources. On that basis, during its forty-fifth session, it made corrections to data submitted by five Member States.[18]

20. The Committee's approach was the same with respect to population figures, the data for which were mid-period estimates. Where official census data were lacking, estimates were made on the basis of extrapolations of census and survey results.[19]

21. The question of the length of the statistical base period was discussed at the Committee's forty-seventh session in 1987. As in the past, some members of the Committee expressed a preference for a shorter statistical base period in the belief that a shorter base period would reflect more realistically the economic situation of Member States. Others held the view that frequent changes in the base period might result in greater distortions in the relative apportionment among Member States. In the end, on the recommendation of the Committee on Contributions, the General Assembly decided to maintain the ten-year statistical base period in the preparation of the scales of assessments for both the 1986-1988 and 1988-1991 periods.[20] With respect to the future, in line with the interest shown in this issue during the 1988 discussion in the Fifth Committee, the General Assembly at its forty-third session requested the Committee to undertake a further review of the matter.[21]

3. SET OF COMPARATIVE ESTIMATES OF NATIONAL INCOME

22. With a view to ensuring the comparability of national income estimates, the average national income data of Member States, derived from a ten-year statistical base period, was modified by a low per capita income allowance formula based on the upper per capita income limit of $2,200 and a relief gradient of 85 percent. The upper ceiling and the floor rates of assessments were maintained at 25 and 0.01 percent, respectively.[22]

23. During the period covered by this study, the Committee on Contributions devoted considerable time to

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[17] GA (40), Suppl. No.11, A/40/11, paras. 30-53
[18] Ibid. paras. 38-40
[19] Ibid., para. 36
[20] GA (42), Suppl. No.11, A/42/11, para. 29
[21] GA resoluition, 43/223B
[22] GA (43), Suppl. No.11, A/43/11, para. 6

reviewing the question of conversion rates for national income estimates expressed in national currencies for Member States with multiple exchange rate systems. In this connection, it reviewed two studies - one relating to the countries with centrally planned economies and, the other, to the market economy countries with a multiple exchange rate system. The Committee concluded that the situation in the centrally planned economies was more complex as a result of the insulation of a large part of domestic economic activities.[23]

24. While optimistic about the prospect of working more on the basis of comparative rates of exchange due to an increasing number of countries joining the IMF, the Committee, nevertheless, continued to apply, with a few exceptions, the United Nations operational rates of exchange.[24]

25. Important during this period was the development of the price- adjusted rates of exchange (PARE) mechanism as a tool for correcting distortions in national income resulting from unrealistic exchange rates. Although the approach to PARE in 1988 showed a considerable improvement, some members of the Committee continued to express strong reservations about its underlying principles. Those who supported its application favoured it for its ability to systematize the Committee's work and also for the possibility it offered of minimizing the need for the Committee to have to resort to *ad hoc* adjustments.

26. In its resolution 43/223 B, the General Assembly requested the Committee on Contributions, *inter alia,* to continue its work on the PARE methodology and also to monitor improvements in the availability and comparability of national income data.

27. Pursuant to General Assembly resolution 39/247 B, the Committee on Contributions adopted a scheme of limits, a modified scheme III, designed to limit variations in rates of assessment between successive scales. In addressing issues relating to the application of the scheme of limits, the General Assembly, in its resolution 43/223 B, called on the Committee on Contributions, *inter alia,* to review the scheme, including the possibility of excluding allocation of any additional points to those Member States with a very low per capita income.

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[23] GA (41), Suppl. No.11, A/41/11, para. 55-56

[24] GA (40), Suppl. No.11, A/40/11, para. 47-50, GA (43), Suppl. No.11, A/43/11, para. 46

4. FACTORS TO BE TAKEN INTO ACCOUNT TO AVOID ANOMALOUS ASSESSMENTS

a. Comparative income per head of population

28. In the existing assessment methodology, Member States with low per capita income were entitled to deductions if their per capita income was below the upper per capita income limit. At its forty-seventh session in 1987, the Committee on Contributions reviewed the level of the upper per capita income allowance formula, on the basis of variations in the per capita income limit. The Committee observed that, due to the strong dampening effect of the scheme of limits, raising the per capita income to $2,500 would have little effect on developing countries.[25]

29. During its forty-sixth session, the Committee considered a representation by a Member State critical of the application of a single relief gradient of 85 percent for all Member States below the threshold level of per capita income. In the same vein, in its resolution 39/247 B, the General Assembly requested the Committee to examine, on the basis of national income, the conceptual feasibility of supplementing the present methodology with the goal of assigning each Member State with a relevant base relief gradient.

