United Nations

Report of the Committee on Contributions

Sixty-third session (2-27 June 2003)

General Assembly
Official Records
Fifty-eighth Session
Supplement No. 11 (A/58/11)

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Note

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I. Attendance

1. The sixty-third session of the Committee on Contributions was held at United Nations Headquarters from 2 to 27 June 2003. The following members were present: Kenshiro Akimoto, Alvaro Gurgel de Alencar, Petru Dumitriu, Henry S. Fox, Chinmaya R. Gharekhan, Bernardo Greiver, Hassan M. Hassan, Ihor V. Humenny, Eduardo Iglesias, Omar Kadiri, Gebhard B. Kandanga, David A. Leis, Sergei I. Mareyev, Bernard G. Meijerman, Hae-yun Park, Eduardo Ramos, Ugo Sessi and Wu Gang.

2. The Committee elected Mr. Sessi as Chairman and Mr. Gharekhan as Vice-Chairman.

II. Terms of reference

3. The Committee conducted its work on the basis of its general mandate, as contained in rule 160 of the rules of procedure of the General Assembly; the original terms of reference of the Committee contained in chapter IX, section 2, paragraphs 13 and 14 of the report of the Preparatory Commission (PC/20) and in the report of the Fifth Committee (A/44), adopted during the first part of the first session of the General Assembly on 13 February 1946 (resolution 14 (I) A, para. 3); and the mandate contained in Assembly resolutions 46/221 B and C of 20 December 1991, 48/223 B and C of 23 December 1993, 52/215 B of 22 December 1997, 53/36 C and D of 18 December 1998, 54/237 B and C of 23 December 1999, 54/237 D of 7 April 2000, 55/5 B to D of 23 December 2000, 57/4 B of 20 December 2002 and 57/4 C of 15 April 2003.

4. The Committee had before it the summary records of the Fifth Committee at the fifty-seventh session of the General Assembly relating to agenda item 117 entitled “Scale of assessments for the apportionment of the expenses of the United Nations” (A/C.5/57/SR.1, 2, 7, 8, 37, 39, 40 and 45); the relevant reports of the Fifth Committee to the Assembly (A/57/429 and Add.1 and 2); and the verbatim records of the 20th, 78th and 83rd plenary meetings of the General Assembly at its fifty-seventh session (A/57/PV.20, 78 and 83).

III. Scale of assessments for the period 2004-2006

5. The Committee on Contributions recalled that, in its resolution 55/5 B, the General Assembly had decided, inter alia, that the elements of the scale of assessments contained in paragraph 1 of the resolution would be fixed until 2006, subject to the provisions of resolution 55/5 C, in particular paragraph 2 of that resolution, and without prejudice to rule 160 of the rules of procedure of the General Assembly. In paragraph 2 of its resolution 55/5 C, the General Assembly, having established a reduced ceiling of 22 per cent, decided to review the position at the end of 2003 and, depending on the status of contributions and arrears, to determine all appropriate measures to remedy the situation, including adjustments of the ceiling in keeping with its resolutions 52/215 A to D.

6. In paragraph 1 of its resolution 55/5 B, the General Assembly decided that the scale of assessments for the period 2001-2003 should be based on the following elements and criteria:

(a) Estimates of the gross national product (GNP);

(b) Average statistical base periods of six and three years;

(c) Conversion rates based on market exchange rates (MERs), except where that would cause excessive fluctuations and distortions in the income of some Member States, when price-adjusted rates of exchange (PAREs) or other appropriate conversion rates should be employed, taking due account of General Assembly resolution 46/221 B of 21 December 1991;

(d) The debt-burden approach employed in the scale of assessments for the period 1995-1997;

(e) A low per capita income adjustment of 80 per cent, with the threshold per capita income limit of the average per capita GNP of all Member States for the statistical base periods;

(f) A minimum assessment rate of 0.001 per cent;

(g) A maximum assessment rate for the least developed countries of 0.01 per cent;

(h) A maximum assessment rate of 22 per cent.

7. **Based on the Assembly's decision, the Committee decided to conduct its review of the scale of assessments for the period 2004-2006 on the basis of the elements of the scale methodology for the scale of assessments for the period 2001-2003, as set out above.**

A. Current methodology for the preparation of the scale of assessments

8. In considering the next scale, the Committee was provided with a detailed description of the current scale methodology and with information on its evolution, attached to the present report as annexes I and II.

B. Representations by Member States

9. The Committee had before it representations from Argentina, the Islamic Republic of Iran, Paraguay, Poland and Uruguay. Pursuant to paragraph 1 of General Assembly resolution 46/221 C, the Committee also met with representatives of Argentina, the Islamic Republic of Iran, Paraguay, Poland and Uruguay.

10. In its representation, Argentina recalled that the severity of the economic crisis that it was facing had been recognized by the Committee at its last session, as reflected in its report, and by the General Assembly, as reflected in its decision to adjust Argentina's rate of assessment for 2003. In that context, reference was made to the debt default by the Government in 2001 and the banking crisis which followed, including the freezing of many deposits, as well as the 300 per cent devaluation of the peso on 1 January 2002. Reference was also made to the large fall

in national income, with sharply increasing unemployment and related social problems. Argentina indicated that the fixed parity between the peso and the United States dollar had led to an increasingly overvalued exchange rate during the period leading up to the devaluation in 2002. Use of the earlier overvalued rate of exchange would not accurately reflect Argentina’s actual capacity to pay and the use of PAREs was therefore requested in converting Argentina’s gross national income (GNI) to United States dollars.

11. In its representation, the Islamic Republic of Iran recalled that, during the base period for the scale, it had operated under a multiple exchange rate regime, including official and market rates. A weighted average rate reflected the relative size of transactions using the different rates. Iran had moved to a unified market rate of exchange in 2002. The official rate of exchange accounted for a relatively small part of foreign transactions during the period under review and was not a realistic measure of the currency’s actual value. Accordingly, use of the official rate in preparing the scale would not accurately reflect Iran’s capacity to pay. It was therefore requested that market or weighted average rates be used instead.

12. In its representation, Paraguay provided additional information on its economic and social situation for consideration in the context of the scale. Paraguay had high population growth and unemployment and had suffered economically from the recent regional economic crisis. It also had a heavy burden of external debt. It hoped that these factors would be taken into account in the scale to be adopted for 2004-2006.

13. In its representation, Poland recalled that its rate of assessment in the scale of assessments for 2001-2003 had increased very substantially. It recalled that the Committee had, in the past, recognized the need to avoid successive major increases and hoped that this would be reflected in the next scale. Poland provided supplementary information for consideration in the preparation of the scale, including on the economic and social impact of restructuring and on a growing debt problem, which were not adequately reflected in the GNI data.

14. In its representation, Uruguay provided additional information on its economic and social situation to be considered by the Committee in the context of the preparation of the next scale of assessments. Uruguay was going through an unprecedented economic crisis, with increasing unemployment and poverty, rising emigration, a banking crisis, a loss of reserves and high external debt. In the light of this situation, the Government had frozen recruitment until 2015, a major fiscal adjustment has been made and civil service salaries were cut by up to 20 per cent. As a small open economy, Uruguay had been very vulnerable to the recent regional economic crisis and the IMF projections were for a further fall in gross domestic product (GDP) in 2003. In order to control inflation, the Government had in the past used a controlled band for its exchange rate, with a resulting overvaluation of GNI in United States dollars during the base period. This has led to growth in dollars but not in the same proportion in real terms. Uruguay believed that the assessment did not bear any relation to its real capacity to pay and requested that PARE be used to convert GNI for some or all of the years of the base period for the scale.

C. Statistical information

15. The Committee had before it for the period 1996-2001 a comprehensive database for all Member States and the participating non-member State 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. The primary source for income data in local currencies was the national accounts questionnaire completed for the United Nations by the countries concerned. For those countries for which full replies to the questionnaire had not been received, estimates were prepared by the United Nations Statistics Division based on information from other national and international sources, notably the United Nations regional commissions, IMF and the World Bank.

16. In reviewing the statistical information provided, the Committee paid due attention to the data provided in the representations outlined above. It also reviewed the data for all countries with particular attention paid to those countries whose data had been adjusted in the context of preparation of the scale of assessments for the period 2001-2003, or whose results, in United States dollars, suggested that there might be anomalies or distortions in the data. In all cases, the Committee was guided by the mandate given in General Assembly resolution 48/223 C to base the scale on reliable, verifiable and comparable data and to use the most recent figures available.

1. Population

17. Mid-year population estimates are generally drawn from the serial publication *World Population Prospects: The 2002 Revision*, prepared by the United Nations Population Division, and are supplemented, as required, by national estimates for countries and areas not included.

2. External debt

18. Information on total external debt and repayments of principal were extracted from the World Bank database on external debt, as published in the World Bank serial publication *Global Development Finance*. In these tables, the World Bank includes only those countries with a per capita GNP of $9,205 or less.

19. Total debt stocks include public and publicly guaranteed long-term debt, private non-guaranteed long-term debt, the use of IMF credit and estimated short-term debt. Principal repayments are part of total debt flows, which also include disbursements, net flows and transfers on debt and interest payments, and consist of the amounts of principal paid in foreign currency, goods or services in the year specified.

3. Gross national income

20. The Committee recalled that Member States are in the process of moving from the System of National Accounts, 1968 (1968 SNA) to the System of National Accounts, 1993 (1993 SNA). The Committee recalled that the concept of gross national product (GNP) in the 1968 SNA has been renamed gross national income (GNI) in the 1993 SNA. The renaming of GNP to GNI is just a refinement of product and income concepts and does not entail a change in the actual coverage of the concept. The Committee noted that 45 per cent of Member States with 92 per

cent of world GDP, had implemented the 1993 SNA by May 2003. This included a weighted 99 per cent of developed economies, 98 per cent of transition economies and 67 per cent of developing economies.

4. Exchange rates

21. For conversion of local currency data to United States dollars, annual averages of MERs, communicated to IMF by national monetary authorities and used by IMF and published in *International Financial Statistics*, were used in most cases when they were available. The Committee recalled that, as indicated in earlier reports, the publication includes three types of rates that IMF uses, which are referred to as MERs for the purposes of the scale: (a) market rates, determined largely by market forces; (b) official rates, determined by government authorities; and (c) principal rates, where appropriate, including for countries maintaining multiple exchange rate arrangements. Where MERs were not available from *International Financial Statistics* or from the IMF Economic Information System, United Nations operational rates of exchange or other information was used in the initial database.

22. As noted above, the General Assembly has decided that MERs should be used to convert income figures to United States dollars, except where that would cause excessive fluctuations and distortions in the income of some Member States, when PAREs or other appropriate conversion rates should be employed, taking due account of General Assembly resolution 46/221 B. In considering how to approach this task, the Committee met with representatives of IMF and the World Bank and was briefed on the approach taken by those organizations to conversion rates.

23. In response to a request for advice on the proper interpretation of General Assembly resolution 55/5 B as it relates to the use of conversion rates other than MERs, the Legal Counsel advised that authoritative interpretation of General Assembly resolutions concerning the scale of assessments can be made only by the Assembly itself, or by the Committee on Contributions within the competence given to it by the Assembly. Consequently, the views he provided represented his understanding as to the appropriate interpretation of the resolution in question. Subject to that, he indicated that, taking account of rule 160 of the rules of procedure of the General Assembly and the provisions of resolution 55/5 B, it was his view that conversion rates should be based on market exchange rates unless the Committee on Contributions determines that this would cause excessive fluctuations and distortions in the income of a particular Member State, when another rate should be used. If the Committee should be unable to come to such a determination and therefore fail to agree on a different conversion rate, the Committee would be obliged to use in the case of the Member State concerned the relevant market exchange rates.

