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INTERGOVERNMENTAL NEGOTIATING COMMITTEE FOR AN INTERNATIONAL LEGALLY BINDING INSTRUMENT FOR THE APPLICATION OF THE PRIOR INFORMED CONSENT PROCEDURE FOR CERTAIN HAZARDOUS CHEMICALS AND PESTICIDES IN INTERNATIONAL TRADE
Eighth session
Rome, 8-12 October 2001
Item 5 (b) of the provisional agenda*

PREPARATION FOR THE CONFERENCE OF THE PARTIES

DRAFT FINANCIAL RULES AND PROVISIONS

Note by the secretariat

A. Draft financial rules

1. Article 18, paragraph 4 of the Rotterdam Convention provides that "The Conference of the Parties shall by consensus agree upon and adopt at its first meeting rules of procedure and financial rules for itself and any subsidiary bodies, as well as financial provisions governing the functioning of the Secretariat."

2. In considering the above issue, the Intergovernmental Negotiating Committee, at its sixth session, invited the secretariat to prepare a paper outlining possible options for financial rules and a draft budget for the first biennium after the Convention enters into force, and to integrate secretariat arrangements and financial provisions for the secretariat therein, for consideration by the Committee at its seventh session.

3. At its seventh session, the Committee had before it a note by the secretariat (UNEP/FAO/PIC/INC.7/8) on financial rules and procedures for the Conference of the Parties, its subsidiary bodies and its secretariat. The Committee noted that the document contained elements for financial rules and provisions following the pattern of those adopted by other Conferences of Parties. It further noted that the draft budget contained in annex II to the note was based on certain assumptions

* UNEP/FAO/PIC/INC.8/1.

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relating to the periodicity of meetings of the Conference of the Parties and the Interim Chemical Review Committee, and the nature of contributions.

4. A number of representatives expressed their preliminary views on elements of possible future financial rules and procedures, including the financial period, the capital reserve, contributions, support charge and base percentage, as well as the need to take into account, in the budget, the contribution made by the host of the future secretariat. In discussing contributions, a number of delegations expressed their support for the use of the United Nations scale of assessment. One representative questioned the need for assessments, but also urged that alternative assessment methodologies should be investigated and that financial decisions should be taken by consensus. Some representatives favoured voluntary contributions, while others favoured obligatory contributions

5. It was agreed that the secretariat should prepare draft financial rules and provisions taking into account all comments received, in particular regarding contributions, and how they might change as the number of Parties changes, as well as the merits of voluntary versus mandatory contributions and the United Nations versus alternative scales of assessment, for consideration by the Committee at its eighth session.

6. As requested, the secretariat has prepared draft financial rules. These rules are based on the precedents set by recently adopted multilateral environmental agreements. The draft financial rules are to be found in annex I to the present note.

B. Contributions and scale of assessment

7. Contributions by Parties to recent multilateral environmental agreements are normally made on the basis of an indicative scale of contributions adopted by the Conference of the Parties on the basis of the United Nations scale of assessment adopted by the General Assembly. The indicative scale of contributions for the Parties is adjusted to give a total of 100 per cent in such a way that no party contributes less than a certain percentage or more than a certain percentage of the total, and that no least developed country Party has to contribute more than the lower of those two percentages. A draft indicative scale of contributions is normally presented to the Conference of the Parties together with the draft budget.

8. The indicative scale of contributions will need to be adjusted as more States and regional economic integration organizations become Parties to the Convention. For States and regional economic integration organizations that become Parties to the Convention after the beginning of a financial period, the proposed financial rules provide that their contributions shall be made pro rata temporis for the balance of that financial period. Consequential adjustments wll be made at the end of each financial period for other Parties. This could be done by preparing an administrative revision of the indicative scale of contributions, including the new Party, thereby determining the rate of assessment for that Party. The actual contribution for that Party for the calendar year in question could then be calculated on the basis of one twelfth per full calendar month from the date of entry into force of the Convention for that Party.

9. In order to assist the Committee in its further deliberations concerning possible use of the United Nations scale of assessment as the basis for preparing an indicative scale of contributions, annex II contains a thorough description of the methodology used in preparing the United Nations scale of assessment and its evolution from 1946 to 2000. This description has been excerpted from the report of the Committee on Contributions to the General Assembly at its fifty-fifth session in 2000 (A/55/11, annex II). It shows the complexity of the issue and describes the many factors taken into account in developing and revising the scale of assessment.

10. Regarding the nature of the contributions, the secretariat would like to note that the draft rules suggested are based upon an indicative scale of contributions. This is an approach that is used and has worked well in the majority of other multilateral environmental agreements.

C. Possible action by the Committee

11. The Committee may wish to continue its consideration of this item on the basis of the draft financial rules presented in annex I.

Annex I

[Draft financial rules for the Conference of the Parties to the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, its Subsidiary Bodies and the Convention Secretariat

Scope

1. The present rules shall govern the financial administration of the Conference of the Parties to the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, its subsidiary bodies and the Convention secretariat. In respect of matters not specifically provided for by the present rules, the Financial Regulations and Rules of the United Nations shall apply.