30. The Committee proceeded to review the implications of the ensuing change by assigning a relief gradient ranging from 35 to 85 percent and by grouping countries on the basis of per capita income. The outcome confirmed that a reduced relief gradient would increase the assessable income of countries under the low per capita income formula, thereby raising their rates of assessment. This was especially true for Member States with large populations and low per capita income. It was also observed that the graduated reduction of the relief gradient would have the effect of reducing the total relief granted to all Member States. It was noted that the change would reduce significantly the burden of relief borne by those above the per capita income limit and that this was inconsistent with the guidelines provided by the General Assembly.[26]

31. Consequently, on the recommendation of the Committee on Contributions, the General Assembly decided to maintain the upper per capita income limit of $2,200 and a relief gradient of 85 percent for the period 1986-1988.[27] Pursuant to General Assembly resolution 42/208, the limit was also retained for the period 1989-1991.

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[25] GA (42), Suppl. No.11, A/42/11, para. 31-32
[26] Ibid., paras. 73-74

***b. Temporary dislocation of national economies arising out of the Second World War*

c. The ability of Members to secure foreign currency

32. With a view to improving the methodology of the scale, the General Assembly at its forty-third session requested the Committee on Contributions to examine the possible use of other factors for preparing the scale, including, as an additional factor, the situation of countries having limited capacity to acquire convertible foreign currency.[28]

d. Situation of countries whose commodity export earnings are subject to sharp fluctuations

33. At its forty-third session, the General Assembly also requested the Committee on Contributions to examine the possible use of other additional factors, including (i) the situation of those countries that were dependent on one or a few products or income sources; (ii) the situation of countries suffering from a real loss of income resulting from a deteriorating terms of trade; and (iii) the situation of countries experiencing serious balance-of-payments problems or a negative net flow of resources.[29]

e. The problem of domestic inflation

34. The Committee on Contributions continued to consider the problem of high domestic inflation in its treatment of national income data, on the basis of which assessable income was calculated. At its forty-fifth session, some members of the Committee were critical of the practice of modifying data supplied by Member States in order to make corrections for domestic inflation through changes in exchange rates. The Committee nevertheless took a pragmatic approach with a view to correcting serious anomalies, especially when a continuously high rate of inflation in the economy of a Member State remained inadequately compensated by the depreciation of its currency.[30] However, at its forty-sixth session, some members of the Committee expressed concern that the arbitrary adjustment of exchange rates and national incomes "without any linkage to the country's real economic conditions could lead to

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[27] GA (43), Suppl. No.11, A/43/11, para. 6
[28] GA resolution 43/223B
[29] Ibid.,
[30] GA (40), Suppl. No.11, A/40/11, para. 45

considerable distortion of relative capacity to pay of Member States."[31]

35. The Committee continued to consider price-adjusted rates of exchange (PARE) as a tool to make adjustments to national income estimates in United States dollars, especially when per capita national income gave a distorted measure of the capacity to pay. This was believed to be mostly true in situations where changes in exchange rates did not adequately reflect changes in domestic prices.[32]

f. External indebtedness

36. In response to General Assembly resolution 39/247 B, ,the Committee on Contributions examined statistical data in order to establish a methodology that would take into account the impact of high level of external indebtedness on the capacity to pay.[33] In 1985, the Committee was compelled, due to inadequacy of data, to follow a less systematic approach in considering the 1986-1988 scale of assessments. On the basis of the available data, the Committee at that time had three options : (a) to take debt as a ratio of export earnings and rank countries accordingl;, (b) to take external debt as a ratio of national income; and, (c) to combine the above two, in the range of 80 percent for debt/export earnings and 20 percent for debt/national income.

