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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, which covers the period 1995-1999, follows the structure of the previous study presented in *Supplement No. 8* of this *Repertory*.

### I. General survey

2. During the second part of the 1990s, the apportionment by the General Assembly of the expenses of the Organization continued to be carried on in accordance with two different and yet connected processes.

3. The expenses authorized in the regular budget were apportioned among the Member States according to a scale adjusted at regular intervals by the General Assembly upon recommendations from the Committee on Contributions. This process was established at the very beginning of the United Nations in 1946.

4. For expenses incurred by peacekeeping operations, however, the Assembly, from the first of these operations in the early 1960s, opened a special account for each operation and apportioned expenses on a case-by-case basis. Over the years a formula was developed, which consisted essentially in the placing of all Member States into four different groups representing a descending level of financial responsibility. The rationale was the recognition of the fact that the economically more developed countries are in a position to make relatively larger contributions and that the economically less developed countries have a relatively more limited capacity to contribute towards such an operation. In addition, the special responsibilities of the States permanent members of the Security Council were recognized.<sup>1</sup> For each operation, the total appropriation approved by the General Assembly, usually for a year, was apportioned among the four groups of countries. The Committee on Contributions was not involved in the elaboration and application of this formula.

5. The connection between the two processes was and remained in the period 1995-1999 that individual rates of assessment, as established for the regular budget, were used as a basis for determining the assessment for peacekeeping operations of each country within a particular group. For example, the States that were permanent members of the Security Council were assessed above their regular budget rates. On the other hand, most developing countries benefited from a discount applied to their rates of assessment for the regular budget.

6. This dual system was not changed during the second part of the 1990s. However, some of its features were increasingly questioned and three related developments deserve to be mentioned in this review.

7. First, as disagreements mounted among Member States on specific aspects of the methodology for establishing the scale of assessments for the regular budget and as the practice of adopting resolutions on budgetary and financial matters by consensus still prevailed, the instructions given by the Fifth Committee of the Assembly to the Committee on Contributions became more detailed and more complicated. Elements of the methodology for the scale on which there was no general agreement became parts of different "proposals" left to the technical wisdom of the Committee on Contributions for their elaboration. Thus, the Committee was asked to present 8 proposals for the scale for the period 1998-2000 and 12 proposals for the scale for the period 2001-2003. This first development is analysed in part II, section A.1.

8. Second, the United States of America, the main contributor to both the regular budget and the budgets of peacekeeping operations, continued to have great difficulties meeting its obligation to pay in full and on

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<sup>1</sup> See GA resolution 43/232, paras. 3 and 4.

time its assessed contributions — again both to the regular budget and to the special accounts of peacekeeping operations. The United States had accumulated considerable arrears, putting itself within the reach of Article 19, and the magnitude of these arrears, coupled with consistently late and partial current payments, created a situation where the United States bore considerable responsibility for the continuing financial problems faced by the Organization.

9. In this context, the Permanent Representative of the United States to the United Nations had the delicate task of talking on behalf of an Administration affirming its commitment to a reformed United Nations while being accountable to the United States Congress which was unwilling to vote appropriations sufficient to cover current assessments and arrears. Invoking a decision of its Congress, the United States announced in 1995 that its contribution to the budget of a peacekeeping operation could no longer exceed 25 per cent of the total assessment for that operation. Then, in 1999, the United States declared that the ceiling for the regular budget scale should be reduced from 25 to 22 per cent. These announcements were not put into effect during the period under review, but they generated intense debates on the concept and practice of an upper limit to the scale of assessment and, more generally, on the attitudes and policies of Member States towards the

apportionment of the expenses of the United Nations, notably the expenses for peacekeeping operations. These debates are reported in part II, section B.

10. Third, a related subject of debate during the period was the competence of the Committee on Contributions to intervene on the assessments of Member States for the financing of peacekeeping operations. As noted above, since the 1960s when budgeting for peacekeeping operations began, this financing has been controversial and handled in an ad hoc manner by the General Assembly. The Committee on Contributions has intervened in this process only indirectly. After the multiplication of the peacekeeping operations that had occurred at the beginning of the 1990s, some Members — notably the major contributors — felt that it was time to involve the expertise of the Committee on Contributions in the elaboration of a scale for peacekeeping operations that would no longer be ad hoc and, in their view, would be fairer. Other Member States resisted this move. The debate was inconclusive and is reported in part II, section I.

11. Altogether, the General Assembly and the Committee on Contributions itself were more concerned and devoted more time during this period to the application of Article 19 than on issues related to Article 17 (2). Article 19 is the subject of another chapter of the *Repertory*.

## II. Analytical summary of practice

### A. The scope of the budget

#### 1. What the budget comprises

12. During the second part of the 1990s, the General Assembly continued to consider the annual reports of the Committee on Contributions and to adopt resolutions on the scale of assessments for the apportionment of the expenses of the United Nations.<sup>2</sup> The scales being applied to the years 1995, 1996 and 1997 had been established by the Assembly in its resolution 49/19 B of 29 November 1994. In December 1997, the Assembly agreed upon scales for 1998, 1999 and 2000.