Financial period

2. The financial period shall be a biennium, of which the first calendar year shall be an even-numbered year.

Budget

3. The head(s) of the Convention secretariat shall prepare the budget proposal for the following biennium and shall dispatch it to all Parties to the Convention at least ninety days before the opening of the [ordinary] meeting of the Conference of the Parties at which the budget is to be adopted.

4. The Conference of the Parties shall consider the budget proposal and adopt a budget by consensus authorizing expenditures [other than those referred to in paragraphs 9 and 10] prior to the commencement of the financial period that it covers.

5. Adoption of the budget by the Conference of the Parties shall constitute authority to the head(s) of the Convention secretariat to incur obligations and make payments for the purposes for which the appropriations were approved and up to the amounts so approved, provided always that, unless specifically authorized by the Conference of the Parties, commitments are covered by related income.

6. The head(s) of the Convention secretariat may make transfers within each of the main appropriation lines of the approved budget. The head(s) of the Convention secretariat may also make transfers between such appropriation lines up to limits that the Conference of the Parties may set as appropriate.

Funds

7. A General Trust Fund for the Convention shall be established by the [Executive Director of the United Nations Environment Programme (UNEP)] [Director-General of the Food and Agriculture Organizaiton of the United Nations (FAO)] and managed by the head(s) of the Convention secretariat. Contributions made pursuant to paragraph 11 (a), along with any additional contributions to offset core budget expenditures that are made pursuant to paragraphs 11 (b) and (c) and by the Government(s) hosting the Convention secretariat, shall be credited to this fund.

8. Within the General Trust Fund there shall be maintained a working capital reserve at a level to be determined from time to time by the Conference of the Parties by consensus. The purpose of the working capital reserve shall be to ensure continuity of operations in the event of a temporary shortfall of cash. Drawdowns from the working capital reserve shall be restored from contributions as soon as possible.

9. A Special Trust Fund shall be established by the [Executive Director of UNEP] [Director-General of FAO] and managed by the head(s) of the Convention secretariat. This fund shall receive contributions pursuant to paragraphs 11 (b) and (c) that have been earmarked to support the participation of representatives of developing country Parties and other country Parties with economies in transition in the meetings of the Conference of the Parties and its subsidiary bodies.

10. Subject to the approval of the Conference of the Parties, the [Executive Director of UNEP] [Director-General of FAO] may establish other trust funds, provided that they are consistent with the objectives of the Convention.

Contributions

11. The resources of the Conference of the Parties shall comprise:

(a) Contributions made each year by Parties on the basis of an indicative scale adopted by consensus by the Conference of the Parties, and based on such a scale of assessments of the United Nations as may be adopted from time to time by the General Assembly, adjusted so as to ensure that no Party contributes less than [0.01] per cent of the total, that no one contribution exceeds [22] per cent of the total and that no contribution from a least developed country Party exceeds [0.01] per cent of the total;

(b) Other contributions made by Parties in addition to those made pursuant to paragraph (a), including additional contributions made by the Government(s) hosting the Convention secretariat;

(c) Contributions from States not Parties to the Convention, as well as governmental, intergovernmental and non-governmental organizations, and other sources;

(d) The uncommitted balance of appropriations from previous financial periods;

(e) Miscellaneous income.

12. In respect of contributions made pursuant to paragraph 11 (a):

(a) Contributions for each calendar year are expected on or before 1 January of that year;

(b) Each Party shall, as far in advance as possible of the date due for the contribution, inform the head(s) of the Convention secretariat of the contribution it intends to make and of the projected timing of that contribution.

13. Contributions made pursuant to paragraphs 11 (b) and (c) shall be used in accordance with such terms and conditions, consistent with the objectives of the Convention and the Financial Regulations and Rules of the United Nations, as may be agreed between the head(s) of the Convention secretariat and the contributor.

14. Contributions made pursuant to paragraph 11 (a) from States and regional economic integration organizations that become Parties to the Convention after the beginning of a financial period shall be made pro rata temporis for the balance of that financial period. Consequential adjustments shall be made at the end of each financial period for other Parties.

15. All contributions shall be paid in United States dollars or the equivalent in a convertible currency into a bank account to be designated by the [Executive Director of UNEP] [Director-General of FAO], in consultation with the head(s) of the Convention secretariat.

16. The head(s) of the Convention secretariat shall acknowledge promptly the receipt of all pledges and contributions and shall inform the Parties, [once] [twice] a year, of the status of pledges and payments of contributions.

17. Contributions not immediately required shall be invested at the discretion of the [Executive Director of UNEP] [Director-General of FAO], in consultation with the head(s) of the Convention secretariat. The resulting income shall be credited to the related fund.

Accounts and audit

18. The accounts and financial management of all funds governed by the present rules shall be subject to the internal and external audit process of the United Nations.