37. Of the three options, the Committee agreed on the third one and identified 37 countries for debt factor deductions. In a two-stage approach, the deductions were applied for the scale of assessments for 1986-1988, depending on the degree of indebtedness, with 10 percent deduction for countries with the heaviest debt burden, and 7.5, 5 and 2 5 percent for less affected countries.[34]

38. With respect to its future approach, the Committee noted that interest payments were already deducted from national income estimates, and decided that the adjustment for external debt service should use data net of interest payments.[35] As regards the availability of data, the Committee was informed that an external debt group had been established to harmonize definitions of external debt statistics. The group consisted of the World Bank, the International Monetary Fund (IMF), the OECD and the Bank for International Settlements (BIS). Based on the results

[31] GA (41), Suppl. No.11, A/41/11, para. 68
[32] GA (43), Suppl. No.11, A/43/11, paras. 22-31
[33] GA (42), Suppl. No.11, A/42/11, paras. 21-26
[34] GA (40), Suppl. No.11, A/40/11, paras. 12-25; Annex. 1

of the group's work, the IMF was expected to have a data bank to provide information on outstanding external debts of 100 countries previously covered by the World Bank and the Morgan Guaranty Trust Company. Countries were to be classified by debt instrument maturity and interest rates.[36]

39. In 1988, the Committee had before it data on total and public external debt. It decided, however, to use data on total debt rather than public debt for all developing countries and countries with centrally planned economies. Based on development aid recipient data from OECD, 118 countries were identified for external debt adjustments on the payment of principal only. As reliable debt service data were not available, the Committee agreed to use 12 percent of total external debt as the basis for estimating the amount of debt repayment made. This was the basis of the subsequent adjustment.[37]

40. The General Assembly at its forty-third session requested the Committee on Contributions, *inter alia,* to seek in its future work more comprehensive and systematic information with a view to ensuring that external debt was adequately taken into account in determining the capacity of individual Member States to pay.[38]

***g. Accumulated national wealth*

B. UPPER AND LOWER LIMITS OF CONTRIBUTIONS

1. OVERALL MAXIMUM CEILING

41. The decision made by the General Assembly in 1972 that, as a matter of principle, the maximum contribution of any State to the ordinary expenses of the United Nations should not exceed 25%, remained valid during the period (GA resolution 2961 B (XXVII)).

**2. PER CAPITA CEILING

3. MINIMUM ASSESSMENTS

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35 GA (42), Suppl. No.11, A/42/11, para. 25
36 Ibid., para. 23
37 GA (43), Suppl. No.11, A/43/11, paras. 11-21
38 GA resolution 43/223B

42. During the period covered by this study, the General Assembly maintained the floor rate of assessment at 0 01 percent. Therefore, in the scale of assessments for the period 1986-1988, 78 Member States were assessed at the floor rate, while the number of Member States assessed at that rate in the subsequent period rose to 79.

43. In 1987, a member of the Committee on Contributions proposed an increase in the floor rate with a view to raising the "interest of Member States in the United Nations budgeting process." Other members of the Committee rejected the proposal for concern that such an increase might result in a "further deviation from the principle of the capacity of Member States to pay."[39]

44. During the general debate in the Fifth Committee in 1985, a representative of a major contributing Member State pointed out that the number of Member States assessed at the floor rate was too high and, in the view of his delegation, that did not represent a fair share of the expenses of the Organization.[40]

****4. MINIMUM CONTRIBUTIONS FOR NEW MEMBERS FOR THE YEAR OF ADMISSION**

C. REVISION OF SCALES OF ASSESSMENT

45. In its resolutions 40/248 A of 18 December 1985 and 43/223 A of 21 December 1988, the General Assembly adopted scales of assessments for the periods 1986-1988 and 1989- 1991. As mentioned earlier, the scales of assessments for both periods were prepared in accordance with the guidelines set forth by the General Assembly in its resolutions 39/247 B and 42/208. By the terms of General Assembly resolutions 40/248 A and 43/223 A, the General Assembly apportioned the expenses of the Organization among 159 Member States and ten non-member States.