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<sup>2</sup> GA resolutions 50/207 A and B, 51/212 A and B, 52/215 A-D, 53/36 A-G, and 54/237 A-D.

13. This agreement, however, was the fruit of an unusual process. For the first time in the history of the elaboration of scales of assessments, the General Assembly, in its resolution 51/212 B of April 1997, requested the Committee on Contributions to elaborate eight proposals and specified in great detail the elements that should enter into the construction of each proposal.<sup>3</sup> Based on the reaffirmation of the fundamental principle that the expenses of the Organization should be apportioned broadly according to the capacity to pay, the proposals, with the exception of the first which was a repeat of the methodology used for the scale 1995-1997, were to be built with 8 to 11 elements ranging from the length of the statistical base period to the different manners of phasing out the

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<sup>3</sup> See GA resolution 51/212 B, para. 1.

scheme of limits.<sup>4</sup> Some of these elements remained unchanged across the range of proposals, while others varied marginally and still others presented significant alternatives. For example, the statistical period of reference was six or three years and the gradient for the reduction for low-income countries was 85 or 75 per cent.<sup>5</sup>

14. In its report, in addition to 90 pages of data on the eight requested proposals, the Committee on Contributions provided comments on the four main elements used in the building of scales, namely population, external debt, gross national product/national income and exchanges rates.<sup>6</sup> These are summarized in the next subsection of this review, entitled "Statistical information". After this, the Committee presented its conclusions and recommendations concerning the scale methodology. It reaffirmed the recommendations it had made in its previous report on a number of elements of the scale methodology and, consistent with its mandate, it decided to resume its review of those elements of the scale methodology on which it had been unable to reach agreement at its previous sessions, with a view, if possible, to permitting the Committee to advance a ninth proposal, reflecting a consensus on all the major elements of the scale.<sup>7</sup>

15. The Committee did not succeed in presenting this ninth proposal. It reached tentative agreement on several elements of the scale, namely the base period, the debt burden adjustment and the scheme of limits, but the final agreement on a ninth proposal was contingent on agreement on each of its elements, and in the end such agreement did not prove possible. The Committee nevertheless believed that the tentative progress made on some of the outstanding issues could be helpful to the General Assembly in deciding on the approach to be taken for the scale of assessments for the period 1998-1999.<sup>8</sup> The outstanding issues were related to the low per capita income adjustment and a gradient of 85 or 75 per cent; the question whether permanent members of the Security Council were eligible or not for relief under the low per capita income adjustment; the proposal for lowering the

ceiling; the manner in which the scheme of limits should be phased out; and the merits and disadvantages of an annual recalculation of the scale.<sup>9</sup>

16. It was unconceivable that the Assembly could address and solve issues on which there were lasting disagreements in the Committee on Contributions. The scale it adopted for 1998-2000 was therefore constructed with familiar elements and with a methodology very close to the one used for the previous scale covering the period 1995-1997.<sup>10</sup> In its resolution, the Assembly listed these building blocks: (a) data on the gross national product; (b) a statistical base period of six years; (c) conversion rates as recommended by the Committee on Contributions; (d) a debt burden adjustment in 1998 based on actual repayments and in 1999 and 2000 on the debt-adjustment approach employed in the scale of assessments for the period 1995-1997; (e) a low per capita income adjustment, with a per capita income limit of the average world per capita income for the statistical base period and a gradient of 80 per cent; (f) a minimum assessment rate of 0.001 per cent; (g) a maximum rate of 25 per cent; (h) individual rates of assessment for the least developed countries not to exceed the current level of 0.01 per cent; (i) the phasing out of the scheme of limits in accordance with General Assembly resolution 48/223 B of 23 December 1993; (j) in phasing out the scheme of limits before the year 2001, the allocation of additional points resulting therefrom to developing countries benefiting from its application limited to 15 per cent of the effect of the phase-out; and (k) the limitation referred to in paragraph 2 of General Assembly resolution 51/212 B.<sup>11</sup>

17. For the preparation of the scale for the period 2001-2003, the Assembly adopted a similar approach.<sup>12</sup> At its fifty-fourth session, in April 2000, it requested the Committee on Contributions to prepare 12 proposals, including a proposal based on the methodology used for the preparation of the scale for 2000. It also 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.<sup>13</sup>

<sup>4</sup> GA resolution 51/212 B, third preambular paragraph and, as already mentioned in footnote 2, para. 1.

<sup>5</sup> *Ibid.*, para. 1.

<sup>6</sup> A/51/11.

<sup>7</sup> *Ibid.*, para. 71.

<sup>8</sup> *Ibid.*, para. 72.

<sup>9</sup> *Ibid.*, paras. 83, 87, 91, 92, 94 and 97.

<sup>10</sup> See GA resolution 52/215 A, paras. 1 and 2.

<sup>11</sup> See GA resolution 52/215, para. 1.

<sup>12</sup> See GA resolution 54/237 D, para. 4.

<sup>13</sup> *Ibid.*, paras. 2 and 4.