24. In addition to the representations from Member States mentioned above, the Committee also reviewed the situation of countries whose rates had been adjusted for the purposes of the current scale and countries for which there appeared to be a serious disparity between real growth of GNI and growth of GNI in United States dollar terms. The Committee also reviewed the situation of countries for which one or more exchange rates during the base period showed distortions under the revised PARE methodology that the Committee had considered at earlier sessions. Based on this multi-layered review process, the Committee decided to apply PAREs for some or all years of the base period for Argentina, the Democratic Republic of the Congo,

Iraq, Lebanon, Myanmar, Nigeria, the Syrian Arab Republic, Uruguay and Venezuela. In addition, it decided to apply weighted average exchange rates for the Islamic Republic of Iran and an official rate for the Democratic People's Republic of Korea, which is not a member of IMF.

25. In considering the case of Argentina, some members recalled that the General Assembly had recognized the exceptional nature of that country's economic crisis by reducing its rate of assessment for 2003. They felt that the artificial nature of Argentina's exchange rate during the base period and its severe economic problems justified replacing MERs by PAREs in converting its GNI to United States dollars for all six years of the base period.

26. Other members argued that the economic data provided for the base period did not justify replacement of MERs under the methodology set out by the General Assembly in its resolution 55/5 B.

27. In the course of its review, the Committee recalled that the Government of Argentina had maintained parity between the peso and the United States dollar for over 10 years, including the base period for the scale. As outlined in the information provided, the rigidities inherent in this policy had cumulative economic effects, which made it ultimately unsustainable.

28. The Committee noted that this process culminated in a default on Argentina's debt in December 2001 and the substantial devaluation of the peso in 2002. At the same time, the Committee noted that there were clear indications in the preceding years of Argentina's growing economic crisis and, in particular, growing pressure on the exchange rate of the peso. High levels of external borrowing were initially facilitated by Argentina's exchange rate policy but eventually forced it to pay a high and increasing risk premium over United States Treasury debt, particularly in the period immediately preceding the culmination of the crisis. This spread over United States government debt instruments clearly reflected the markets' doubts about the peso's rate of exchange. In addition, the substantial devaluation in 1999 by neighbouring countries, which were also major trading partners, not only exacerbated Argentina's problems but were also clearly indicative of the unsustainability of its exchange rate, especially during the latter part of the base period.

29. **On this basis, the Committee decided to replace MERs with PAREs for Argentina for 2000-2001.**

30. Some members of the Committee expressed strong reservations regarding the application of PARE to the data for Argentina, as the economic developments referred to in the Argentinian request could not be demonstrably linked to exchange rate distortions in the base period. The application of PARE therefore was not warranted, as it did not address the aforementioned developments.

31. They stressed that General Assembly resolution 55/5 B provides for the application of MERs and reserves the use of alternative rates of exchange to exceptional situations. Therefore, since the Argentinian request constituted a request for an exception to the general rule, a lack of consensus on the granting of an exception should, according to basic and universally accepted legal principles, lead to the application of the general rule, which is MERs. In the view of these members, this understanding was confirmed in writing by the Legal Counsel.

32. They noted that the application of PAREs to Argentina for 2000 and 2001 established its rate of assessment at 0.964, whereas the application of MERs for the entire base period would have established it at 1.119. They also noted that, as a result, the difference of 0.155 per cent will be absorbed by Member States, except by those affected by the ceilings and the floor.

33. In the case of the **Democratic Republic of the Congo**, the Committee noted that exchange rate depreciation during the base period had not adequately compensated for a very high rate of inflation. This led to an unrealistic rate of growth of GNI in United States dollar terms and **the Committee decided to replace MERs with PAREs for the period 1999-2001.**

34. The Committee noted an even more marked distortion in the case of the **Islamic Republic of Iran** using the official rate of exchange. **The Committee noted that a market rate was now used and decided that it would be more realistic to apply weighted average exchange rates for 1996-2001, reflecting a more realistic balance between official and market rates.**

35. The Committee recalled that it had applied PAREs to the data for **Iraq** for the current scale. In view of evident continuing distortions, **the Committee decided to apply PARE for 1996-2001.**

36. The Committee recalled that it had applied PAREs to the data for **Lebanon** for the current scale. **The Committee decided to retain PAREs for the overlapping part of the base period, 1996-1998, but use MERs for 1999-2001.**

37. The Committee recalled that it had applied PAREs to the data for **Myanmar** for the current scale. Major distortions were still evident and **the Committee decided to apply PAREs for 1996-2001.**

38. The Committee recalled that it had applied PAREs to the data for **Nigeria** for the current scale. **The Committee decided to retain PAREs for the overlapping part of the base period, 1996-1998, but use MERs for 1999-2001.**

39. The Committee recalled that it had applied PAREs to the data for the **Syrian Arab Republic** for the current scale. In view of continuing distortions apparent with the use of a fairly fixed official rate of exchange, **the Committee decided to apply PAREs for the full period 1996-2001.**

40. In considering the case of Uruguay, the Committee noted the information provided by the Government and the United Nations Statistics Division. It also noted that the PARE method identified an exchange rate distortion. Some members felt that application of PARE was warranted for the full period. On balance, however, **the Committee decided to apply PAREs for 1999-2001.**

41. The Committee noted that **Venezuela** had used a crawling peg for its exchange rate until 2002, when there had been a major devaluation. Both the revised PARE method and the review of real and nominal growth in United States dollar terms point to a serious distortion in this case. Accordingly, **the Committee decided to apply PAREs for 1996-2001.**

D. Scale of assessments for the period 2004-2006

42. Based on the statistical information described above, the related decisions outlined and the elements of the scale methodology set out in General Assembly resolution 55/5 B, **the Committee on Contributions recommends the following scale of assessments for the period 2004-2006:**

Member State	*2004-2006 (percentage)*
Afghanistan	0.002
Albania	0.005
Algeria	0.076
Andorra	0.005
Angola	0.001
Antigua and Barbuda	0.003
Argentina	0.964
Armenia	0.002
Australia	1.606
Austria	0.867
Azerbaijan	0.005
Bahamas	0.013
Bahrain	0.030
Bangladesh	0.010
Barbados	0.010
Belarus	0.018
Belgium	1.078
Belize	0.001
Benin	0.002
Bhutan	0.001
Bolivia	0.009
Bosnia and Herzegovina	0.003
Botswana	0.012
Brazil	1.534
Brunei Darussalam	0.034
Bulgaria	0.017
Burkina Faso	0.002
Burundi	0.001
Cambodia	0.002
Cameroon	0.008
Canada	2.837
Cape Verde	0.002
Central African Republic	0.001

Member State	2004-2006 (percentage)
Chad	0.001
Chile	0.225
China	2.070
Colombia	0.156
Comoros	0.001
Congo	0.001
Costa Rica	0.039
Côte d’Ivoire	0.010
Croatia	0.038
Cuba	0.043
Cyprus	0.039
Czech Republic	0.184
Democratic People’s Republic of Korea	0.010
Democratic Republic of the Congo	0.003
Denmark	0.724
Djibouti	0.001
Dominica	0.001
Dominican Republic	0.035
Ecuador	0.019
Egypt	0.120
El Salvador	0.022
Equatorial Guinea	0.002
Eritrea	0.001
Estonia	0.012
Ethiopia	0.004
Fiji	0.004
Finland	0.535
France	6.080
Gabon	0.009
Gambia	0.001
Georgia	0.003
Germany	8.733
Ghana	0.004
Greece	0.534
Grenada	0.001
Guatemala	0.030
Guinea	0.003
Guinea-Bissau	0.001
Guyana	0.001

Member State	*2004-2006 (percentage)*
Haiti	0.003
Honduras	0.005
Hungary	0.127
Iceland	0.034
India	0.424
Indonesia	0.143
Iran (Islamic Republic of)	0.158
Iraq	0.016
Ireland	0.353
Israel	0.471
Italy	4.926
Jamaica	0.015
Japan	19.629
Jordan	0.011
Kazakhstan	0.025
Kenya	0.009
Kiribati	0.001
Kuwait	0.163
Kyrgyzstan	0.001
Lao People’s Democratic Republic	0.001
Latvia	0.015
Lebanon	0.044
Lesotho	0.001
Liberia	0.001
Libyan Arab Jamahiriya	0.133
Liechtenstein	0.006
Lithuania	0.024
Luxembourg	0.078
Madagascar	0.003
Malawi	0.001
Malaysia	0.205
Maldives	0.001
Mali	0.002
Malta	0.014
Marshall Islands	0.001
Mauritania	0.001
Mauritius	0.011
Mexico	1.899
Micronesia (Federated States of)	0.001

Member State	*2004-2006 (percentage)*
Monaco	0.003
Mongolia	0.001
Morocco	0.047
Mozambique	0.002
Myanmar	0.010
Namibia	0.006
Nauru	0.001
Nepal	0.004
Netherlands	1.695
New Zealand	0.223
Nicaragua	0.001
Niger	0.001
Nigeria	0.043
Norway	0.685
Oman	0.071
Pakistan	0.056
Palau	0.001
Panama	0.019
Papua New Guinea	0.003
Paraguay	0.012
Peru	0.093
Philippines	0.096
Poland	0.464
Portugal	0.474
Qatar	0.064
Republic of Korea	1.808
Republic of Moldova	0.001
Romania	0.061
Russian Federation	0.466
Rwanda	0.001
Saint Kitts and Nevis	0.001
Saint Lucia	0.002
Saint Vincent and the Grenadines	0.001
Samoa	0.001
San Marino	0.003
Sao Tome and Principe	0.001
Saudi Arabia	0.719
Senegal	0.005
Serbia and Montenegro	0.019

Member State	*2004-2006 (percentage)*
Seychelles	0.002
Sierra Leone	0.001
Singapore	0.391
Slovakia	0.051
Slovenia	0.083
Solomon Islands	0.001
Somalia	0.001
South Africa	0.294
Spain	2.520
Sri Lanka	0.017
Sudan	0.008
Suriname	0.001
Swaziland	0.002
Sweden	1.001
Switzerland	1.207
Syrian Arab Republic	0.038
Tajikistan	0.001
Thailand	0.211
The former Yugoslav Republic of Macedonia	0.006
Timor-Leste	0.001
Togo	0.001
Tonga	0.001
Trinidad and Tobago	0.027
Tunisia	0.032
Turkey	0.376
Turkmenistan	0.005
Tuvalu	0.001
Uganda	0.006
Ukraine	0.040
United Arab Emirates	0.237
United Kingdom of Great Britain and Northern Ireland	6.178
United Republic of Tanzania	0.006
United States of America	22.000
Uruguay	0.048
Uzbekistan	0.014
Vanuatu	0.001
Venezuela	0.173
Viet Nam	0.021
Yemen	0.006

Member State	2004-2006 (percentage)
Zambia	0.002
Zimbabwe	0.007
Grand total	**100.000**

The related machine scale, showing the step-by-step application of the scale methodology, is contained in annex III.

E. Criteria for ad hoc adjustment of the rates of assessment

43. In its resolution 57/4 B, the General Assembly requested the Committee on Contributions to elaborate further on the criteria regarding ad hoc adjustments of the rates of assessment for consideration and approval by the General Assembly, in keeping with rule 160 of the rules of procedure of the Assembly, so as to facilitate further its consideration of such adjustments. The Committee recalled that the second sentence of rule 160 provides that the scale of assessments, when once fixed by the General Assembly, shall not be subject to a general revision for at least three years unless it is clear that there have been substantial changes in relative capacity to pay. The third sentence of rule 160 also provides that the Committee on Contributions shall advise the General Assembly, inter alia, on appeals by Members for a change of assessments.

44. In considering this matter, the Committee was provided with information concerning earlier appeals by Member States for a change of assessments and the related conclusions and recommendations of the Committee. This information confirmed that such changes had been very rare.

45. **The Committee agreed that the circumstances surrounding requests for a change of assessments should be truly exceptional and extraordinary to warrant such a change.**

46. Differing views were expressed concerning criteria for ad hoc adjustment of rates of assessments during a scale period. Some members felt that the second sentence of rule 160 provided the necessary criterion. Others did not agree and recalled that the General Assembly's request was for criteria regarding ad hoc adjustments of rates of assessment, which they took to relate to the third sentence of rule 160.