46. In 1985, the Chairman of the Committee on Contributions provided the Fifth Committee with a highlight of the movements in the rates of assessment for 1986-1988, as follows: the rates of assessment of 34 Member States were increased by 156 index points (each point was 0.01 percent), of which one major contributor absorbed 52 index points, the highest increase in that scale; the rates of 36 Member States increased or decreased by 1 or 2 index points,

[39] GA (42), Suppl. No.11, A/42/11, paras. 36-38

while 10 Member States experienced increases or decreases by a range of 3 to 5 points; the rates of 27 Member States were lowered by 160 index points, of which a reduction of 34 points was allocated to one permanent member of the Security Council;and, 78 Member States were assessed at 0.01 percent, 11 at 0 .02 percent and five at 0.03 percent.[41]

47. The scale for that period 1986-1988 was approved by a recorded vote of 109 in favour to 15, with 2 abstentions.[42] Member States that opposed or abstained, comprising about one fourth of the membership, were essentially major contributors, industrialized countries and OPEC members. In explaining its negative vote, a representative from an oil exporting Member State referred to the scale as hardly reflecting "the true performance of national economies or making sufficient allowance for adverse economic trends."[43] The representative of a major contributor stressed that his country cast a negative vote "not because it objected to its own assessed contribution but because it had serious reservations about the current methodology for determining the scale of assessments."[44] Another delegation from an industrialized country abstained because of its "reservations regarding the guidelines followed by the Committee on Contributions."[45]

48. With respect to the scale for the period 1989-1991, the rates of assessment of 27 Member States increased by 123 points, while the rates of 23 Member States were lowered by 119 index points, with the highest increase of 54 points allocated to the same Member State which had absorbed the highest increase in the previous period. The assessment rate of a permanent member of the Security Council, which in the earlier period had received the highest reduction, was lowered again by 25 index points, with a combined reduction of 26 points for two industrialized countries. The assessment of the Group of 77 increased by 34 points, while that of the OECD countries rose by 10 points. The combined rates of assessment of the countries with centrally planned economies decreased by 43 points. During the same period, 79 Member States were assessed at 0.01 percent, nine at 0.02 percent and six at 0.03 percent.[46]

49. Although the General Assembly adopted the scale of assessments for the period 1989-1991 without a vote,

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[40] A/C.5/40/SR.11, para. 49
[41] Ibid., SR.4, para. 18
[42] GA (40), Plen., 122nd mtg.
[43] A/C.5/40/SR.69, para. 32
[44] Ibid., para. 52
[45] Ibid., para. 49

operative paragraph 1, part A, of the resolution (43/223 of 21 December 1988) stated the following:"Resolves that the scale of assessments for the contributions of Member States to the regular budget of the United Nations for 1989 and 1990, and also 1991 unless a new scale is approved earlier by the General Assembly on the recommendation of the Committee on Contributions in response to resolution B, below, shall be as follows (…)"[47] The inclusion of that language in the resolution was seemingly meant to impress upon the Committee on Contributions the degree of urgency the General Assembly attached to the establishment of a revised methodology for the preparation of the scale of assessments.[48]

50. Thus, taking into account the increasing reservations of several Member States about the methodology of the scale, in this part B of the resolution the General Assembly requested the Committee to undertake a comprehensive review of all aspects of the existing methodology with a view to ensuring its fairness and equity, *inter alia,* by making it "transparent, easily understandable, stable overtime and as simple as possible."[49]

**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

51. In the scale of assessments for the years 1986-1988, the notional rates of assessment on the basis of which the contributions of ten non-member States were established were as follows: seven non-member States were

46 A/C.5/43/SR.9, para.15
47 GA resolution 43/223 A
48 A/C.5/43/SR.51, para.6
49 GA resolution 43/223 B, para. 2

assessed at 0 .01 percent and the three others at 0.02, 0.05 and 1.12 percent respectively.[50] In the subsequent scale for 1989-1991, the notional rate of the seven non-member States at 0,01 was maintained, the 0.05% of another state was also maintained, and the rates for the last two were revised to 0.22% and 1.08%. The ten non-member States were the following: Democratic People's Republic of Korea, Holy See, Liechtenstein, Monaco, Nauru, Republic of Korea, San Marino, Switzerland, Tonga and Tuvalu.

52. The Committee on Contributions considered a number of specific assessment procedures in respect of non-member States and observers. A sliding scale for flat annual fees, based on participation and economic realities of non-member States, was favoured both by members of the Committee and non-member States. As an interim measure and pending a review by the Committee of a study on the practices of the specialized agencies on the matter, a new assessment procedure was recommended to the General Assembly at its forty-third session. According to this procedure, non-member States would be required to pay at the beginning of each year an amount equivalent to their average annual contribution during the past ten years. Adjustments were to be made on the basis of actual participation at the end of every year.[51] The General Assembly took note of the proposed new methodology in its resolution 43/223 C.