19. An interim statement of accounts for the first year of the financial period shall be provided to the Conference of the Parties during the second year of the period, and a final audited statement of accounts for the full financial period shall be provided to the Conference of the Parties as soon as possible after the accounts for the financial period are closed.

Administrative support costs

20. The Conference of the Parties shall reimburse [UNEP][FAO] for the services provided to the Conference of the Parties, its subsidiary bodies and the Convention secretariat under such terms as may from time to time be agreed upon between the Conference of the Parties and [UNEP][FAO], or in accordance with the United Nations general policy.

Amendments

21. Any amendment to the present rules shall be adopted by the Conference of the Parties by consensus.]

Annex II

Methodology for the preparation of scales of assessments for the apportionment of the expenses of the United Nations: evolution of the methodology[1]

1. In its resolution 14 A (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:
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> "(a) Comparative income per head of population;
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> "(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:
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> "(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

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[1] Excerpted from the report of the Committee on Contributors to the General Assembly at its fifty-fifth session (A/55/11, annex II).

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 assessment 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, 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. These alternative measures have included the use of other indicators 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 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 to 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 scale 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 on Contributions considered the possibility of reintroduction of 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 has been phased out 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 beginning of the Organization. In the past, national income data was maintained for market economies, using the System of National Accounts (SNA), and for centrally planned economies, using the material product system (MPS). It was therefore necessary to recast the MPS accounts into the form of the 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) is somewhat more

widely available and reliable than 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 gross national product (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 on Contributions reviewed the question further at its fifty-eighth session, in 1998. The Committee noted that while the availability and reliability of data for GDP was 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.

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.

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 for exchange rate information has been the International Monetary Fund. For non-members of the Fund, United Nations operational rates of exchange have also been used. As indicated in document A/CN.2/R.645, these rates have been designated market exchange rates (MERs) for the purposes of preparing the scale.

13. In a number of instances, however, the Committee on Contributions has recommended the use of alternative rates where use of the MERs would result in excessive fluctuations and distortions in the income of some Member States expressed in United States dollars. These alternative conversion rates have included price-adjusted rates of exchange (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 the 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.

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, the Committee on Contributions in 1969 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 which 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 on Contributions 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 on Contributions noted that 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 payback 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 on Contributions was advised that more reliable data was 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.

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 1998-2000, this was $4,318.

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, this 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.

Floor

24. The minimum assessment rate, or floor, was fixed at 0.04 per cent in 1946. In its resolution 2961 D (XXVII) of 13 December 1972, the General Assembly decided 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.

Least developed countries ceiling

25. In 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 least developed countries 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, for those Member States, their rates of assessment could rise in future scales but only as high as 0.01 per cent so long as the least developed countries 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 33¯ per cent in an organization of 'sovereign equals'" (see A/274).

27. In its resolution 238 (III) A of 18 November 1948, the General Assembly (relevant part):

> "... *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,
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> "(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,
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> ...
>
> "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;
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> "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 of the United States of America was gradually reduced in the scales of assessments for 1950-1953 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 on Contributions 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 earlier 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. It has since remained at that level.

Scheme of limits

32. There has been concern about excessive variations of individual assessment rates between successive scales from the beginning. As a result, the Committee on Contributions adopted a general rule that changes in individual assessment rates should not generally exceed 10 per cent. In practice, however, this guideline was often exceeded, although the Committee attempted to alleviate the most drastic changes through the process of mitigation.

33. In its resolution 31/95 A, 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 capacity to pay, either by increasing the statistical base period from three years to some longer period or by any other appropriate method ...". In its resolution 31/95 B, the General Assembly resolved that the Committee on Contributions should draw up future scales on the basis of, inter alia, "... methods which avoid excessive variations of individual rates of assessment between two successive scales ...". Members of the Committee considered the question, but had doubts about the imposition of such limits and felt that they would distort the principle of capacity to pay.

34. In its resolution 36/231 A, the General Assembly again decided that "... efforts should be made to limit the increase of individual rates of assessment to a reasonable level ...". Following further consideration of the matter, the Committee on Contributions recommended a scheme of limits (see A/CN.2/R.645) that was used in the preparation of the scale of assessments for the period 1986-1988.

35. In 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 its resolution 48/223 B, the General Assembly requested the Committee on Contributions 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 "... in phasing out the scheme of limits before the year 2001, the allocation of additional points arising therefrom to developing countries benefiting from its application limited to 15 per cent of the effect of the phase-out ...". The Assembly also included the limitation referred to in operative paragraph 2 of its resolution 51/212 B of 3 April 1997, namely that the Member State in question, Turkey, should not be subject to any increase in its rate of assessment for the period 1998-2000 as a result of the gradual phasing out of the scheme of limits during that period. Accordingly, the effects of the scheme of limits have been phased out, except in respect of the limitations referred to above.

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 based on a lack of transparency and on the resulting distortion of the capacity to pay. At its fifty-sixth session, in 1996, the Committee on Contributions agreed that the process of mitigation has nothing to do with the principle of capacity to pay. 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 of assessments for the period 1998-2000 did not involve any mitigation.