47. Members of the Committee expressed doubts about the practicality of setting hard and fast criteria that would be applicable in all situations. Some members also expressed concern that such criteria might actually encourage more requests. **The Committee agreed, however, that requests for ad hoc adjustments of rates of assessment should be based on the fullest possible information on the exceptional and extraordinary nature of the action being requested, and that the Committee and the General Assembly should have a sound basis on which to base their conclusions.**

48. Some members felt that a request for exemption under Article 19 was the normal procedure for countries facing problems in paying their assessments.

Furthermore, they pointed out that the rates of assessment would be adjusted in the next scale to reflect changes in their economic circumstances. Other members considered that there could not be any link between the provisions of Article 19 and the possibility of adjusting assessment rates. It was suggested by some members that the two cases could be distinguished by the concept of the irreversibility of the damage to a Member State's capacity to pay, as distinct from cases where a Member State's problems are temporary in nature. When a Member State was facing short-term problems, the consequences of that short-term situation for its participation in the Organization could be dealt with through an exemption under Article 19. If its situation was longer term and irreversible, an ad hoc adjustment of its assessment rate might be warranted.

49. Some members felt that requests for a change of assessments might be avoided if the scale was based on more current information. In that context, they suggested that future scales should use a shorter base period and be subject to automatic annual recalculation. Other members disagreed and pointed out that the issue of the base period was not relevant to the ad hoc adjustment and even a shorter base period would not have affected the situation of Argentina, which requested and was granted an ad hoc adjustment of its rate of assessment for 2003.

50. **The Committee agreed that it should consider the matter further at its next session, including on the basis of the results of investigations by the Secretariat on the background to rule 160, and would report thereon to the General Assembly.**

IV. Multi-year payment plans

51. In its resolution 57/4 B, the General Assembly endorsed the conclusions and recommendations of the Committee on Contributions concerning multi-year payment plans.[1] Among the recommendations were that the Secretary-General should be requested to provide information on the submission of such plans, through the Committee on Contributions, and that he should be requested to submit an annual report to the General Assembly, through the Committee on Contributions, on the status of Member States' payment plans as at 31 December each year. In considering this matter, the Committee had before it the report of the Secretary-General on multi-year payment plans[2] that responded to these requests. It was also provided with updated information on the status of the plans submitted earlier and received additional information with regard to payment plans in the context of its consideration of the application of Article 19 of the Charter.

New payment plans

52. In its written representation concerning the application of Article 19, Georgia submitted a revised payment plan, as indicated below:

	Schedule proposed in:			
	2000	2001	2002	2003
	(United States dollars)			
2000	180 000			
2001	707 104	801 300		
2002	707 104	711 549[a]	671 818	
2003	707 104	711 549[a]	1 260 272[a]	
2004	1 060 656	1 067 324[a]	1 260 272[a]	776 229
2005	1 060 656	1 067 324[a]	1 260 272[a]	776 229
2006	1 414 208	1 423 094[a]	1 260 272[a]	776 229
2007	1 414 208	1 423 094[a]	1 260 272[a]	776 229
2008				776 229
2009				776 229
2010				776 229
2011				776 229
2012				776 229
2013				776 229

[a] Plus contributions for current year.

The Committee noted that this was the fourth plan submitted by Georgia in as many years. The Committee also noted that the duration of the plan was 10 years, starting in 2004, and that the General Assembly had endorsed the recommendation that, where possible, plans should generally provide for elimination of a Member State's arrears within a period of up to six years. The Committee further noted Georgia's assurance that the plan was realistic. Some members expressed concern at the repeated revisions of the plan and at Georgia's failure to meet its commitments under the earlier plans.

53. The Committee noted that, in its written representation concerning the application of Article 19, the Central African Republic indicated that it plans to submit at a later date a schedule for the payment of its contributions in arrears.

54. The Committee was informed that the Secretariat had included in the *Journal of the United Nations* from 3 February to 30 May 2003 an announcement that the Committee on Contributions would be considering multi-year payment plans at its sixty-third session and inviting any Member States intending to submit such a plan to contact the Secretariat for further information. The Committee noted that no further plans had been submitted.

Status of payment plans

55. The table in paragraph 18 of the Secretary-General's report[2] summarizes the status of the four payment plans in place on 31 December 2002. These plans had been submitted by Georgia in 2002 (its third), the Republic of Moldova in 2001 (its third), Sao Tome and Principe in 2002 (its first) and Tajikistan in 2000 (its first). As noted above, Georgia subsequently revised its plan, which now runs from 2004. The Committee was provided with updated information on the current status of the four plans, as indicated below (as at 27 June 2003):

Status of payment plans at 27 June 2003

	Most recent plan	*Assessments at 31 December*	*Payments/credits*	*Outstanding at 31 December*
Georgia				
1999				7 205 324
2000		116 120	184 443	7 188 001
2001		87 686	302 218	6 973 469
2002		114 552	68 298	7 019 723
2003		87 318		
2004	776 229			
2005	776 229			
2006	776 229			
2007	776 229			
2008	776 229			
2009	776 229			
2010	776 229			
2011	776 229			
2012	776 229			
2013	776 229			
Republic of Moldova				
1999				3 386 720
2000		161 436	324 618	3 256 538
2001	180 000	38 395	163 254	3 131 810
2002	500 000	56 202	508 776	2 679 236
2003	800 000	34 931	452 596	
2004	820 000			
2005	1 000 000			

	Most recent plan	Assessments at 31 December	Payments/credits	Outstanding at 31 December
Sao Tome and Principe				
1999				570 783
2000		13 543	48	584 278
2001		14 254	157	598 375
2002	27 237	15 723	29 146	584 952
2003	42 237	16 136		
2004	59 237			
2005	74 237			
2006	89 237			
2007	114 237			
2008	134 237			
2009	153 752			
Tajikistan				
1999				2 436 208
2000	65 231	63 507	205 389	2 294 326
2001	67 822	18 727	296 251	2 046 802
2002	67 822	22 205	303 961	1 765 046
2003	67 822	17 461	86 000	
2004	67 822			
2005	67 822			
2006	203 466			
2007	203 466			
2008	203 467			
2009	203 467			
2010	203 467			

Conclusions and recommendations

56. **The Committee recalled its earlier recommendations concerning multi-year payment plans. It reaffirmed its earlier conclusion that multi-year payment plans are a useful tool for reducing Member States' unpaid assessed contributions and a way for them to demonstrate their commitment to meeting their financial obligations to the United Nations. The Committee recommended that the General Assembly encourage Member States in arrears to consider submitting payment plans.**

57. The Committee noted that the payment plans considered were all submitted in the context of requests for exemption under Article 19. **In that context, the Committee recalled its earlier conclusion that due consideration should be given to the economic position of Member States, as not all of them might be in a position to submit plans, and its recommendation that multi-year payment plans should remain voluntary and should not automatically be linked to other measures. The Committee also recalled, however, its earlier recommendation**

that, for those Member States that are in a position to submit a payment plan, the Committee and the General Assembly should take the submission of a plan and its status of implementation into account as one factor when considering requests for exemption under Article 19.

58. The Committee noted the information provided by the Secretary-General concerning the status of payment plans. **The Committee noted with appreciation the substantial effort made by some of the Member States concerned to reduce their arrears to the Organization and urged them all to make every effort to meet the commitments made in the payment plans.**

V. Application of Article 19 of the Charter

59. The Committee recalled its general mandate, under rule 160 of the rules of procedure of the General Assembly, to advise the General Assembly on the action to be taken with regard to the application of Article 19 of the Charter. It also recalled the Assembly's decisions in its resolution 54/237 C concerning procedures for consideration of requests for exemption under Article 19 and the results of its recent review of that subject.

Requests for exemption under Article 19

60. The Committee recalled that, in its resolution 54/237 C, the General Assembly, inter alia, urged all Member States in arrears requesting exemption under Article 19 to provide the fullest possible supporting information, including information on economic aggregates, government revenues and expenditure, foreign exchange resources, indebtedness, difficulties in meeting domestic or international financial obligations and any other information that might support the claim that failure to make necessary payments had been attributable to conditions beyond the control of the Member States. The Assembly also decided that requests for exemption under Article 19 must be submitted by Member States to the President of the General Assembly at least two weeks before the session of the Committee so as to ensure a complete review of the requests.

61. The Committee noted that, on the basis of the latter provision, requests for exemption under Article 19 should have been received by the President of the General Assembly by 19 May 2003 for consideration by the Committee at its sixty-third session. It also noted that an announcement to that effect was included in the *Journal of the United Nations* from 3 February to 19 May 2003. Nine requests for exemption under Article 19 were received by the time specified in the resolution and one subsequently. This compares with seven received in 2002 within the time frame specified, 3 in 2001, 7 in 2000 and 11 in 1999.

62. The Committee noted that four of the Member States requesting exemption under Article 19 had presented multi-year payment plans for the payment of their arrears. **It encouraged all Member States requesting an exemption under Article 19 to consider presenting a payment plan if they are in a position to do so, taking into account the recommendations in paragraphs 17 to 23 of its report on its sixty-second session,[3] as endorsed by the General Assembly in its resolution 57/4 B.**

63. In considering the requests presented within the time frame specified by the General Assembly, the Committee had before it information provided by the nine Member States concerned and the Secretariat. It also met with representatives of the Member States and of relevant units of the Secretariat.

64. The Committee noted that the nature and quality of the information provided by Member States requesting exemptions under Article 19 varied significantly. **In this context, the Committee recalled the provisions of General Assembly resolution 54/237 C and urged all Member States requesting exemptions under Article 19 to submit as much information as possible in support of their requests. It also requested the Secretariat to continue to provide as much additional information as possible on the situation of those Member States.**

65. **In order to facilitate early action on these requests for exemption under Article 19 and in accordance with its past practice, the Committee authorized its Chairman to convey to the General Assembly without delay the related section of its report.**

1. Burundi

66. The Committee had before it the text of a letter dated 6 May 2003 from the President of the General Assembly to the Chairman of the Committee on Contributions, transmitting a letter dated 5 May 2003 from the Permanent Representative of Burundi to the United Nations addressed to the President of the General Assembly. It also heard an oral representation by a representative of Burundi.

67. In its written and oral representations, Burundi made reference to its inability to pay its arrears to the United Nations as a result of the country's appalling socio-economic situation caused by the war, which had been raging there since 1993. While there had been some progress on the political front, ceasefire agreements had not been fully implemented. The war had devastated Burundi's economy and Burundi is now one of the world's poorest countries. Economic developments had had a negative impact on government revenues. External debt had grown and foreign assistance was much less than needed. In the circumstances, Burundi was not able to meet a number of its obligations, including its assessed contributions to the United Nations, but it hoped to be able to do so when its situation improved.

68. The Committee noted that the security situation in Burundi remained precarious, with inevitable consequences for the country's economic and social situation. In that connection, it was advised that there were approximately 290,000 displaced persons and markets and economic activity had been seriously disrupted. In addition, Burundi was affected by negative trends in the market for coffee, a major export, and foreign assistance was limited by security as well as financial factors. The Committee also noted a steep fall in Burundi's foreign exchange reserves and increase in external debt.

69. The Committee noted Burundi's relatively good payment record to the United Nations until 2002, with arrears being reduced each year between 1998 and 2001. In the light of that record and the relatively small minimum payment of $58,000 required for Burundi to avoid the application of Article 19, some members expressed doubts as to whether its failure to make that payment was really due to conditions beyond its control. Other members emphasized the severe crisis facing

Burundi, including its increasing external debt and falling foreign exchange reserves.

70. **On balance, the Committee concluded that the failure of Burundi to pay the full minimum amount necessary to avoid the application of Article 19 was due to conditions beyond its control. It therefore recommended that Burundi be permitted to vote until 30 June 2004.**

2. Central African Republic

71. The Committee had before it the text of a letter dated 19 May 2003 from the Acting President of the General Assembly to the Chairman of the Committee on Contributions, transmitting a letter dated 17 May 2003 from the Permanent Representative of the Central African Republic to the United Nations addressed to the President of the General Assembly. It also heard an oral representation by the Permanent Representative of the Central African Republic.