## 2. Statistical information

18. In its report that included proposals for the scale 1998-2000, the Committee on Contribution indicated that it had before it for the period 1987-1995 a comprehensive database for all Member States and participating non-Member States on various measures of income in local currencies, population, exchange rates and total external debt stocks, repayments of principal and total and per capita income measures in United States dollars. It also indicated that the primary source for income data in local currencies was the national accounts questionnaire sent by the United Nations to the countries concerned and that for those countries for which full replies to the questionnaire were not received, estimates were prepared by the Statistics Division of the Secretariat based on information from other national and international sources, notably the International Monetary Fund (IMF) and the World Bank.<sup>14</sup>

19. The Committee reviewed these data, considered the data provided by the countries that made representations<sup>15</sup> and also reviewed the data for selected countries whose data had been adjusted in the context of preparation of the scale of assessments for the period 1995-1997, or whose results, in United States dollars, suggested that there might be anomalies or distortions in the data.<sup>16</sup>

20. The main sources used by the Committee were: for population, the revised *World Population Prospects, 1996*, published by the population Division of the Secretariat; for external debt, the World Bank series, *Global Development Finance*; for gross national product/national income, the local currency data provided by the Statistics Division of the Secretariat; and for exchange rates, the *International Financial Statistics* published by IMF.<sup>17</sup>

### \*\*3. Use of comparative estimates of national income

### \*\*4. Factors to be taken into account to avoid anomalous assessments

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<sup>14</sup> A/51/11, part IV, section D, para. 39.

<sup>15</sup> See A/51/11, paras. 31 to 38.

<sup>16</sup> *Ibid.*, para. 40.

<sup>17</sup> *Ibid.*, paras. 41 to 48.

## B. Upper and lower limits on contributions

21. During the period 1995-1999, the upper and lower limits on assessed contributions remained at 25 per cent and 0.001 per cent.

22. Taking the year 2000 in the scale for the period 1998-2000, the United States of America was at the upper limit of 25 per cent. Including the United States, sixteen countries were assessed at 1 per cent and more. These were the following:

United States of America: 25 per cent

Japan: 20.573 per cent

Germany: 9.857 per cent

France: 6.545 per cent

Italy: 5.437 per cent

United Kingdom of Great Britain and Northern

Ireland: 5.092 per cent

Canada: 2.732 per cent

Spain: 2.591 per cent

Netherlands: 1.632 per cent

Australia: 1.483 per cent

Brazil: 1.471 per cent

Belgium: 1.104 per cent

Argentina: 1.103 per cent

Sweden: 1.079 per cent

Russian Federation: 1.077 per cent

Republic of Korea: 1.006 per cent

23. Together, these 16 countries accounted for 87.8 per cent of the total scale of assessments. The 17th country in the ranking was China with 0.995 per cent.

24. Thirty-four countries were assessed at the lower limit of 0.001 per cent. These countries were: Belize, Bhutan, Burundi, Cambodia, Central African Republic, Chad, Comoros, Djibouti, Dominica, Equatorial Guinea, Eritrea, Gambia, Grenada, Guinea-Bissau, Guyana, Lao People's Democratic Republic, Maldives, Marshall Islands, Mauritania, Mozambique, Nicaragua, Palau, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Sao Tome and Principe, Sierra Leone, Solomon Islands, Togo and

Vanuatu. There were 185 States Members of the United Nations.<sup>18</sup>

25. As indicated in the general survey, during this same period the upper limit was a subject of discussion in the Committee on Contributions and in the General Assembly itself. The first instance was on the occasion of the debate in the Fifth Committee on the financing of the United Nations Mission in Haiti (UNMIH). At the end of the debate, the representative of the United States of America made the following statement, as recorded in the summary records:

26. The representative of the United States said that, in accordance with an act that had entered into force on 1 October 1995, the contribution of the United States Government to a peacekeeping operation could no longer exceed 25 per cent of the budget of that operation. That rule would therefore apply to the United Nations Mission in Haiti as to other peacekeeping operations. He recalled that for UNMIH alone, thus far his country had paid more than \$51 million for the year 1989. Even if limited to 25 per cent, the contribution of the United States to peacekeeping operations was far greater than any other contribution. His Government sincerely hoped the General Assembly would urgently adopt the necessary measures to bring about the reform, deferred for too long, of the scheme for apportionment of the expenses of peace operations.<sup>19</sup>

27. This was a direct questioning of the scale for peacekeeping operations, an indirect questioning of the 25 per cent upper limit, and, most of all, an affirmation that a Member State could unilaterally modify an international agreement concluded in the framework of the United Nations. Two days later, during the debate of the Fifth Committee on the agenda item "Scale of assessments for the apportionment of the expenses of the Organization", another representative of the United States emphasized the need for a broader reform of the scale. With regard to the scale of assessments for peacekeeping operations, his delegation commended the Government of Portugal for deciding voluntarily to move from group C to group B. Nevertheless the scale needed comprehensive reform, for the differences between the groups were too great and there were no objective criteria for assignment to one group or another. In addition, ceiling and floor rates should be

introduced for the permanent members of the Security Council. The many discussions of the whole subject which had taken place should be continued with a view to reaching early agreement. It had to be borne in mind that the scale of assessments reflected both technical and political considerations. Discussions should continue in an effort to reach a conclusion that was acceptable in both respects.<sup>20</sup>