F. WORKING CAPITAL FUND

53. In maintaining the level of the Working Capital Fund at $100 million during the biennia 1986-1987 and 1988-1989, the General Assembly, in its resolutions 40/255 and 42/228, requested Member States to make advances to the Working Capital Fund in accordance with their respective rates of assessments in the scales approved for the periods 1986-1988 and 1989-1991.

54. The General Assembly authorized the Secretary-General to advance from the Fund: (a) sums that were required to finance budgetary appropriations until the receipt of contributions; (b) sums that were required for unforeseen and extraordinary expenses in accordance with General Assembly resolutions 40/254 and 42/227; (c) subject to the prior concurrence of the ACABQ, funds not exceeding $200,000 for the revolving fund to finan finance miscellaneous self-liquidating purchases and activities; (d) subject to the prior concurrence of the ACABQ,

[50] GA resolution 40/248 A

funds required to finance advance payments of insurance premiums where the period of insurance extended beyond the end of the biennium in which such payments were made; and (e), pending the accumulation of credits, funds required to meet commitments of the Tax Equalization Fund.

55. In the event that the amount of S100 million proved insufficient at any time, the General Assembly authorized the Secretary-General to use funds and accounts in his custody or from the proceeds of loans authorized by the Assembly, subject to the conditions established under General Assembly resolution 1341 (XIII) of 13 December 1958.

*G. ADJUSTMENT OF ACCOUNTS WITH MEMBER STATES AND NON-MEMBER STATES

*H. MEMBERSHIP OF THE COMMITTEE ON CONTRIBUTIONS

**1. APPOINTMENT OF MEMBERS

**2. SUBSTITUTE MEMBERS

**3. ENLARGEMENT OF THE COMMITTEE ON CONTRIBUTIONS

I. APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS EMERGENCY FORCE (UNEF) AND THE UNTED NATIONS DISENGAGEMENT OBSERVER FORCE (UNDOF)

56. As in the past, in compliance with the terms of extension of UNDOF's mandate, as approved by the Security Council, the General Assembly continued to make appropriations to tne Special Account of the Force, established pursuant to General Assembly resolution 3211 B (XXIX) for a period of six months. In its appropriation resolutions, the General Assembly authorized the Secretary-General to enter into commitments up to a specified

[51] GA (43), Suppl. No.11, A/43/11, para. 64

monthly amount for a period of one year, subject to the extension of the mandate beyond those six months for which appropriations were made. During the period covered by this study, the General Assembly in its resolutions 40/59 A, 41/44 A: 42170 A and 43/228 A approved appropriations to the Special Account of UNDOF.

57. The estimated expenses of the Force for a period of six months were apportioned by the General Assembly among Member States, in accordance with General Assembly resolution 3101 (XXVIII), in the proportion determined by the scales of assessments for the periods 1983-1985 and 1986-1988.

58. Although UNEF was liquidated in J979, past arrears relating to its special account continued to be received during this period under UNDOF's, In 1985, the unpaid balance to the UNEF/UNDOF Special Account amounted to $73 million, $30.8 million of which represented the amounts apportioned among Member States that had indicated unwillingness to pay due to their position of principle.[52] By September 1988, the Secretary-General reported that, of the total unpaid balance of $75 million, only $6.4 million was to be considered collectible.[53] As at 31 December 1988, 19 Member States had withheld contributions amounting to $31,702,500 to UNEF/UNDOF.[54]

59. The continued withholding by some Member States of their assessed contributions resulted in a shortage of funds. While the accounts of UNDOF indicated surplus balances, the Secretary-General actually often experienced difficulties in meeting the obligations of the Force. Therefore, in order to raise the amount of "monies available to the Organization", the General Assembly in part B of all the appropriation resolutions continued to suspend the provisions of Regulations 5.2 (b), 5.2 (d), 4.3 and 4.4 of the Financial Regulations of the United Nations in respect of the positive balances in the account that otherwise would have been surrendered.