72. In its written and oral representations, the Central African Republic pointed to its severe economic and social problems, stemming in part from earlier internal conflicts and continuing security problems. The repeated crises have also hampered the mobilization of humanitarian and development assistance. In that context, it has not proved possible to agree on formal cooperation programmes with the Bretton Woods institutions or to benefit from the Highly Indebted Poor Countries Debt Initiative (HIPC). These problems hindered the Government's efforts to tackle poverty, public health problems and corruption and mismanagement.

73. The Government understood its obligations under the Charter of the United Nations but was currently unable to pay the minimum amount necessary to restore its vote in the General Assembly. Indeed, it had arrears outstanding for salaries, pensions and scholarships. It hoped that an improvement in the situation would permit payments in future and planned to submit at a later date a schedule for the payment of its contributions in arrears.

74. The Committee noted that the Central African Republic was coping with a post-conflict situation, which complicated its efforts to tackle its serious economic and social problems. While there were some hopeful signs of a political and economic transition, continuing security problems hampered the delivery of what aid was available.

75. **The Committee welcomed the intention of the Central African Republic to submit a schedule for the payment of its arrears. It noted, however, that apart from a payment of $513,567 in 1998, the Central African Republic had made no payments since 1994.**

76. **Based on the information provided, the Committee concluded that the failure of the Central African Republic to pay the full minimum amount necessary to avoid the application of Article 19 was due to conditions beyond its control. It therefore recommended that the Central African Republic be permitted to vote until 30 June 2004. The Committee also noted the substantial reduction of the Central African Republic's rate of assessment from 1998 and urged it to make some payments in future so as to reduce, or at least avoid an increase of, its arrears.**

3. Comoros

77. The Committee had before it the text of a letter dated 19 May 2003 from the Acting President of the General Assembly to the Chairman of the Committee on Contributions, transmitting a letter dated 17 May 2003 from the Chargé d'affaires a.i. of the Comoros to the United Nations addressed to the President of the General Assembly. It also heard an oral representation by a representative of the Comoros.

78. In its written and oral representations, the Comoros recalled that an agreement had been reached at Fomboni on a peace process to resolve its five-year separatist and political crisis and that a new constitution had been adopted by referendum in December 2001. Under that constitution, elections were held for the presidency of the Union of the Comoros and of the three islands making up the Comoros. Since then, however, the new presidents had failed to agree on the sharing of power. That had created an impasse in the further implementation of the peace process, particularly in establishing the legislative assembly. As a result, there has been no budget approved for 2003. Due to this conflict of competence and the Comoros' economic difficulties, the Comoros has not been able to pay its assessed contributions to the United Nations. For the same reason, it was not possible for the Comoros to propose a multi-year payment plan at this stage.

79. The Committee noted that, despite efforts at reconciliation by a number of parties, including the African Union and the Francophonie, the Comoros faced a new political and institutional crisis. This undermined its efforts to tackle its economic and social problems, including high rates of poverty and illiteracy. It also discouraged foreign assistance, and the Comoros had no World Bank or IMF programmes in place. Nor did it benefit from HIPC.

80. The Committee recalled that the Comoros had requested and been granted exemptions under Article 19 since 1996. It noted that, since 1993, the Comoros had made payments towards assessed contributions only in 1996 and 2001.

81. Some members felt that the situation of the Comoros clearly justified the granting of an exemption under Article 19. Its economic and social problems and its constitutional and budgetary crises meant that it was clearly unable to pay the minimum amount required to restore their vote in the General Assembly under the provisions of Article 19. Other members did not agree.

82. **On balance, the Committee concluded that the failure of the Comoros to pay the full minimum amount necessary to avoid the application of Article 19 was due to conditions beyond its control. It therefore recommended that the Comoros be permitted to vote until 30 June 2004. At the same time, the Committee urged the Comoros to pay particular attention to its arrears to the United Nations and to make an additional effort to make some payments of its assessed contributions so as to reduce, or at least avoid a further increase of, its arrears. The Committee agreed to review any future requests from the Comoros in the light of its payment record.**

83. A number of members expressed reservations about this decision. They were of the view that the problems faced by the Comoros were less severe than those faced by other Member States and were the result of a long-term crisis of governance, rather than natural disasters or war. They recalled that the Comoros had requested an exemption under Article 19 every year since 1996 but made payments only twice — in 1996, after their first request for an exemption, and in 2001, the

year after the Committee on Contributions recommended against an exemption. It had also failed to follow up on earlier indications that it was considering the submission of a multi-year payment plan. They questioned repeated exemptions under Article 19 for the Comoros with so little evidence of a commitment on the part of the Member State to meeting its financial obligations to the United Nations.

4. Democratic Republic of the Congo

84. The Committee had before it the text of a letter dated 16 June 2003 from the President of the General Assembly to the Chairman of the Committee on Contributions, transmitting a letter dated 13 June 2003 from the Chargé d'affaires a.i. of the Permanent Mission of the Democratic Republic of the Congo to the United Nations, in which she requested an exemption for the Democratic Republic of the Congo under Article 19 of the Charter.

85. The Committee recalled that the General Assembly, in its resolution 54/237 C, decided that requests for exemption under Article 19 must be submitted by Member States to the President of the General Assembly at least two weeks before the Committee's session so as to ensure a complete review of the requests. **As the letter from the Chargé d'affaires had been received two weeks after the beginning of its session, the Committee decided that it could take no action on the request from the Democratic Republic of the Congo.**

5. Georgia

86. The Committee had before it the text of a letter dated 19 May 2003 from the Acting President of the General Assembly to the Chairman of the Committee on Contributions, transmitting a letter dated 19 May 2003 from the Permanent Representative of Georgia to the United Nations transmitting a letter dated 17 May 2003 from the Minister of Foreign Affairs of Georgia addressed to the President of the General Assembly. It also heard an oral representation by the Permanent Representative of Georgia.

87. In its written and oral representations, Georgia referred to the continuing and serious impact on its economy and government budget of assisting refugees and internally displaced persons from conflict zones in Abkhazia and Iskhinvali. It also indicated that, in the context of the global anti-terrorist campaign, it had had to make increased provision for additional security measures to protect and fortify the Chechen section of its border with the Russian Federation. Reference was also made to the serious consequences of an earthquake that had struck the capital, Tbilisi, in April 2002. Georgia remained committed to meeting its obligations to the United Nations and it recalled that it had paid almost $7.8 million since 1996. In that context, Georgia submitted a revised schedule to reduce its arrears over 10 years from 2004, details of which are provided above in chapter IV of the Committee's report.

88. The Committee noted that, despite efforts by the United Nations and other parties, Georgia still faced serious security and economic problems stemming from the situation in Abkhazia, to which there was still no solution. Although there has been some improvement in the Georgian economy in recent years, it still faced serious problems, with heavy external debt and real unemployment higher than the official figure of 12 per cent. This was in addition to the continuing need to provide for refugees and internally displaced persons.

89. Some members considered that Georgia's arrears were a result of an unrealistically high initial rate of assessment and the operation of the scheme of limits in earlier years. They noted that Georgia had paid over $7.7 million since 1996 and had reduced its arrears by over $3.5 million since the end of 1995. Given its continuing problems, Georgia was not in a position to make the necessary minimum payment of almost $6.8 million needed to restore its vote in the General Assembly under the provisions of Article 19 and should be granted an exemption. Other members expressed doubts.

90. **The Committee noted with concern Georgia's failure to meet the terms of the multi-year payment plan submitted only last year, the third in as many years. The Committee recalled its recommendation, subsequently endorsed by the General Assembly, that payment plans should provide for payment each year of the Member State's current year assessments and a part of its arrears and that, where possible, the plans should generally provide for elimination of a Member State's arrears within a period of up to six years. In that context, the Committee noted with concern that Georgia's new payment plan made no provision for any payments in 2003 and that the plan went well beyond the recommended six-year period.**

91. **On balance, the Committee nevertheless concluded that the failure of Georgia to pay the full minimum amount necessary to avoid the application of Article 19 was due to conditions beyond its control. It therefore recommended that Georgia be permitted to vote until 30 June 2004.**

92. A number of members expressed reservations about this decision. They recalled that, while the Committee had recommended that there should be no automatic link between multi-year payment plans and other measures, it had also recommended that, for those Member States that are in a position to submit a payment plan, the Committee and the General Assembly should take the submission of a plan and its status of implementation into account as one factor when they consider requests for exemption under Article 19. In that context, they also recalled that Georgia had failed to meet the terms of three successive payment plans and that the revised plan now submitted did not envisage any payments in 2003. While recognizing the problems faced by Georgia, they noted some signs of improvement in its economic situation. In that context, they doubted that Georgia's failure to make the necessary payment under Article 19, still less its failure to meet its obligations under three previous payment plans, were due to conditions beyond its control.

6. Guinea-Bissau

93. The Committee had before it the text of a letter dated 8 May 2003 from the President of the General Assembly to the Chairman of the Committee on Contributions, transmitting a note verbale dated 25 April 2003 from the Permanent Mission of Guinea-Bissau to the United Nations addressed to the President of the General Assembly. It also heard an oral representation by the Permanent Representative of Guinea-Bissau.

94. In her representation, the Permanent Representative of Guinea-Bissau recalled that her country had suffered an armed conflict in 1998-1999 that had seriously affected its economy and infrastructure. The Government had not been able to meet IMF-mandated targets and therefore was currently not receiving assistance from the

Bretton Woods institutions. The economic situation of Guinea-Bissau was very serious and the Government had been unable to pay salaries of civil servants for quite some time. Financial constraints were also hampering progress in organizing new elections. Guinea-Bissau's failure to pay its assessed contributions to the United Nations should be seen in the light of these circumstances and there were outstanding arrears to other organizations, including the African Union. In view of its situation and the anticipated elections, it was currently not possible for Guinea-Bissau to consider the submission of a multi-year payment plan for the elimination of its arrears to the United Nations.

95. The Committee noted that Guinea-Bissau was currently facing crises in the political, economic and social spheres. There had been frequent government changes in the past year, which complicated the process of national reconciliation and securing external assistance. Despite the efforts of a number of interested parties, including the United Nations, through its Peace-building Support Office in Guinea-Bissau (UNOGBIS), the Economic Community of West African States (ECOWAS) and the Community of Portuguese-speaking Countries (CPLP), the political situation remained difficult. Legislative elections were a prerequisite for tackling outstanding constitutional and political issues and these were hampered by financial constraints. The political situation was unhelpful in securing external assistance, which had accounted for approximately half of the national budget. Having failed to meet specified targets, Guinea-Bissau was not currently receiving assistance from the Bretton Woods institutions.

96. The economic and social situation of Guinea-Bissau was extremely difficult, with no reliable electricity or water supply. In addition to the adverse economic impact of the Government's arrears of payment of salaries, export prices for cashews, Guinea-Bissau's main crop, had fallen and revenue from fishing licences was not showing significant growth.

97. **The Committee concluded that the failure of Guinea-Bissau to pay the minimum amount necessary to avoid the application of Article 19 was due to conditions beyond its control. It therefore recommended that Guinea-Bissau be permitted to vote until 30 June 2004.**

7. Republic of Moldova

98. The Committee had before it the text of a letter dated 19 May 2003 from the Acting President of the General Assembly to the Chairman of the Committee on Contributions, transmitting a letter dated 16 May 2003 from the Permanent Representative of the Republic of Moldova to the United Nations addressed to the President of the General Assembly. It also heard an oral representation by the Permanent Representative of the Republic of Moldova.

99. In its written and oral representations, the Republic of Moldova recalled that its arrears mainly resulted from the inequitable redistribution of the assessment of the former Union of Soviet Socialist Republics. In the subsequent transition over the last decade, the real economic output of the Republic of Moldova fell by over 50 per cent and external debt grew from virtually zero to over $1.6 billion at the end of 2002, or slightly more than its GDP. The Moldovan economy was also hit hard by the regional economic crisis of the late 1990s. Already a low-income country, the Republic of Moldova is also very vulnerable to external shocks and climatic conditions, being completely dependent on imported energy and heavily dependent

on agricultural exports. In that context, agricultural output had been hard hit by a severe winter in 2002-2003 and spring frosts in 2003. The unresolved conflict in the separatist eastern region, where 45 per cent of the country's industrial potential is concentrated, continues to hamper economic recovery and growth, disrupt trade, promote smuggling and discourage foreign investment. Despite these serious problems, the Republic of Moldova remained committed to paying its assessed contributions to the United Nations in full, on time and without imposing conditions, when circumstances permit. In the meantime, it would continue to make payments in accordance with the multi-year payment plan submitted in 2001.