28. At the same meeting, under the item "Proposed programme budget for the biennium 1996-1997", the Permanent Representative of the United States, in an intervention devoted primarily to the need for reform of the United Nations ("reform must be the first priority of the General Assembly in 1995"),<sup>21</sup> explained the domestic context of the policy of her Government towards the financing of United Nations activities. Many Member Governments, including that of the United States, were behind in payments to the regular budget which merited some explanation. The United States Government had asked Congress to appropriate \$923 million to meet United States assessments to international organizations, including the United Nations. Although the issue had not yet been settled, lower amounts had been approved in the House of Representatives and the Senate (by \$70 million and \$370 million, respectively) than requested. The request for \$672 million to pay off arrears for peacekeeping had been denied. It should be recalled that the United States Constitution did not allow the executive to engage in expenditure without the agreement of the legislature, where the President might not enjoy a majority. The Government was strongly committed to meeting United States obligations towards the United Nations and would continue its dialogue with Members of the Congress towards that end. It had recently made payments of \$150 million to the Organization, and it should be recalled that in total it had paid over \$1 billion over the past year.<sup>22</sup>

29. The first of these statements of representatives of the United States was rebuked a few days later, still in the Fifth Committee, by the representative of New Zealand, who, referring to the statement by the representative of the United States to the effect that his Government intended in future to pay only 25 per cent of the apportioned expenses of UNMIH and other peacekeeping operations, said that treaty obligations

<sup>18</sup> See GA resolution 52/215 A, table attached to para. 1.

<sup>19</sup> See A/C.5/50/SR.8, para. 31.

<sup>20</sup> See A/C.5/50/SR.10, paras. 21 and 22.

<sup>21</sup> *Ibid.*, para. 51.

<sup>22</sup> *Ibid.*, para. 48.

could not be abrogated by a unilateral announcement to any subsidiary body or organ of the General Assembly or by the decision of a single Member State or its national legislature. Articles 26 and 27 of the Vienna Convention on the Law of Treaties clearly enunciated the relevant rules of customary international law. If the United States chose not to meet its treaty obligations in full, its arrears would continue to grow and the provisions of Article 19 of the Charter of the United Nations would eventually become applicable. There should be no misunderstanding on that score. Reforms to achieve a more equitable scale of assessments could only be achieved through negotiations among all Member States in a spirit of consensus and cooperation. Her delegation would continue to work to that end on condition that existing obligations were maintained.<sup>23</sup>

30. This statement was supported by the representatives of China and India. The representative of Spain, speaking on behalf of the European Union, said that while the European Union was aware that conditions beyond the control of Member States might explain delays in payment of contributions, it viewed as unacceptable any unilateral decision by a Member State that implied non-fulfilment of its financial obligations. Moreover, Member States which paid promptly and in full were financing the debts incurred by those in arrears and they were doubly penalized through the withholding of reimbursements to troop-contributing countries.<sup>24</sup>

31. At the fifty-first session of the Assembly, during the discussion in the Fifth Committee of the preparation of the scale for 1998-2000, the European Union took the lead in preparing a draft resolution that, *inter alia*, aimed at improving transparency and flexibility in the preparation and implementation of the scale of assessments. The gross national product would be used, with a statistical base period of three years, annual adjustments and a relief gradient of 75 per cent for countries whose per capita income fell below the world average. The delegate of the United States proposed to add a clause setting the upper limit of the scale at a maximum rate of 20 per cent. This proposal, in the form of an amendment to the draft resolution, was immediately rejected by the sponsors.<sup>25</sup> In the final text of resolution 51/212 A, however, one of the

eight proposals for the scale 1998-2000 requested from the Committee on Contributions included a maximum rate of 20 per cent.<sup>26</sup>

32. When adopting in December 1997 the scale of assessments for 1998-2000, the Assembly also adopted a section D, reading as follows: "The General Assembly, decides, without prejudice to rule 160 of the rules of procedures of the General Assembly, to consider reviewing the scale of assessments for the years 1999 and 2000 during its resumed fifty-second session, in the light of all relevant factors, including the periodic reports of the Secretary-General on the status of contributions, and to make a determination in this respect early enough to refer this matter to the Committee on Contributions during the fifty-second session of the General Assembly."<sup>27</sup>

33. After the adoption in plenary of resolution 52/215 A, B, C and D, the representative of the United States expressed his gratitude to the coordinator of the informal negotiations that had been held and had this to say on section D: "Rather than offer a legalistic interpretation of our understanding of this resolution, let me simply describe it as an open door to permit a revisiting of the scale for the years 1999-2000 ... We will be working assiduously over the next weeks and months to bring about a set of circumstances that make sure our entrance through that door receives a welcome from the Members of the United Nations. The United States Government's commitment to working with the other Members to restore the financial health of the United Nations is unequivocal."<sup>28</sup> The position of the European Union was stated again in the following terms: "The resolution we have just adopted provides, in its section D, for discussions on a possible review of the scale of assessments under certain circumstances. In this context, the European Union wishes to state that it will agree to a reopening of the discussions on the scale of assessments only after the United States of America has adopted legislative provisions enabling it to clear its arrears in full and to respect its financial obligations under the Charter of the United Nations. The entry into force of any possible revised scale of assessments cannot take place before monies owed have actually been paid."<sup>29</sup>

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<sup>23</sup> See A/C.5/50/SR.14, paras. 4 and 5.