60. In an apparent change of position, a permanent member of the Security Council, hitherto withholding contributions began supporting the extension of UNDOF's mandate during this period. On 30 November 1987, during the Fifth Committee's consideration of the resolution on appropriation of funds, the delegation of that Member State expressed its intention to support the resolution attributing its change of position to the "positive role played by the peace-keeping forces "[55]

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[52] A/40/754, para.4
[53] A/43/769, para.4
[54] A/C.5.42/29, Annex V B
[55] A/C.5.42/SR.48

J. APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS INTERIM FORCE IN LEBANON (UNIFIL)

61. During this period, subject to the terms of extension of the Force's mandated by the Security Council, the General Assembly in its resolutions 40/246 A; 41/179 A; 42/23, 43/229 approved appropriations to the Special Account of the United Nations Interim Forced'Lebanon (UNIFIL), established by the General Assembly in its resolution S-8/2. The overall estimated expenses of the Force were apportioned by the General Assembly among Member States in accordance with General Assembly resolution 3101 (XXVIII), in the proportion determined by the scales of assessments for the periods 1983-1985 and 1986-1988.

62. While the Security Council continued to extend the mandate of UNIFIL for periods of six months at a time and, once during this period, for an interim period of three months, the General Assembly in 1985, approved appropriations to the Special Account of UNIFIL for a period of 12-months in three stages. [56] Consequently, the Secretary-General was authorized to enter into commitments at a rate not to exceed $11,762,500 net per month, subject to the prior concurrence of the ACABQ for the actual level of commitments, for the period from 19 April to 18 December 1986 In 1986, the General Assembly authorized the Secretary-General to enter into commitments up to $11,922,000 net per month for a 12-month period,[57] thereby rendering unnecessary the need for the Secretary-General to seek the prior concurrence of the Advisory Committee.[58]

63. In its resolution 42/223 of 21 December 1987, the General Assembly authorized the Secretary-General to enter into commitments for the operation of the Force at a rate not to exceed $11,618,000 net per month for 12 months. By the same resolution, the Assembly also established a special financial period for UNIFIL, which, effective from 1 February 1988 and subject to the renewal of the Force's mandate by the Security Council, commenced on 1 February and ended on 31 January of the next year. In its resolution 43/229 of 21 December 1988, authorization was given to the Secretary-General to enter into commitments for a twelve-month period during 1989 at a rate not exceeding $11,714,500 per month beginning from 1 February 1989.

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[56] GA resolution 40/246 A
[57] GA resolution 41/179 A
[58] A/41/820, para. 22

64. The regular expenses of UNIFIL were supplemented by voluntary contributions in cash and in the form of services and supplies. To that end, the General Assembly continued to make appeals for voluntary contributions. As at 30 September 1988, $3 million was received in voluntary contributions, to be utilized in consultation with the donor for purposes deemed necessary by the Secretariat.[59] Appeals were also made for voluntary contributions to the Suspense Account, established in accordance with General Assembly resolution 34/9 D of 17 December 1979.

65. The Account was later considered inadequate to achieve its goal of alleviating the financial burden of troop contributing Member States, when, by 30 September 1988, the amount received was only $13 million against a shortfall of $225,200,000.[60] In accordance with paragraph 7 of resolution 34/9 D, contributions to the Suspense Account were to be considered cash advances to the Secretary-General to be credited to the donor States or parties once sufficient number of assessed contributions had been received.

66. As in the case of UNDOF, the accounts of UNIFIL indicated surplus balances, due to the Organization's practice of recording assessment as income, while in actual fact the Secretary-General often experienced difficulties in meeting the obligations of the Force. As stated earlier, the shortfall was a result of withholding of assessed contributions by some Member States that believed that the costs of UNIFIL must be borne by the foreign force occupying Lebanese territory.

67. During the period covered by this study, 23 Member-states withheld contributions, which, at 30 November 1988, totaled an estimated $205,639,000.[61] In response to the financial crisis generated by this withholding, the General Assembly continued to suspend the provisions of Regulations 5.2 (b). 5.2 (d), 4.3 and 4.4 of the Financial Regulations of the United Nations in respect of the positive balances in the account that otherwise would have been surrendered.