100. The Committee noted that, despite outside efforts at mediation, the separatist problem in the Trans-Dneister region remained a serious problem for the Republic of Moldova. In the absence of government control of the region, there were serious problems of corruption, transportation of illegal drugs and other criminal activities. Lending to the Republic of Moldova on commercial terms early in its existence as an independent State led to serious debt problems. The authorities are trying to negotiate a solution with the international financial institutions. Despite some recent economic improvements, poverty remains a serious problem and many of the country's economically active citizens have emigrated because of a lack of economic opportunities.

101. **The Committee noted with appreciation that the Republic of Moldova had substantially met its payment plan in 2001-2002 and had already paid more than half the amount scheduled for 2003. This was done despite the serious and continuing difficulties that it faced.**

102. **Based on its review, the Committee concluded that the failure of the Republic of Moldova to pay the full minimum amount necessary to avoid the application of Article 19 was due to conditions beyond its control. It therefore recommended that the Republic of Moldova be permitted to vote until 30 June 2004.**

8. Sao Tome and Principe

103. The Committee had before it the text of a letter dated 6 May 2003 from the President of the General Assembly to the Chairman of the Committee on Contributions, transmitting a letter dated 2 May 2003 from the Permanent Mission of Sao Tome and Principe to the United Nations addressed to the President of the General Assembly. It also heard an oral representation by a representative of Sao Tome and Principe.

104. In its written and oral representations, Sao Tome and Principe recalled that it had been one of the Member States most adversely affected by the previous floor rate of 0.01 per cent for the United Nations scale of assessments. The population of Sao Tome and Principe suffered from great poverty and rising unemployment. The economy was currently dependent on only a few commodities and, with a population of only 152,000, the country owed approximately $239 million. While Sao Tome and Principe had reached a joint development zone agreement with Nigeria and an oil exploration contract had been signed, there would be no revenue for some time, even if results were good. In the meantime, Sao Tome and Principe would continue to honour the payment plan that it had submitted last year.

105. The Committee recalled that Sao Tome and Principe had been the Member State most negatively affected by the earlier scale floor of 0.01 per cent. The Committee noted that, despite some recent improvement in the country's economy, poverty remained a serious problem, with serious health problems, including malaria, and many people not having access to safe drinking water. Oil might well improve the country's economic position in future, but disputes between the President and the legislature might complicate related negotiations. In the meantime, there had been some improvement due to higher cocoa prices and contacts were proceeding with IMF. Sao Tome and Principe is eligible for HIPC status.

106. **The Committee noted that Sao Tome and Principe had submitted a multi-year payment plan in 2002 and made the related payment for that year. It welcomed the stated commitment of Sao Tome and Principe to continue to honour the plan, despite the severe economic problems facing the country.**

107. **The Committee concluded that the failure of Sao Tome and Principe to pay the full minimum amount necessary to avoid the application of Article 19 was due to conditions beyond its control. It therefore recommended that Sao Tome and Principe be permitted to vote until 30 June 2004.**

9. Somalia

108. The Committee had before it the text of a letter dated 15 May 2003 from the Acting President of the General Assembly to the Chairman of the Committee on Contributions, transmitting a letter dated 15 May 2003 from the Permanent Representative of Somalia to the United Nations addressed to the President of the General Assembly. It also heard an oral representation by the Permanent Representative of Somalia.

109. In its written and oral representations, Somalia recalled the 11-year civil war that had devastated the country. While efforts at national reconciliation were continuing with the assistance of international and regional organizations, including the Inter-Governmental Authority on Development (IGAD), sporadic fighting continued. In addition, Somalia had been badly affected by drought, a ban on livestock exports in its traditional markets in the Gulf, the freezing of the assets of El-Barakat, the country's major banking institution, following the events of 11 September 2001 and inadequate levels of foreign assistance. Significant progress had been made at the National Reconciliation Conference in Kenya but it was not clear when it would finish its work. While there was little hope that El-Barakat would be reopened, it was hoped that some of its assets could be unfrozen eventually. Livestock exports had been hit by the war's impact on the country's infrastructure, including the institutions needed to provide health certification for those exports, and external assistance was being sought. In view of the severity of its problems, Somalia was unable to pay its assessed contributions to the United Nations.

110. The Committee noted that the national reconciliation process in Somalia did not include all parties, notably it did not include the northern region, known as Somaliland, that had held a referendum on independence. Assistance to the process was being provided by a number of organizations, including IGAD, the European Union and the League of Arab States and the Secretary-General's representative was closely involved. Notwithstanding these efforts, fighting and loss of life continued. The Transitional National Government, established following the Djibouti

Conference in 2000, controlled only part of Mogadishu and its mandate runs only to August 2003. Efforts were under way to tackle some of Somalia's other problems, including the livestock export and remittance issues but the country's problems remained daunting.

111. **Based on the information considered, the Committee concluded that the failure of Somalia to pay the minimum amount necessary to avoid the application of Article 19 was due to conditions beyond its control. It therefore recommended that Somalia be permitted to vote until 30 June 2004.**

10. Tajikistan

112. The Committee had before it the text of a letter dated 19 May 2003 from the Acting President of the General Assembly to the Chairman of the Committee on Contributions, transmitting a letter dated 16 May 2003 from the Permanent Representative of Tajikistan to the United Nations transmitting a letter dated 13 May 2003 from the Prime Minister of Tajikistan addressed to the President of the General Assembly. It also heard an oral representation by the Permanent Representative of Tajikistan.

113. In its written and oral representations, Tajikistan made reference to the adverse consequences of earthquakes and floods affecting the country in the past year. These included damage to agriculture and housing. Tajikistan was also obliged to devote a significant part of its limited resources to security provisions, in the light of the situation in Afghanistan, in particular, from which large volumes of illegal drugs were being smuggled. Although there had been some economic improvement in 2001-2002, the country now owed more than $1 billion. As a result, the debt-service burden exceeded 30 per cent of the Government's revenues in the past two years. Tajikistan was trying to reach agreement with external creditors to alleviate this problem. In the meantime, however, it remained committed to honouring its payment plan in order to eliminate its arrears of assessed contributions to the United Nations.

114. The Committee noted that, despite some growth in 2001-2002, Tajikistan's economic level in 2002 was only 43 per cent of that in 1991. In the meantime, population growth was high and there was massive unemployment. A landlocked country, Tajikistan also suffered from the effects of regional instability and had earlier been through a civil war. In addition, the country was disaster-prone due in part to its mountainous topography and regularly suffered from droughts, floods and landslides. Due to its general poverty and the Government's limited resources, it was not well equipped to deal with these emergencies and had been the subject of a number of humanitarian appeals.

115. **The Committee noted with appreciation that, despite its serious problems, Tajikistan had more than met the payments scheduled for 2000-2003 in the plan that it had submitted in 2000.**

116. **Based on the information considered, the Committee concluded that the failure of Tajikistan to pay the minimum amount necessary to avoid the application of Article 19 was due to conditions beyond its control. It therefore recommended that Tajikistan be permitted to vote until 30 June 2004.**

VI. Assessment of non-member States

117. The Committee recalled that, in its resolution 44/197 B of 21 December 1989, the General Assembly had endorsed the proposal by the Committee on Contributions[4] concerning revised assessment procedures for non-member States which are full participants in some of the activities financed by the regular budget of the United Nations.

118. These procedures, adopted in 1989 and still in force, involve periodic review of levels of participation by non-member States in United Nations activities and the establishment of a level of assessment based on the corresponding relationship in the previous 10-year period. The assessment of non-member States is currently based on a notional rate of assessment, fixed by the General Assembly at the same time that it adopts the triennial scale, a flat annual fee percentage based on the non-member State's level of participation and the net assessment base for the regular budget.

119. Under these procedures, the flat annual fee percentages of non-member States should be reviewed every five years based on new information concerning levels of participation in United Nations activities. The next quinquennial review is scheduled to take place in 2003.

120. Following the admission of Switzerland to membership of the United Nations, only one non-member State, the Holy See, remains subject to these procedures. Based on a review of the level of the Holy See's participation in United Nations activities, the Committee was advised that its flat annual fee percentage should be increased from 25 to 30 per cent. Anticipating the possible admission of Switzerland, however, the Committee had requested the Secretariat to consult with the non-member State on a possible simplified methodology for the assessment of non-member States.

121. The Committee noted that the notional assessment of the Holy See had been fixed at the floor rate of 0.001 per cent. Accordingly, using the assessment base for 2003, each percentage point change in the flat annual fee percentage would have corresponded to only about $136.48. In the light of that fact, it seemed appropriate to establish a simpler procedure. In that context, the Committee was advised that the Permanent Observer of the Holy See to the United Nations had indicated his agreement to a proposal that the flat annual fee percentage should be fixed at 50 per cent of the notional rate of assessment without further periodic review. This would establish a higher contribution rate, while obviating the need for periodic review, the cost of which seemed disproportionate to the amounts involved.

122. **The Committee recommended that the General Assembly should fix the flat annual fee percentage of the Holy See at 50 per cent of the notional rate of assessment and that further periodic review of its flat annual fee percentage rate should be suspended. Based on a review of the relevant data, the Committee also recommended that the notional rate of assessment for the Holy See for the period 2004-2006 should be fixed at 0.001 per cent.**

VII. Measures to encourage the payment of arrears

123. In its resolution 57/4 C, the General Assembly requested the Committee on Contributions to make recommendations on measures with a positive impact to encourage Member States to pay their arrears, and to report thereon to the General Assembly at its fifty-eighth session.

124. The Committee recalled that it had considered the question of measures to encourage payment of assessed contributions on a number of occasions, most recently at its fifty-eighth,[5] fifty-ninth,[6] sixtieth,[7] sixty-first[8] and sixty-second[9] sessions. The question was also considered by the High-level Open-ended Working Group on the Financial Situation of the United Nations[10] that was established by the General Assembly in 1994 and which met between 1995 and 1997.

125. Among the specific measures that were considered by the Committee at its earlier sessions were a new assessed fund; redeemable peacekeeping certificates; crediting only Member States that are current with their financial obligations to the Organization in respect of budgetary surpluses; incentive payments based on the payments status of Member States; restricting access of citizens and companies of Member States in arrears to opportunities for United Nations recruitment and procurement; ineligibility of Member States in arrears for elections to committees and other bodies; early reimbursement of troop-contributing countries; interest on or indexation of arrears; and multi-year payment plans.

126. The Committee recalled that, in its resolution 57/4 B, the General Assembly had endorsed its conclusions and recommendations concerning multi-year payment plans.

127. The Committee also recalled that, in its report on its sixty-first session,[8] it had noted that a number of specific measures that it considered were tied to timely payment of assessed contributions. As specified by financial regulation 3.4 (previously 5.4), contributions and advances should be paid in full within 30 days of the receipt of the related communication from the Secretary-General. As of 1 January of the following calendar year, the unpaid balance is considered to be one year in arrears.

128. The Committee had concluded that it might be prudent to fix the deadline for timely payment from the date of issuance of the assessments, rather than from the date of their receipt. The Committee recalled that a related proposal had been made by the Secretary-General in his report on measures to encourage Member States in arrears to reduce and eventually pay their arrears,[11] which had been made available to the Committee at its sixty-second session.

129. The Committee further recalled that it had decided to consider further, on the basis of any guidance from the General Assembly, incentive payments based on the payment status of Member States and the early reimbursement of troop-contributing countries. The Committee had also decided to revert to consideration of the proposal regarding budgetary surpluses should the General Assembly decide to proceed with it.

130. **The Committee decided to consider the question of measures to encourage the payment of arrears further at its sixty-fourth session in the light of any guidance from the General Assembly and of updated information from the Secretariat on the related experience of other organizations of the United**

Nations system and to report thereon to the General Assembly before the end of its fifty-eighth session.