<sup>24</sup> *Ibid.*, para. 17.

<sup>25</sup> See A/C.5/51/SR.53, paras. 94 to 104.

<sup>26</sup> See GA resolution 51/212 B, para. 1 (d) (iii).

<sup>27</sup> GA resolution 52/215.

<sup>28</sup> See A/52/PV.79, pp. 5 and 6.

<sup>29</sup> *Ibid.*, p. 6.

34. The fifty-third session of the General Assembly marked a pause in the debates on the issue of the upper limit in the rates of assessments. This was 1998, the first year of the adopted scale. Discussions were however intense on the related question of the competence of the Committee on Contributions for the apportionment of the expenses of peacekeeping operations. These discussions are evoked below in section I.

35. Resolutions 54/237 A to C were adopted in December 1999 and resolution 54/237 D, containing the instructions to the Committee on Contributions for the preparation of the scale of assessments for the period 2001-2003, was adopted in April 2000. Resolution 54/237 D did not mark any breakthrough, either on the upper limit of the rates or on any of the other difficult or controversial issues, but its preparation and adoption gave rise to a debate during which the main actors expressed clearly their positions. These, especially when related to the concept and practice of the upper limit, are summarized below.

36. When presenting the report of the Committee on Contributions on its fifty-ninth session, the Chairman of the Committee commented on the issue of limits, stating that the current methodology included a maximum assessment rate (ceiling) of 25 per cent, currently applied to only one State, and a maximum rate for the least developed countries of 0.01 per cent, currently applied to two States. The Committee's terms of reference provided that if a ceiling was imposed it should not seriously obscure the relation between a nation's assessed contribution and its capacity to pay. Views had differed about the applicability and the levels of ceiling rates. While the Committee had been unable to make recommendations on all of the elements of a methodology for the next scale of assessments, the outstanding areas were well defined: length of the base period; reduction or change in the low per capita income adjustment and the problem of discontinuity; debt burden adjustment; and retention and rates for the ceilings.<sup>30</sup>

37. The Permanent Representative of the United States of America said that it was time to embark on a new round of comprehensive and meaningful reforms of the scale of assessments for peacekeeping operations and for the regular budget to reflect new realities. His Government acknowledged the need to pay its arrears

to the Organization and understood the negative consequences of its large debt, particularly at a time when the United Nations was working to address critical situations around the world. However, the United States still made the largest overall contribution to the United Nations. He would convey the Committee's comments to the executive and legislative branches of his Government, and hoped the United States would have paid its arrears by the time the Committee took decisions on the scale of assessments. He continued by stating that the United Nations, the world and the distribution of the world's resources had changed a great deal since 1974, when the ceiling for the regular budget scale had last been reduced. The Committee should devise clear, unambiguous and consistent parameters for the new scale of assessments to be adopted at the fifty-fifth session. The ceiling for the regular budget scale should be reduced from 25 to 22 per cent. Although some argued that the ceiling was inconsistent with the principle of capacity to pay, it was unwise for the Organization to depend disproportionately on a single country or handful of countries; the proposed 3 per cent reduction was both reasonable and overdue. The methodology for calculating assessments for peacekeeping operations had been adopted in 1973. The lack of an official and permanent peacekeeping scale was extraordinary in view of the expansion of peacekeeping activities. It was time to formalize the apportionment of these costs, in line with Article 17 of the Charter. Peacekeeping assessments represented over half of a country's total United Nations assessment and accounted for most of the arrears owed to the Organization. He was not suggesting that the structure of the current methodology should be dismantled; that structure could be retained as part of a package of reforms of the entire scale.<sup>31</sup>

38. Speaking on behalf of the Group of 77 and China, the representative of Guyana said that the Member States had a legal obligation to bear those expenses (of the Organization) as apportioned by the General Assembly. In the adjustment of the scale of assessments, any deviation from the principle of capacity to pay was unacceptable. The question of the ceiling should be reviewed, bearing in mind that the ceiling should not obscure the relation between a country's capacity to pay and its rate of assessment. Since the current ceiling of 25 per cent already represented a departure from the principle of capacity to pay, it should not be lowered

<sup>30</sup> A/C.5/54/SR.8, paras. 46 and 47.