68. In 1986, during the Fifth Committee's consideration of Part B of draft resolution *NC.5l4ML.Tf a* delegation questioned the prudence of suspending the above-mentioned regulations That delegation requested a vote on the draft resolution suspending the regulations. The resolution was adopted by a recorded vote of 88 in favour to 2,

[59] A/43/826/Corr.1, para. 6
[60] Ibid., paras. 7-8
[61] A/C.43/29, Annex. V B

with 16 abstentions, with the delegation requesting the vote abstaining.[62]

69. A permanent member of the Security Council, which had withheld its contributions to UNIFIL, reversed its position in 1986 and began supporting the extension of the Force's mandate by the Security Council. That delegation also announced its willingness to participate in the financing of the cost of the Force.[63] On 25 November 1986, a representative of that Member State confirmed to the Fifth Committee its support for the appropriation resolution while denying the retroactive applicability of its provisions."[64]

K. APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS IRAN - IRAQ MILITARY OBSERVER GROUP (UNIIMOG)

70. In 1988, the Security Council established for a six-month period the United Nations Iran-Iraq Military Observer Group (UNIIMOG),[65] On 17 August 1988, the General Assembly appropriated S35 7 million for the operation of the Group for an initial three months period to the UNIIMOG Special Account established pursuant to General Assembly resolution 42/233, In resolution 43/230, the Assembly authorized the Secretary-General, subject to the extension of the mandate of UNIIMOG by the Security Council and with the prior concurrence of the ACABQ, to enter into commitments at a rate not exceeding $7,889,000 net per month for a 12-month period.

71. In line with past practice on this matter, the General Assembly apportioned the expenses of the Group among Member States in accordance with the four groups established under General Assembly resolution 3101 (XXVIII) and the scales of assessments for the periods 1986-1988 and 1989-199., In this connection, in paragraph 2 of the resolution, $35.7 million was apportioned among Member States in the following manner: (i) $20,664,945 among the permanent members of the Security Council; (ii) $14,105,070 among the economically developed Member States; (iii) $912,492 among the economically less developed-Member States; and, (iv) $17,493 among 48 economically less developed Member States.

[62] A/C.5/41SR.35, paras. 38, 53-54
[63] Ibid., para. 36
[64] Ibid.
[65] SC 619 (1988)

72. In the same manner, the General Assembly, in its resolution 43/230, approved appropriations in the amount of $183 million extending the period for which total appropriations were made to six months Of the appropriations, $11,445,700 were to be apportioned among Member States in the proportions determined by the scale of assessments for the years 1989, 1990 and 1991 and $6,854,300 was apportioned among Member States in accordance with the scale of assessments for the previous period.

73. An important development during this period was the attention devoted to the use and treatment of voluntary contributions to peace-keeping operations. In its resolution 42/233, the General Assembly had invited Member States to provide voluntary contributions to UNIIMOG, both in cash and in the form of services and supplies that were acceptable to the Secretary- General, In response to that request and relying on past practice, the Secretary-General informed the Assembly and the ACABQ that such contributions would be administered in accordance with the procedure established under the terms of paragraph 2 of General Assembly resolution 34/9 D of 17 December 1979.[66] That resolution stipulated, "The [Suspense] Account [of UNIFIL] shall be administered in conformity with the purposes and principles of the Charter of the United Nations."

74. After reviewing the report of the Secretary-General on the financing of UNIIMOG, the ACABQ took the position that the light of recent developments and consistent with the provisions of paragraph 9 of resolution 34/9 0, existing procedures relating to voluntary contributions should be modified and broadened. In this context, the Advisory Committee recommended that: (a) 'voluntary contributions should be receivable in cash or in kind or both, as contemplated in paragraph 5 of General Assembly resolution 42/233; and, (b) voluntary contributions should be considered as current income that would be used to reduce the level of assessments, unless otherwise specified by the donor.[67]

75. In addition, the ACABQ recommended that future budget estimates for peace-keeping operations should include information on cash contributions and that that should be taken into account in order to reduce the level of assessments It also recommended that the cash value of contributions of supplies and services should be offset against the level of the overall assessments.[68]

[66] A/43/696, para. 8
[67] A/43/768, paras. 30-31

76. In line with the recommendations of the ACABQ, the General Assembly in its resolution 43/230 also requested the Secretary-General to submit a report containing technical guidelines relating to the treatment and valuation of contributions in the form of supplies and services to UNIIMOG. It also requested an analytical study of the problems involved in starting up peace-keeping and related operations and of possible solutions, including the establishment of a fund and/or the use of the existing Working Capital Fund.

77. Furthermore, the General Assembly requested the Secretary-General to undertake a study on the feasibility and cost-effectiveness of creating a reserve stock of communications and other equipment for purposes of avoiding problems associated with start-up costs that were experienced at the initial stages of an operation such as UNIIMOG. For its part, the ACABQ indicated its intention to monitor the information on voluntary contributions and propose further guidelines, as necessary, especially on the use of supplies and services contributed as a means of reducing future budgetary requirements.