VIII. Other matters

A. Collection of contributions

131. The Committee noted that, at the conclusion of the current session on 27 June 2003, the following nine Member States were in arrears in the payment of their assessed contributions to the expenses of the United Nations under the terms of Article 19 of the Charter and had no vote in the General Assembly: Burundi, the Central African Republic, the Democratic Republic of the Congo, Djibouti, Iraq, Kyrgyzstan, Liberia, the Niger and Vanuatu. In addition, the following seven Member States were in arrears in the payment of their assessed contributions under the terms of Article 19 but had been permitted to vote in the Assembly until 30 June 2003 pursuant to General Assembly resolution 57/4 A of 27 September 2002: the Comoros, Georgia, Guinea-Bissau, the Republic of Moldova, Sao Tome and Principe, Somalia and Tajikistan. **The Committee decided to authorize its Chairman to issue an addendum to the present report, as necessary.**

B. Payment of contributions in currencies other than United States dollars

132. Under the provisions of paragraph 8 (a) of its resolution 55/5 B, the General Assembly authorized the Secretary-General to accept, at his discretion and after consultation with the Chairman of the Committee on Contributions, a portion of the contributions of Member States for the calendar years 2000, 2001 and 2003 in currencies other than United States dollars.

133. The Committee noted that the Secretary-General had accepted the equivalent of $1,778,949.63 from Cyprus, Morocco, Pakistan and Trinidad and Tobago in four non-United States dollar currencies acceptable to the Organization in 2002.

C. Date of the next session

134. **The Committee decided to hold its sixty-fourth session in New York from 7 to 25 June 2004.**

Notes

[1] *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 11* (A/57/11), paras. 17-23.

[2] A/58/63.

[3] *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 11* (A/57/11).

[4] Ibid., *Forty-fourth Session, Supplement No. 11* (A/44/11), paras. 50-52.

[5] Ibid., *Fifty-third Session, Supplement No. 11* (A/53/11).

[6] Ibid., *Fifty-fourth Session, Supplement No. 11* (A/54/11).

[7] Ibid., *Fifty-fifth Session, Supplement No. 11* (A/55/11).

[8] Ibid., *Fifty-sixth Session, Supplement No. 11* (A/56/11), sect. IV.

[9] Ibid., *Fifty-seventh Session, Supplement No. 11* (A/57/11), sect. IV.

[10] A/49/43, A/50/43 and A/51/43.

[11] A/57/76.

Annex I

Methodology used for the preparation of the United Nations scale of assessments for the period 2001-2003

1. The current scale of assessments was based on the arithmetic average of results obtained using national income data for base periods of three and six years, for the periods 1996-1998 and 1993-1998. The methodology used in the preparation of each set of results took as its starting point the gross national product (GNP) of the Member States of the Organization during the respective base periods. This information was provided by the United Nations Statistics Division and was based on data provided by Member States in response to the annual national accounts questionnaire. Since figures had to be provided for all Member States for all years of the possible statistical periods, when data were not available from the questionnaire the Statistics Division prepared estimates using other available sources, including the regional commissions, other regional organizations, the World Bank, the International Monetary Fund (IMF) and private sources. At its sixty-second session, the Committee on Contributions noted that the concept of GNP under the 1968 System of National Accounts had been renamed gross national income (GNI) under the 1993 System of National Accounts. The use of the term GNI, which will be used for the scale of assessments for 2004-2006, is a terminological refinement and will not entail any change in the actual coverage of the concept.

2. The GNP data for each year of the base periods were then converted to a common currency, the United States dollar, in most cases using market exchange rates (MERs). MERs, for this purpose, were taken to be the annual average exchange rates between the national currencies and the United States dollar as published in the IMF *International Financial Statistics* or its Economic Information System. Those sources included three types of rates, which, for the purposes of preparing the scale of assessments, were referred to as MERs:

(a) Market rates, determined largely by market forces;

(b) Official rates determined by Government authorities;

(c) Principal rates, for countries maintaining multiple exchange-rate arrangements.

For IMF non-members, where MERs were not available, United Nations operational rates of exchange were also used.

3. As part of its review process, the Committee on Contributions considered whether these exchange rates resulted in excessive fluctuations or distortions in the income of particular Member States, and in a small number of cases decided to use alternative rates. These included price-adjusted rates of exchange (PAREs) supplied by the United Nations Statistics Division. The PARE methodology was developed by the Statistics Division as a means of adjusting the conversion rates into United States dollars for countries suffering from severe inflation and changes in domestic prices, which cause significant divergence in local currency movements. It is aimed at eliminating the distorting effects of uneven price changes that are not well reflected in exchange rates and that yield unreasonable levels of income expressed in United States dollars. PARE rates are derived by extrapolating an average exchange rate for a base period with price changes in the form of implicit price deflators of gross domestic product. At recent sessions, the Committee on

Contributions has considered a proposed revised PARE methodology, based on a regression analysis between price and exchange-rate observations over a long period of time. The Committee concluded that the new approach needed further consideration, although it could perhaps be used as an initial screening and analytical tool in identifying Member States whose MERs should be replaced in preparing the scale of assessments for 2004-2006.

4. An average of the annual GNP figures in United States dollars for the base periods was then aggregated with the corresponding figures for other Member States as the first step in the machine scales used for the scale of assessments for 2001-2003.

Summary of step 1

Annual GNP figures in national currency were converted to United States dollars using the annual average conversion rate (MER or other rate selected by the Committee on Contributions). The average of these figures was calculated for the base period (three or six years). Thus:

$[(\text{GNP}_{\text{year 1}}/\text{conversion rate}_{\text{year 1}}) + \ldots\ldots\ldots + (\text{GNP}_{\text{year 6}}/\text{conversion rate}_{\text{year 6}})]/6$ = average GNP, where 6 is the length of the base period.

These average GNP figures were summed and used to calculate shares of GNP. A similar exercise was carried out for the three-year base period.

5. The next step in the scale methodology was the application of the debt-burden adjustment in each machine scale. In resolution 55/5 B, the General Assembly decided to base this adjustment on the approach employed in the scale of assessments for the period 1995-1997. Under this approach, the debt-burden adjustment is the average of 12.5 per cent of total external debt for each year of the period (what has become known as the debt-stock method), based on an assumed payment of external debt within eight years. Data for this adjustment came from the World Bank database on external debt, which included countries with a per capita income of up to $9,360 (using the World Bank Atlas conversion rates). The amount of the debt-burden adjustment was deducted from the GNP of those countries affected. The adjustment therefore increased not the absolute but rather the proportionate GNP of the Member States that either did not benefit from it or whose relative adjustment was lower than the amount of the total adjustment as a percentage of total GNP.

Summary of step 2

The debt-burden adjustment (DBA) for each base period was deducted to derive debt-adjusted GNP (GNP_{da}). This involved deducting an average of 12.5 per cent of the total debt stock for each year of the base period. Thus:

Average GNP - DBA = GNP_{da}

Total GNP_{da} = total GNP - total DBA

6. The next step was the application of the low per capita income adjustment in each machine scale. This involved the calculation of the average per capita GNP during each of the base periods for the membership as a whole and the average debt-adjusted per capita GNP for each Member State for each base period. The overall average figures for the current scale were $4,957 for the three-year base period and

$4,797 for the six-year base period, and these were fixed as the starting points, or thresholds, for the respective adjustments. The GNP of each country whose average debt-adjusted per capita GNP was below the threshold was reduced by 80 per cent of the percentage by which its average debt-adjusted per capita GNP was below the threshold.

7. For each machine scale, the total amount of the low per capita income adjustment was reallocated to those countries above the threshold, other than the Member State affected by the maximum assessment rate or ceiling, in proportion to their relative shares of the total debt-adjusted GNP of that group. For illustrative purposes, a track 2 calculation was undertaken in which the ceiling country was not excluded from the allocation of the adjustment. This permitted the machine scales considered by the Committee on Contributions to indicate what the relative assessment rates of Member States would be if the ceiling were not applied.

Summary of step 3

The average per capita GNP for each base period was calculated. This was used as the threshold for application of the low per capita income adjustment. Thus:

[(Total GNP $_{\text{year 1}}$/total population $_{\text{year 1}}$) + …… + (total GNP $_{\text{year 6}}$/total population $_{\text{year 6}}$)]/6 = average per capita GNP for the six-year base period

A similar exercise was carried out for the three-year base period.

Summary of step 4

The average debt-adjusted per capita GNP for each Member State for each base period was calculated in the same manner as in step 3, using debt-adjusted GNP.

Summary of step 5

In each machine scale, the low per capita income adjustment was applied to those Member States whose average debt-adjusted per capita GNP was lower than the average per capita GNP (threshold). This adjustment reduced the affected Member State's average debt-adjusted GNP by the percentage that its average debt-adjusted per capita GNP was below the threshold multiplied by the gradient (80 per cent).

Example: If the average per capita GNP is $5,000 and a Member State's per capita debt-adjusted GNP is $2,000, then the low per capita income adjustment will be [1 - (2000/5000)] x 0.80 = 48 per cent, that is, 80 per cent (the gradient) of 60 per cent [1 - 2000/5000)], which is the percentage by which the Member State's debt-adjusted per capita GNP is below the threshold.

Summary of step 6

In each machine scale, the total dollar amount of the low per capita income adjustments was reallocated pro rata to Member States whose average debt-adjusted per capita GNP was above the threshold. In order to illustrate the outcomes with and without a ceiling scale rate, two alternative tracks were applied to this and subsequent steps:

Track 1

The total of the low per capita income adjustments was proportionately reallocated to all Member States whose average debt-adjusted per capita GNP was above the threshold, except the ceiling country. Since the ceiling country would not ultimately share in the reallocation of points arising from the low per capita income adjustment, including it in the reallocation would have the effect of having the beneficiaries of the adjustment share a part of its cost. This would occur when the points added for the ceiling country were reallocated pro rata to all other Member States as part of the reallocation of points arising from application of the ceiling. In machine scales, the results of track 1 calculations appear in the "ceiling" column and subsequent columns, if any.

Track 2

The total of the low per capita income adjustments was proportionately reallocated to all Member States whose average debt-adjusted per capita GNP was above the threshold, including the ceiling country. This yielded, for illustrative purposes, scale figures that would have applied if there had not been a ceiling rate of assessment. In machine scales, the results of track 2 calculations appear in the "low per capita income", "floor" and "least developed countries adjustment" columns.

8. Following these adjustments, four sets of limits were applied to each machine scale. Those Member States whose adjusted share was less than the minimum level, or floor, of 0.001 per cent were brought up to that level. Corresponding reductions were applied pro rata to the shares of other Member States, except, under track 1, the ceiling country.

Summary of step 7

The minimum assessment rate, or floor (currently 0.001 per cent), was applied to those Member States whose rate at this stage is lower. Corresponding reductions were then applied pro rata to other Member States, except, under track 1, the ceiling country.

9. A maximum assessment rate of 0.01 per cent was then applied for each machine scale to those Member States on the list of least developed countries (LDCs). Increases corresponding to this LDC ceiling were then applied pro rata to other Member States, except, under track 1, the ceiling country.

Summary of step 8

Those least developed countries whose rate at this point exceeded the LDC ceiling (0.01 per cent) had their rate reduced to 0.01 per cent. Corresponding increases were applied pro rata to other Member States, except, under track 1, the ceiling country.

10. A maximum assessment rate, or ceiling, of 22 per cent was then applied to each machine scale. Increases corresponding to the resulting reduction for the ceiling country were then applied pro rata to other Member States. As indicated above, those increases were calculated in accordance with track 1, i.e., they reflected

a distribution of points from the ceiling country that did not include any points arising from the application of the low per capita income adjustment.

Summary of step 9

The maximum assessment rate, or ceiling, of 22 per cent was then applied. Corresponding increases were then applied pro rata to other Member States, except for those affected by the floor and the LDC ceiling, using the track 1 approach from step 6 above.

11. An arithmetic average of the final scale figures was then calculated for each Member State, using base periods of three and six years.

Summary of step 10

The results of the two machine scales, using base periods of three and six years (1996-1998 and 1993-1998), were added and divided by two.