<sup>31</sup> *Ibid.*, paras. 61, 62 and 63.

any further. For similar reasons, it would be improper to introduce an element for permanent members of the Security Council.<sup>32</sup>

39. For the representative of Finland, speaking on behalf of the European Union, the associated countries Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Malta, Romania and Slovenia, and, in addition, Iceland, it was necessary to devise a more equitable, stable, simple and transparent scale of assessments based on reliable verifiable and comparable data and reflecting each Member State's real capacity to pay. The low per capita income adjustment should be retained, but brought down to a more equitable level so that it would not distort the capacity to pay. The current ceiling of 25 per cent should be retained, as it already reduced the major contributor's assessment considerably below its share of world GNP.<sup>33</sup>

40. The representative of Pakistan stated that, in 1948, the General Assembly had taken a political decision to impose a ceiling on the scale of assessments. Any review of the ceiling should take political and economic realities into account, but should not lose sight of the principle that the ceiling should not seriously obscure the relation between a nation's contribution and its capacity to pay.<sup>34</sup> For the representative of Norway, capacity to pay must remain the fundamental criterion for determining assessment rates. It had become difficult to judge the fairness of the scale, owing to the complexity of the methodology that had evolved over the years. His delegation therefore supported a "clean slate" approach that included a strong and fair relief mechanism for countries with below-average per capita income. The pros and cons of retaining a ceiling as high as 25 per cent should be considered carefully, but only in the context of an overall financial settlement that dealt with arrears. In considering ways to make the new scale more transparent and equitable, Member States should bear in mind the benefits they enjoyed as Members of the United Nations and should be guided by a spirit of generosity and a sense of proportion. Norway's voluntary cash contributions to the United Nations system were more than 10 times the amount of

its assessed contributions for the regular budget and for peacekeeping operations.<sup>35</sup>

41. The representative of Uganda pointed out that Member States should refrain from establishing a linkage between the current scale methodology and the non-payment of their assessed contributions. With regard to ceilings, the United Nations should avoid excessive dependence on any single Member State for its financial underpinning. At the same time, however, the overriding concern in refining the scale should be the principle of the capacity to pay. The current rate of assessment of the largest contributor was in fact below that Member State's capacity to pay. The largest contributor should therefore reciprocate the generous gesture by the General Assembly, which had set the maximum assessment rate at 25 per cent, by meeting its financial obligations to the Organization. Should the Assembly decide, however, to maintain or lower the current ceiling, the points arising therefrom should be distributed only among the other major developed countries, since it would be inequitable for developing countries to bear any part of that responsibility.<sup>36</sup>

42. The representative of Brazil said that the basic principle for the elaboration of the scale of assessments was capacity to pay, which, though ideal, was difficult to put into practice. In refining the methodology for the preparation of future scales, the main objective should be to ensure greater predictability of the assessed contributions of Member States. The scale should therefore mirror in any given period the real economic, financial and budgetary conditions prevailing in Member States. Brazil was opposed to any artificial ceilings which might further distort the comparative capacity to pay of Member States.<sup>37</sup>

43. The representative of China said that the principle of capacity to pay should be the cornerstone for the assessment of contributions to the Organization and any deviation from it would be unacceptable to a majority of Member States. It was therefore regrettable that some Member States were insisting that permanent members of the Security Council should be excluded from the low per capita income adjustment and that a floor should be set for the assessment of their contributions. Such proposals were discriminatory and in contravention of the principle of capacity to pay. The

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<sup>32</sup> Ibid., paras. 64 and 66.

<sup>33</sup> Ibid., paras. 69 and 70.

<sup>34</sup> Ibid., para. 74.

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<sup>35</sup> Ibid., paras. 77 and 78.

<sup>36</sup> Ibid., paras. 83, 84 and 85.

<sup>37</sup> Ibid., para. 97.

prolonged financial crisis was due not to the scale methodology but to the non-payment of assessed contributions by a small number of Member States. The crisis had interfered with the Organization's normal functioning, tarnished its reputation and undermined its role.<sup>38</sup>

44. The representative of the Russian Federation stated that more than 50 years of experience had demonstrated the viability of the principle of capacity to pay as the basis for the scale; the difficulties that had arisen in connection with rates of assessments had been caused by deviations from the practical implementation of that principle. The ceiling on contributions was unrelated to the concept of capacity to pay, and therefore was not within the competence of the Committee on Contributions; it should be considered directly by the General Assembly.<sup>39</sup>

45. For the representative of Japan, the current scale methodology should be reviewed to ensure greater equity in the collective responsibility of Member States for the funding of the Organization's expenses. Japanese taxpayers increasingly questioned the fairness of a situation in which Japan was expected to pay an assessed contribution that exceeded the sum of the contributions made by the four permanent members of the Security Council, not including the United States. In his delegation's view, the financial contribution of the permanent members of the Security Council was no longer commensurate with their special responsibilities under the Charter. Indeed, the total share of the scale of assessments borne by the permanent members of the Council had fallen over the years from 70 per cent to the current 40 per cent. Despite the fact that Japan's share of world gross national product was approximately 17 per cent, its share of the scale would reach 20.573 per cent in 2000. Under those circumstances, it would be difficult to obtain public support for a reduction in the ceiling which would entail a further increase in Japan's rate of assessment.<sup>40</sup>