78. The recommendations of ACABQ, especially the focus on the use and treatment of voluntary contributions, were viewed with concern by some Member States, which became apprehensive that voluntary contributions might supplant assessed contributions.[69] A number of them stressed that the financing of peace-keeping operations should continue to be based on the principle of the collective responsibility of the Members of the United Nations. These Member States argued that this would not only provide a sound and secure foundation to the financing of peace-keeping operations but also would guarantee troop-contributing countries that the United Nations would be in a position to honour its obligations to them. [70]

79. In an attempt to alley such concerns, the Chairman of the ACABQ reassured Member States that it was not the intention of his Committee to recommend that peace-keeping operations be financed through voluntary contributions only.[71] For his part, the Secretary- General, through his representative in the Fifth Committee, echoed that position on 23 November 1988, stating that he "did not interpret the Advisory Committee's recommendations as in any way suggesting that peace-keeping operations should be financed entirely by voluntary contributions, a system

[68] Ibid., para. 32
[69] A/C.5/43 SR.29, 35-37
[70] Ibid., SR. 29, 30-32, 46, SR.33, para. 9
[71] Ibid., SR. 36, para. 5

which had proved unworkable."[72]

80. Subsequently, in approving the financing of UNIIMOG, the General Assembly, in its resolution 43/230, reaffirmed that the costs of the Force were expenses of the Organization to be borne by Member States in accordance with Article 17, paragraph 2, of the Charter of the United Nations. At the same time, concurring with ACABQ, it decided that, pending the submission by the Secretary-General of technical guidelines relating to the treatment of voluntary contributions such contributions, both in cash and in the form of supplies and services were acceptable as outright grants. It also agreed that the cash value of such contributions in respect of budgeted requirements would eventually be used to reduce the overall assessment on Member States.

**L. UNITED NATIONS BONDS

**M. THE QUESTION OF WHETHER CERTAIN EXPENDITURES AUTHORIZED BY THE GENERAL ASSEMBLY CONSTITUTE "EXPENSES OF THE ORGANIZATION" WITHIN THE MEANING OF ARTICLE 17 (2)

N. FINANCING OF UNITED NATIONS PEACEKEEPING OPERATIONS

81. In the absence of progress in the work of the Special Committee on Peace-keeping Operations, established by the General Assembly in 1965[73] to formulate guidelines on the whole question of peace-keeping operations, the financing of United Nations peace-keeping operations continued to be based on the principle of the collective responsibility of all Member States. At the same time, in all its appropriations resolutions,

[72] Ibid., SR. 37, para. 2

the General Assembly underlined the special responsibilities of the permanent members of the Security Council in the financing of peace-keeping operations. It also stressed the fact that the economically more developed countries were in a position to make relatively larger contributions than the economically less developed countries towards peace-keeping operations involving heavy expenditures.

82. The scheme for the implementation of this principle had been agreed upon in 1973 and is contained in General Assembly resolution 3101 (XXVIII). For the purpose of apportioning the expenses of peace-keeping operations among Member States, the General Assembly, throughout the period covered by this study, followed the scheme set out in that resolution. Countries were divided into four groups: (a) permanent members of the Security Council; (b) economically developed countries non-permanent members of the Security Council; (c) economically less developed Member States, and, (d) the following countries among the economically less developed Member States (followed a list of 25 countries, alphabetically enumerated from Afghanistan to Yemen). In the following paragraph, the Assembly decided that "for the purpose of the present resolution, the term economically less developed Member States (sub-paragraph (c) above) shall mean all Member States except (…)" (followed a list of 23 industrialized countries, with centrally planned and market economies).

83. Fourteen years later, the General Assembly, in its resolution 42/161 of 8 December 1987, "Aware of the extremely difficult financial situation of the United Nations peace-keeping operations,", requested the Committee on Peace-keeping Operations to resume its work on the comprehensive review of the whole question of peace-keeping operations in all their aspects, with a view to strengthening the role of the United Nations in that field. At its forty-third session, the Assembly requested the Secretary-General to make available the studies, referred to in Part III of its resolution 43/230, to the Special Committee on Peacekeeping Operations.

[73] GA resolution 2006 (XIX)