Annex II

Evolution of the methodology for the preparation of the scale of assessments for the apportionment of the expenses of the United Nations

1. In its resolution 14 (I) of 13 February 1946, the General Assembly established a standing expert Committee on Contributions, as recommended in chapter IX of the report of the Preparatory Commission (PC/20), and instructed it to prepare a detailed scale of apportionment of expenses, based on the principles set out in the report of the Preparatory Commission.

2. In that report, the Preparatory Commission provided that:

> "13. The expenses of the United Nations should be apportioned broadly according to capacity to pay. It is, however, difficult to measure such capacity merely by statistical means, and impossible to arrive at any definite formula. Comparative estimates of national income would appear prima facie to be the fairest guide. The main factors which should be taken into account in order to prevent anomalous assessments resulting from the use of comparative estimates of national income include:
>
> (a) Comparative income per head of population;
>
> (b) Temporary dislocation of national economies arising out of the second world war;
>
> (c) The ability of Members to secure foreign currency.
>
> "Two opposite tendencies should also be guarded against: some Members may desire unduly to minimize their contributions, whereas others may desire to increase them unduly for reasons of prestige. If a ceiling is imposed on contributions the ceiling should not be such as seriously to obscure the relation between a nation's contributions and its capacity to pay. The Committee should be given discretion to consider all data relevant to capacity to pay and all other pertinent factors in arriving at its recommendations. Once a scale has been fixed by the General Assembly it should not be subjected to a general revision for at least three years or unless it is clear that there have been substantial changes in relative capacities to pay.
>
> "14. Other functions of the Committee would be:
>
> (a) To make recommendations to the General Assembly on the contributions to be paid by new Members;
>
> (b) To consider and report to the General Assembly on appeals by Members for a change of assessment; and
>
> (c) To consider and report to the General Assembly on the action to be taken if Members fall into default with their contributions.
>
> "In connection with the latter, the Committee should advise the Assembly in regard to the application of Article 19 of the Charter."

3. Subsequent decisions by the General Assembly have modified these initial terms of reference for the Committee on Contributions and elements of the scale

methodology have been added, amended and removed over time. Subject to these specific decisions from time to time, the Committee's general underlying terms of reference are now set out in rule 160 of the rules of procedure of the General Assembly, which provides that:

> "The Committee on Contributions shall advise the General Assembly concerning the apportionment, under Article 17, paragraph 2, of the Charter, of the expenses of the Organization among Members, broadly according to capacity to pay. The scale of assessments, when once fixed by the General Assembly, shall not be subject to a general revision for at least three years unless it is clear that there have been substantial changes in relative capacity to pay. The Committee shall also advise the General Assembly on the assessments to be fixed for new Members, on appeals by Members for a change of assessments and on the action to be taken with regard to the application of Article 19 of the Charter."

Capacity to pay

4. As noted above, the methodology for the preparation of scales of assessments has, from the beginning, taken a measure of national income as its starting point in determining capacity to pay. The Committee on Contributions has since considered a number of alternative basic measures of capacity to pay,[a] as did the Ad Hoc Intergovernmental Working Group on the Implementation of the Principle of Capacity to Pay, convened by the General Assembly in 1995 (see A/49/897). These alternative measures have included the use of indicators other than national income — e.g., wealth, socio-economic indicators, dependence on one or a few products, dependence on non-renewable resources, deteriorating terms of trade and balance-of-payments problems. Following review, however, these were all deemed to have serious technical drawbacks, given problems with the reliability and comparability of data, since these should be available for all Member States. It was also suggested that the inclusion of some of these indicators with national income data could constitute double counting. Consequently, the General Assembly has continued to use a measure of national income as the first approximation of Member States' capacity to pay.

5. Other elements in place from the beginning have been the idea of adjusting comparative shares of total national income by taking account of comparative per capita income and the idea of a ceiling rate and of a minimum rate of assessment, or floor. Elements added subsequently and still employed are, since 1983, a limit for the least developed countries and, since 1986, a debt-burden adjustment. Over time, the application of some of these elements has evolved and the levels of various parameters have changed, but the basic framework, as outlined, has remained the same.

6. Added to the methodology in the scale for 1956-1957, but dropped in scales since 1977, was a per capita contribution ceiling at the level of the per capita contribution of the major contributor. At its fifty-eighth session, in 1998, the Committee considered the possibility of reintroducing this element. The Committee noted that the Member States that would benefit from the reintroduction of the per capita contribution ceiling were all relatively high-income countries and that the reintroduction of this element would therefore clearly be contrary to the principle of

capacity to pay. Some members showed interest in studying the idea further, however.

7. Added in 1986 was a “scheme of limits” that limited the amount by which each Member’s assessment rate could rise or fall between scales. Over time, this was found to cause serious distortions, and it was phased out gradually during the scale periods 1995-1997 and 1998-2000.

Income measure

8. National income data has been the first step in the scale methodology since the advent of the Organization. In the past, national income data were maintained for market economies by using the System of National Accounts (SNA) and for centrally planned economies by using the material product system (MPS). It was therefore necessary to recast the MPS accounts into the form of SNA for the purposes of comparison. This is no longer an issue since former centrally planned economies are currently using the concepts and definitions of the 1993 SNA for their national accounts.

9. The use of national income as the first step of the scale was reviewed by the Committee on Contributions and the Ad Hoc Intergovernmental Working Group on the Implementation of the Principle of Capacity to Pay. While national disposable income was deemed to be theoretically the best first measure of capacity to pay, it was noted that there were problems with availability and reliability of data. Conversely, while data for gross domestic product (GDP) are somewhat more widely available and reliable than data for other income measures, it is less satisfactory conceptually. Balancing conceptual concerns with considerations of data availability, reliability, comparability and simplicity, it was concluded that data for GNP should be the basis for calculations for the scale. Accordingly, the General Assembly decided that the scale of assessments for the period 1998-2000 should be based on GNP data.

10. The Committee reviewed the question further at its fifty-eighth session, in 1998. The Committee noted that while the availability and reliability of data for GDP were somewhat better than for GNP, for those countries showing the largest differences between GDP and GNP, availability and reliability were the same. On balance, therefore, the Committee concluded that GNP remained the least unsatisfactory income measure for calculating assessment rates. Accordingly, the Committee reaffirmed its earlier recommendation that future scales of assessments should be based on estimates of GNP, and this was done for the scale of assessments for 2001-2003.

11. At the same time, the Committee is kept advised of developments with respect to national accounts, including implementation of the 1993 SNA, and has decided to keep the issue under review for future scales. At its sixty-second session, in 2002, the Committee noted that the concept of GNP under the 1968 SNA had been renamed GNI under the 1993 SNA and that this would be used in future for the scale of assessments.

Conversion rates

12. The next step of the methodology is to convert national income data to a common currency — since 1946 the United States dollar. The primary source of

exchange-rate information has been IMF. For non-members of IMF, United Nations operational rates of exchange have also been used. For the purposes of preparing the scale, these rates have been designated MERs.

13. In a number of instances, however, the Committee on Contributions has recommended the use of alternative rates where the use of the MERs would result in excessive fluctuations in and distortions of the income of some Member States as expressed in United States dollars. These alternative conversion rates have included PAREs, supplied by the United Nations Statistics Division.

Base period

14. The scale of assessments for 1946 was based on national income figures for 1938-1940. Thereafter, single-year base periods were used until 1953, when a two-year average was used. From 1954 to 1977, the average of data for three years was used as the base period for the scale.

15. In its resolution 31/95 A of 14 December 1976, the General Assembly requested the Committee on Contributions to consider:

> "the possibility of mitigating extreme variations in assessments between two successive scales, without departing essentially from the principle of the capacity to pay, either by increasing the statistical base period from three years to some longer period or by any other appropriate method".

Consequently, a base period of seven years was used for scales between 1978 and 1982. In its resolution 36/231 A of 18 December 1981, the General Assembly decided to extend the base period further, to 10 years, and this was applied to scales between 1983 and 1994.

16. In its resolution 48/223 B of 23 December 1993, the General Assembly decided to use base periods of seven and eight years for the scale of assessments for the period 1995-1997. In its resolution 52/215 A of 22 December 1997, the General Assembly decided to reduce the base period further, to six years, for the scale of assessments for the period 1998-2000. As noted above, for the scale of assessments for 2001-2003 base periods of three and six years were used.

Debt-burden adjustment

17. In the context of its efforts to find a systematic way in which to make allowance for Member States' ability to secure foreign exchange, in 1969 the Committee on Contributions began to make small downward adjustments to individual assessment rates, based on available data on servicing and amortization of external debt. These ad hoc adjustments continued until 1985, particular attention being paid to countries that had to devote a large portion of their foreign earnings to the servicing of external debt.

18. In considering the scale of assessments for the period 1986-1988, the Committee considered proposals for the incorporation of a debt indicator in the scale methodology. In view of serious deficiencies in the data available, the Committee opted for an ad hoc formula for 1986-1988 but left open the possibility of a more systematic approach to the question in future scales. The Committee made adjustments to national income on the basis of a ranking of countries by combined ratios of debt to export earnings and debt to national income, and ad hoc decisions

on a cut-off point for relief and the size of the relief deduction. Varying fixed percentages of debt were deducted from the national income of 37 Member States in order to arrive at their assessable incomes.

19. In considering the scale of assessments for the period 1989-1991, the Committee noted that the payment of interest on external debt was included in data on national income. Deductions were therefore made on the basis of repayment of debt principal only. As reliable data on debt service was not available, the Committee decided to base the adjustment on an assumed repayment period of eight years. Accordingly, a deduction of 12.5 per cent of total external debt (debt stock) was applied. The same approach was used for the scales of assessments for the periods 1992-1994 and 1995-1997.

20. At its fifty-sixth session, in 1996, the Committee was advised that more reliable data were available from the World Bank on actual repayments of external debt principal. While different views were expressed about the rationale for the debt-burden adjustment, the Committee agreed that, should the General Assembly decide to retain the element in the scale methodology, it should be based on debt information available from the World Bank. In that event, and notwithstanding the view of some members of the Committee that the overall level of debt itself constituted a significant burden, the Committee also agreed that the adjustment should be based on data on actual principal repayments (what has become known as the debt-flow approach) rather than on a proportion of debt stocks (what has become known as the debt-stock approach). In its resolution 52/215 A, the General Assembly decided to retain the debt-burden adjustment for the scale for the period 1998-2000 and to use the debt-flow approach for the first year of the scale period and the debt-stock approach for the second and third years. In its resolution 55/5 B, the General Assembly decided to retain the debt-burden adjustment for the scale of assessments for 2001-2003 and to use the debt stock approach in applying it.

Low per capita income adjustment

21. As noted above, an adjustment for low per capita income has been part of the scale methodology from the beginning. In 1946 and 1947, the Committee on Contributions was faced with inadequate statistical data and used its best judgement in making individual adjustments.

22. Since 1948, the adjustment has been applied to all countries whose per capita income is below a specified threshold. In 1948, this was set at $1,000. It was raised to $1,500 in 1974, $1,800 in 1977, $2,100 in 1983, $2,200 in 1986 and $2,600 in 1992. Since 1995, it has been set at the average per capita income or GNP of the membership of the United Nations as a whole. For the scale of assessments for the period 2001-2003, it was $4,957 for the three-year base period and $4,797, for the six-year base period.

23. The size of the low per capita income adjustment is determined by the gradient. This is a percentage applied to the percentage by which a country’s per capita income is below the threshold. In 1948, it was fixed at 40 per cent. It was raised to 50 per cent in 1953, 60 per cent in 1974, 70 per cent in 1977, 75 per cent in 1980 and 85 per cent in 1983. The gradient was reduced to 80 per cent in the scale of assessments for the period 1998-2000 and was retained at that level for the scale of assessments for 2001-2003.