46. The representative of Singapore put the debate in a broad context. He said that the real point at issue in the discussions concerning the apportionment of the United Nations was not money but commitment to the Organization. After an absence from the United Nations of 10 years, he had been surprised to find that

the debate over scales of assessment had become even more acrimonious than it had been before, all sides involved having adopted still more entrenched positions. In order to arrive at a consensus it was necessary to engage in building trust and the first move had to be made by the largest contributor, the United States of America, whose continued arrears to the United Nations had contributed to the climate of distrust. But it was necessary for all sides to exercise restraint, since the loser, in the battle over scales of assessment, was the United Nations itself. It should be remembered that contributions to the regular budget of the United Nations corresponded to a small proportion, 0.0036 per cent, of global GNP as estimated by the World Bank. This was surely not a large financial outlay for countries whose leaders had consistently declared their commitment to the United Nations. One problem was the fact that even though, according to one estimate, seven countries contributed over 70 per cent of the budget while 100 States contributed only 0.43 per cent, the larger contributors were obliged to abide by the principle of one country, one vote when it came to decisions concerning the budget. However, any violation of that principle would violate the principle of sovereign equality on which the Charter was based. The same principle of one person, one vote was widely accepted in most democracies, even though some voters paid more taxes than others. In one respect, however, the Charter had made an exception to the principle of sovereign equality by granting the veto to the permanent members of the Security Council, thereby recognizing the inequality of States by giving effect to the principle that the most powerful and important States had special status in international organizations. Thus, the permanent members of the Security Council had a much greater say in the selection of the Secretary-General. All States had to reaffirm their common commitment to the United Nations and their adherence to the simple principle of capacity to pay.<sup>41</sup>

### C. Revision of scale of assessment

47. The method of establishing specific rates of assessments for each year of a three-year period, and therefore avoiding a general revision of the scale, was established in the first part of the 1990s and continued to prevail during the second part of the 1990s.

<sup>38</sup> Ibid., paras. 106 and 107.

<sup>39</sup> A/C.5/54/SR.11, paras. 5 and 8.

<sup>40</sup> Ibid., paras. 22 and 23.

<sup>41</sup> A/C.5/54/SR.10, paras. 21, 23, 24, 25 and 27.

**\*\*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**

48. In General Assembly resolution 52/215 A, on the scales of assessments to be applied for the years 1998, 1999 and 2000, paragraph 3 (b) reads:

In accordance with regulation 5.9 of the Financial Regulations of the United Nations, States which are not Members of the United Nations but which participate in certain of its activities shall be called upon to contribute towards the 1998, 1999 and 2000 expenses of the Organization on the basis of the following rates:

<i>Non-Member State</i>	<i>Percentage</i>
Holy See	0.001
Nauru	0.001
Switzerland	1.215
Tonga	0.001

**F. The Working Capital Fund**

49. The Working Capital Fund remained at a level of \$100 million for the bienniums 1996-1997, 1998-1999 and 2000-2001.<sup>42</sup>

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

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

**I. Apportionment of the expenses of the United Nations peacekeeping and related operations**

50. All resolutions on the financing of peacekeeping and related United Nations operations adopted by the

<sup>42</sup> See GA resolutions 50/219, 52/224 and 54/253.

General Assembly during the period under review, included the following four traditional paragraphs:

*Reaffirming* that the costs of the (operation, mission ...) are expenses of the Organization to be borne by Member States in accordance with Article 17, paragraph 2, of the Charter of the United Nations,

*Recalling* its previous decisions regarding the fact that, in order to meet the expenditures caused by the (Operation, Mission ...), a different procedure is required from that applied to meet expenditures of the regular budget of the United Nations,

*Taking into account* the fact that the economically more developed countries are in a position to make relatively larger contributions and that the economically less developed countries have a relatively limited capacity to contribute towards such an operation,

*Bearing in mind* the special responsibilities of the States permanent members of the Security Council, as indicated in General Assembly resolution 1874 (S-IV) of 27 June 1963, in the financing of such operations.<sup>43</sup>

51. In the operative part of these resolutions the Assembly decided, in all cases, to appropriate a certain amount to be apportioned as an ad hoc arrangement among Member States in accordance with the composition of groups set out in paragraphs 3 and 4 of General Assembly resolution 43/232 and subsequent resolutions and decisions (generally modifying the composition of one or more groups), and taking into account the scale of assessments for the given year.<sup>44</sup>

52. Apart from these resolutions on the financing of specific operations and the resolutions on the scale of assessments, the Assembly also adopted resolutions on the administrative and budgetary aspects of the financing of the United Nations peacekeeping operations. During the period under review, these resolutions addressed the situation of particular countries — Belarus, the Czech Republic, Slovakia, Ukraine and Zambia — with regard to specific issues

<sup>43</sup> See for instance GA resolution 54/276, sixth to ninth preambular paragraphs.

<sup>44</sup> See for instance GA resolution 54/273, para. 12.

having generally to do with their positioning in a group.<sup>45</sup>

53. Thus, the financing of peacekeeping operations continued to be treated separately from the financing of activities programmed under the regular budget of the United Nations. In particular, the scale of assessments to apportion the expenses of peacekeeping and related operations continued to be treated by the General Assembly without the involvement of the Committee on Contributions. This situation, which had lasted since the 1960s, was, in the view of some Member States, no longer justifiable. Others, generally developing countries, remained in favour of the status quo. The different positions were articulated quite clearly during the fifty-third session of the General Assembly, in December 1998 and July 1999, under the agenda item "Scale of assessments for the apportionment of the expenses of the United Nations". Below are extracts from the debates in the Fifth Committee and in the plenary.

54. After the draft resolution on the scale of assessments had been adopted by the Fifth Committee (A/C.5/53/L.21, adopted by the General Assembly as resolutions 53/36 A to E), the representative of the United States of America stated that his delegation was seriously concerned that, once again, the Committee had failed to acknowledge the existence of any scale of assessments dealing with peacekeeping operations. Peacekeeping assessments comprised an integral part of Articles 17 and 19 of the Charter, two Articles which were referred to liberally in the draft resolution as fundamental to the continued validity of the Organization. After some 25 years, peacekeeping assessments continued to be rendered on an ad hoc basis. There was still no movement to establish a permanent or formal scale for such assessments, even though they comprised a substantial part of contributions and the majority of the arrears of Member States. It was incumbent on the Committee on Contributions to begin to examine these issues. His delegation remained perplexed that the draft resolution not only failed to acknowledge the principal role of that Committee but also sidestepped the entire issue of assessments relating to peacekeeping operations.<sup>46</sup>

55. The representative of Indonesia, speaking on behalf of the Group of 77 and China, expressed his concern with the spirit in which the draft resolution had been negotiated. The Group of 77 and China strongly believed that mistrust and doubt should be avoided. It held to the longstanding view that it was irrelevant to link discussion on that agenda item with the special scale for peacekeeping budgets. It was also of the view that the Committee on Contributions did not have a mandate to discuss the special scale for peacekeeping budgets, as stated in the report of the Committee on Contributions.<sup>47</sup> The Group of 77 and China would continue to be guided by the Ministerial Declaration of the twenty-second annual meeting of Ministers for Foreign Affairs.<sup>48</sup>

56. A few days later, in plenary, there was a similar exchange. The representative of Austria opened the debate. Speaking on behalf of the European Union and associated countries, he stated that it had long been an important objective of the European Union to make the scale of assessments more equitable. It regretted that it had once again been prevented from even discussing its proposals to bring a more rational system to bear on the financing of peacekeeping operations. It believed that the technical advice of the Committee on Contributions would be valuable in this area and found it unacceptable that a straightforward request for the Committee's help should effectively be blocked by one group of Member States. Under the current system for financing peacekeeping operations, group D countries received a 90 per cent discount and group C countries a discount of 80 per cent. That particular system did not in itself give great cause for concern. Rather, the European Union was concerned by the fact that too many countries continued to receive an 80 per cent discount as a result of a calculation of their relative share of world GNP in 1973, some 25 years before. It was unacceptable that some of those countries continued to gain an unwarranted subsidy at the expense not only of those that paid fully and promptly, but also of those countries that — were there to be a change to the group system — would deservedly benefit from it. The European Union was not prepared to accept that it was denied the opportunity to discuss the problem, and reserved the right to return to this issue.<sup>49</sup>

<sup>45</sup> See GA resolutions 51/13, 51/218 A, B, C, D, and 52/230.

<sup>46</sup> A/C.5/53/SR.44, paras. 9 and 10.

<sup>47</sup> See A/53/11, para. 93.

<sup>48</sup> *Ibid.*, para. 15.

<sup>49</sup> A/53/PV.93, p. 10.

57. The response from the representative of Indonesia, speaking on behalf of the Group of 77 and China, was equally unambiguous and very similar to his statement in the Fifth Committee. The Group was much concerned about the spirit under which the resolution was negotiated, and was of the view that any mistrust and doubt should be avoided. Furthermore, it continued to hold its long-standing view that it was irrelevant to link the discussion of the agenda item with the special scale for the peacekeeping operations budget. It considered also that the Committee on Contributions did not have a mandate to discuss the special scale for the peacekeeping operations budget and was strongly against any attempt to include the provisions concerning the scale of assessments for the peacekeeping budget in the resolution.<sup>50</sup>

58. In July 1999, when the Assembly adopted in plenary resolution 53/36 F, the representative of Finland, speaking on behalf of the European Union and associated countries, reiterated the view of the economically developed countries. The European Union reiterated its strong commitment to procedures which allowed the General Assembly to come to well-founded and well-substantiated decisions, rule 160 of the rules of procedure being clearly among such procedures. It must be applied in a consistent manner, not least to ensure the equal treatment of Member States. The European Union accepted that the General Assembly had the right to take decisions in exercise of powers conferred on it by the Charter in Article 19,

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<sup>50</sup> Ibid., p. 10.

notwithstanding the terms of rule 160, but the fact remained that, by requesting and respecting the advice of a standing advisory body, such as the Committee on Contributions, the Assembly could be better informed when exercising those powers.<sup>51</sup>

59. At the end of the 1990s, there was no agreement in sight, either on the upper limit to the scale of assessments, or on the involvement of the Committee on Contributions in the scale for the financing of peacekeeping operations. These continued to be treated on an ad hoc basis and Article 17 (2) still had two parallel tracks: the apportionment of expenses for the regular budget of the Organization and the apportionment of expenses for peacekeeping and related operations.

**\*\*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)**

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<sup>51</sup> A/53/PV.105, p. 7.