Floor

24. The minimum assessment rate, or floor, was fixed at 0.04 per cent in 1946. In paragraph 2 of its resolution 2961 D (XXVII) of 13 December 1972, the General Assembly requested the Committee on Contributions to reduce the floor to 0.02 per cent "to allow the adjustments necessary for the developing countries, in particular those with the lowest per capita income". In its resolution 31/95 A, the General Assembly decided to lower the floor further, to 0.01 per cent. In its resolution 52/215 A, the General Assembly decided to lower the floor to 0.001 per cent in the scale for the period 1998-2000, and this level was retained for the scale of assessments for 2001-2003.

Ceiling for the least developed countries

25. In paragraph 4 (d) of its resolution 36/231 A, the General Assembly decided that "in view of the extremely serious economic situation of the least developed countries, their individual rates of assessment should not in any way exceed the present level". This decision has been applied since 1983 and has effectively capped the assessment rate of least developed countries at 0.01 per cent (the LDC ceiling), which was also the floor rate until 1998. In the scale of assessments for 1998-2000, the assessment rate of a number of least developed countries was reduced from the previous floor of 0.01 per cent. Accordingly, the rates of assessment for those Member States could rise in future scales, but only as high as 0.01 per cent so long as the LDC ceiling rate is maintained.

Ceiling

26. During consideration of the first scale of assessments, the United States of America objected to the rate of assessment of 49.89 per cent proposed for it by the Committee on Contributions. It voluntarily accepted a rate of 39.89 per cent for 1946-1949 with the reservation "that under no circumstances do we consent that under normal conditions any one nation should pay more than 33⅓ per cent in an organization of 'sovereign equals'" (see A/274).

27. On 18 November 1948, the General Assembly adopted resolution 238 (III), relevant parts of which read as follows:

> "*Recognizing*
>
> (a) That in normal times no one Member State should contribute more than one third of the ordinary expenses of the United Nations for any one year,
>
> (b) That in normal times the per capita contribution of any Member should not exceed the per capita contribution of the Member which bears the highest assessment,
>
> ...
>
> "3. *Accepts* the principle of a ceiling to be fixed on the percentage rate of contributions of the Member State bearing the highest assessment;
>
> "4. *Instructs* the Committee on Contributions, until a more permanent scale is proposed for adoption, to recommend how additional contributions resulting from (a) admission of new Members, and (b) increases in the relative capacity of Members to pay, can be used to remove existing maladjustments in

the present scale or otherwise used to reduce the rates of contributions of present Members;

"5. *Decides* that when existing maladjustments in the present scale have been removed and a more permanent scale is proposed, as world economic conditions improve, the rate of contribution which shall be the ceiling for the highest assessment shall be fixed by the General Assembly."

28. Accordingly, the rate of assessment from 1950 to 1953 for the United States of America was gradually reduced to 35.12 per cent. At each stage, the Committee on Contributions made its recommendations in the light of available evidence of capacity to pay and in the context of an attempt to remove maladjustments in the scale arising from under- or over-assessment on the basis of capacity to pay.

29. In its resolution 665 (VII) of 5 December 1952, the General Assembly decided that from 1 January 1954, the assessment of the largest contributor would not exceed one third of total assessments. The ceiling rate of assessment remained at that level from 1954 through 1957.

30. In its resolution 1137 (XII) of 14 October 1957, the General Assembly noted that since 1 January 1954, 22 new Members had joined the United Nations, and decided that in principle the maximum contribution of any one Member State should not exceed 30 per cent of the total. The Assembly also mandated the Committee to recommend the necessary and appropriate steps to complete the reduction. Accordingly, the ceiling rate was reduced gradually to 31.52 per cent, which was the ceiling rate for the scale of assessments for the period 1971-1973.

31. In its resolution 2961 B (XXVII) of 13 December 1972, the General Assembly noted that, since its decision in 1957, 50 new Members had joined the United Nations, and decided that as a matter of principle the ceiling should not exceed 25 per cent. The Assembly also decided that the Committee on Contributions should implement the decision as soon as possible, using, to the extent necessary, contributions from new Member States and normal increases resulting from the increase in the national income of other Member States. Notwithstanding that decision, the Assembly specified that the percentage contributions of other Member States should not increase as a result of the resolution. With the subsequent admission of the Federal Republic of Germany and the German Democratic Republic in 1973, it was possible to implement the new ceiling of 25 per cent in the scale of assessments for the period 1974-1976.

32. The ceiling remained at 25 per cent until the adoption of the current scale of assessments at the end of 2000. In its resolution 55/5 B, the General Assembly decided to fix the ceiling at 22 per cent. In the same resolution, the Assembly decided that the elements of the scale should remain fixed until 2006, subject to the provisions of its resolution 55/5 C, in particular paragraph 2, and without prejudice to rule 160 of the rules of procedure of the General Assembly. In its resolution 55/5 C, the General Assembly, inter alia, established the ceiling at 22 per cent and decided to review the position at the end of 2003 and, depending on the status of contributions and arrears, to determine all appropriate measures to remedy the situation, including adjustments of the ceiling, in keeping with its resolution 52/215 A to D of 22 December 1997.

Scheme of limits

33. The scheme of limits reflected a long-standing concern about excessive variations of individual assessment rates between successive scales. The Committee on Contributions initially adopted a general rule to the effect that changes in individual assessment rates should generally not exceed 10 per cent. In practice, however, this limit was often exceeded, although the Committee attempted to alleviate the most drastic changes through the process of mitigation.

34. Following mandates from the General Assembly, the Committee considered the question of imposing limits on changes in Member States' assessment rates between scale periods, but had doubts about the imposition of such limits and eventually recommended a scheme of limits that was used in the preparation of the scale of assessments for the period 1986-1988.

35. In paragraph 3 of its resolution 46/221 B of 20 December 1991, the General Assembly requested "the Committee on Contributions, in the context of its ongoing work to review methodology, to provide commentary, analysis and, as appropriate, recommendations on possible changes of the current methodology on the basis of" a number of elements, including "a method for phasing out the scheme of limits over two three-year scale periods which would also include provisions to avoid, to the extent possible, the allocation of additional points as a result thereof to developing countries".

36. Subsequently, in paragraph 1 of its resolution 48/223 B, the General Assembly requested the Committee to recommend a scale of assessments for the period 1995-1997 on the basis of a number of elements and criteria, including "a scheme of limits whose effects would be phased out by 50 per cent with a view to its complete phasing out in the scale for the period 1998-2000". The Assembly also decided that in phasing out the scheme of limits, the allocation of additional points resulting therefrom to developing countries benefiting from its application should be limited to 15 per cent of the effect of the phase-out. The scale of assessments for the period 1995-1997 reflected this decision.

37. In its resolution 52/215 A, the General Assembly decided that the scale of assessments for the period 1998-2000 would be based on a number of elements and criteria, including the phasing out of the scheme of limits, in accordance with its resolution 48/223 B, and the 15 per cent limit applied to the previous scale for designated developing countries. The residual effects of the scheme of limits were fully phased out in the scale of assessments for 2001-2003.

Mitigation

38. In preparing a final scale of assessments, the Committee on Contributions has in the past used its discretion to adjust the results derived from the application of the scale methodology to take account of other relevant factors, such as the temporary dislocation of national economies arising out of the Second World War and other wars, difficulties in securing foreign exchange, natural disasters and excessive rate variations between successive scales. This has been designated the mitigation process.

39. The process has been strongly criticized on the basis of a lack of transparency and on the resulting distortion of the capacity to pay. At its fiftieth session, in 1996, the Committee agreed that the process of mitigation has nothing to do with the

principle of capacity to pay.[b] It also noted that the process depended on Member States making points available for distribution and that the number of points so distributed had declined in recent years. Some members questioned whether the Committee, as a technical body, should be involved in the process, while others felt that, when available, mitigation points could facilitate agreement on a scale. The preparation of the scale tables for 2001-2003[c] by the Committee did not involve any mitigation. The scale finally adopted by the General Assembly for 2001-2003 did, however, include several adjustments, including transitional measures for Member States experiencing sharp increases in their rates of assessment and an additional payment by the United States of America for 2001 that was exceptionally credited against the assessments of a number of other Member States.

Conclusion

40. The annexed table reflects the evolution of the elements of the methodology used in the preparation of the scale of assessments for the period 2001-2003.

Notes

[a] See relevant reports of the Committee on Contributions, including *Official Records of the General Assembly*, various sessions, *Supplement No. 11* (A/32/11; A/35/11; A/39/11; A/41/11; A/44/11; and A/53/11).

[b] Ibid., *Fiftieth Session, Supplement No. 11A* (A/50/11/Add.1 and 2), part two, chap. V, para. 57.

[c] Ibid., *Fifty-fifth Session, Supplement No. 11* (A/55/11).

Appendix

Summary of the evolution of the elements in the methodology used to prepare the scale of assessments for the period 2001-2003

		Low per capita income allowance						
Scale of assessments	*Statistical base period*	*Per capita income limit (United States dollars)*	*Gradient (percentage)*	*Ceiling (percentage)*	*Floor (percentage)*	*No increase for least developed countries*	*Debt relief*	*Scheme of limits*
1946-1947	1938-1940	Individual allowances made on the basis of per capita income levels		39.89	0.04			
1948	1945, 1946 or 1947 single year statistics	1 000	40	39.89	0.04			
1949	"	"	"	39.89	0.04			
1950 (same as 1949 except for minor adjustment)	"	"	"	39.79	0.04			
1951	"	"	"	38.92	0.04			
1952	"	"	"	36.90	0.04			
1953	Average of 1950-1951	"	50	35.12	0.04			
1954	Average of 1950-1952	"	"	33.33	0.04			
1955	Average of 1951-1953	"	"	33.33	0.04			
1956-1957[a]	Average of 1952-1954	"	"	33.33	0.04			
1958	"	"	"	32.51	0.04			
1959-1961	Average of 1955-1957	"	"	32.51	0.04			
1962-1964	Average of 1957-1959	"	"	32.02	0.04			
1965-1967	Average of 1960-1962	"	"	31.91	0.04			
1968-1970	Average of 1963-1965	"	"	31.57	0.04			
1971-1973	Average of 1966-1968	"	"	31.52	0.04			

Scale of assessments	Statistical base period	Low per capita income allowance: Per capita income limit (United States dollars)	Low per capita income allowance: Gradient (percentage)	Ceiling (percentage)	Floor (percentage)	No increase for least developed countries	Debt relief	Scheme of limits
1974-1976	Average of 1969-1971	1 500	60	25.00	0.02			
1977[a]	Average of 1972-1974	1 800	70	25.00	0.02			
1978-1979	Average of 1969-1975	1 800	70	25.00	0.01			
1980-1982	Average of 1971-1977	1 800	75	25.00	0.01			
1983-1985	Average of 1971-1980	2 100	85	25.00	0.01	X		
1986-1988	Average of 1974-1983	2 200	85	25.00	0.01	X	X	X
1989-1991	Average of 1977-1986	2 200	85	25.00	0.01	X	X	X
1992-1994	Average of 1980-1989	2 600	85	25.00	0.01	X	X	X
1995-1997	Average of the average of 1985-1992 and 1986-1992	world average (3 055 and 3 198)	85	25.00	0.01	X	X	50 per cent phase-out
1998-2000[b]	Average of 1990-1995	world average (4 318)	80	25.000	0.001	[c]	X[d]	Full phase-out[f]
2001-2003	Average of results of machine scales using base periods 1996-1998 and 1993-1998	World average (4 957 and 4 797)	80	22.000	0.001	[c]	X[e]	

[a] A ceiling on per capita assessments, set at the level of the per capita assessment of the Member State with the highest assessment, was applied to scales of assessment between 1956 and 1976. On the recommendation of the Committee on Contributions, the ceiling was abolished by the General Assembly in its resolution 3228 (XXIX) of 12 November 1974.

[b] Income measure changed from national income to gross national product.

[c] Not a specific part of the methodology, but since the LDC reduction of the floor to 0.001 per cent, there may be some increases in the rates of assessment of the LDCs, but subject to the LDC ceiling of 0.010 per cent.

[d] Calculated using debt-flow data for 1998 and debt-stock data for 1999-2000.

[e] Calculated using the debt-stock method.

[f] Subject to a limitation of 15 per cent on the allocation of additional points to developing countries benefiting from the application of the scheme of limits.