United Nations
GENERAL ASSEMBLY
THIRTY-SIXTH SESSION
Official Records *

FIFTH COMMITTEE
7th meeting
held on
Wednesday, 7 October 1981
10.30 a.m.
New York

SUMMARY RECORD OF THE 7th MEETING

Chairman: Mr. ABDALLA (Sudan)

later: Mr. GODFREY (New Zealand)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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Distr. GENERAL
A/C.5/36/SR.7
20 October 1981

ORIGINAL: ENGLISH

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<u>The meeting was called to order at 10.35 a.m.</u>

TRIBUTE TO THE MEMORY OF H.E. MR. ANWAR EL SADAT, PRESIDENT OF THE ARAB REPUBLIC OF EGYPT

1. <u>The CHAIRMAN</u>, speaking on behalf of the Committee, paid a tribute to the memory of H.E. Mr. Anwar El Sadat.

2. <u>On the proposal of the Chairman, the members of the Committee observed a minute of silence in tribute to the memory of H.E. Mr. Anwar El Sadat, President of the Arab Republic of Egypt</u>.

3. <u>Mr. EL SAFTY</u> (Egypt) said that the Egyptian people had lost not only an able statesman but a great human being, who had been the faithful exponent of their aspirations. President Sadat had led his people in peace-time and in war and had served as a model of manhood, nobility and honour for all mankind. The Egyptian Government remained committed to the efforts to promote freedom, progress and peace which President Sadat had initiated and to the principles he had espoused. Egypt would respect all its commitments and all the international conventions and agreements to which it was a party. The words of tribute spoken by the Chairman would be a great comfort to the Egyptian people in their moment of sorrow, and he expressed gratitude on their behalf to him and to the members of the Committee.

AGENDA ITEM 106: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS: REPORT OF THE COMMITTEE ON CONTRIBUTIONS (<u>continued</u>) (A/36/11 and Add.1)

4. <u>Mr. YOUNIS</u> (Iraq) said that, although the principles laid down by the General Assembly in its many resolutions on the scale of assessments were quite clear, there were still fundamental differences of opinion in the Committee on Contributions over the nature of those principles and their applicability to the setting of individual rates of assessment for Member States. Owing to the non-availability of complete and comparable data on accumulated wealth and of economic and social indicators for all countries, national income data had been used as the sole measure of capacity to pay. However, there were many problems in such an approach, including the differences that existed between the two major systems of national accounts, the fact that national income was calculated in current rather than fixed United States dollars and the special difficulties faced by countries whose economies depended heavily on the export of one or a few commodities. Moreover, national income was not closely correlated with national wealth, which should be the major factor in determining capacity to pay.

5. Many of the principles laid down in the resolutions of the General Assembly had yet to be put into practice. It was therefore imperative for the Fifth Committee to rectify the situation by adopting a clear resolution at the current session that would enable the Committee on Contributions at its next session to draw up a scale of assessments for the period 1983-1985 based on equity and fairness and the principles embodied in the resolutions of the General Assembly.

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(Mr. Younis, Iraq)

6. There was a need for fundamental changes in the methodology for calculating the scale of assessments. The base period should be increased to between 12 and 15 years in order to reflect more accurately the level of economic and social development of Member States. The so-called low per capita income allowance should be increased by an amount at least equivalent to the decrease in purchasing power as reflected in the United States consumer price index, and should be used as an instrument for compensating developing countries for their economic and social underdevelopment. Such measures were necessary because the developing countries whose national incomes in current prices had increased substantially were still subject to the adverse effects of inflation exported to them by developed industrialized countries. Moreover, they continued to be dependent on the export earnings of one or a few commodities, as in the case of some developing oil-exporting countries, whose current liquidity should not be mistaken for a sign of added income. Rather it should be regarded merely as another form of their mineral wealth, which was fast being depleted.

7. The increase in the rates of assessment of many developing countries in the preceding three scales had been excessive and extreme. His country's assessment, for example, had been increased by 60 per cent for the period 1978-1979 and by 50 per cent for the period 1980-1982. In contrast, the rates of assessment of developed countries had increased only minimally or even, in some cases, decreased substantially. Such a situation was at variance with the principles of equity and fairness. The continued use of the same criteria in calculating the scale of assessments for 1983-1985 would only lead to another round of excessive increases in the rates of assessment not only for the developing countries whose rates had already been increased but also for other developing countries as well. In addition, the rates of assessment of many developed countries with either market economies or centrally-planned economies would show sizable decreases. Accordingly, his delegation favoured the system of percentage limits suggested by some members of the Committee on Contributions and outlined in paragraph 6 of the Committee's report (A/36/11). The application of those limits would dampen excessive variations in rates of assessment between successive scales, yield harmonious results for countries in the same per capita income bracket and lead to greater fairness and equity, especially for those countries whose national income figures had been unusually inflated in current prices. Such a system of percentage limits would not constitute a departure from the principle of capacity to pay, since national income figures did not reflect a country's real income-generating capacity. Furthermore, many developing countries had substantially increased their voluntary contributions to various United Nations activities, while the voluntary contributions of some developed countries had increased only minimally or even decreased. Excessive and unjustified increases in the rates of assessment of developing countries might prompt them to reconsider their voluntary contributions.

8. Lastly, since the permanent members of the Security Council derived great advantages from their status, there should be no further reduction in their rates of assessment.

9. Mr. Godfrey (New Zealand) took the chair.

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10. Mr. BROTODININGRAT (Indonesia) said it was regrettable that the Committee on Contributions apparently still needed more time to formulate final recommendations. That meant that the much-criticized old method would probably have to be used again in calculating the scale of assessments. In other words, the next recommended scale would unfairly penalize many Member States.

11. His delegation's views remained unchanged on the substance of the issues set forth in the Committee's report (A/36/11). While fully sharing the generally accepted view that the scale of assessments should be determined by the capacity to pay of Member States, it held to its belief that national income alone did not accurately reflect that capacity. To ask two Member States to pay the same contribution just because they happened to receive the same amount of earnings during a given period was over-simplistic, if not unfair. Other factors, such as level of per capita income, accumulated national wealth and other economic and social indicators, should be fully taken into account to ensure justice and equity. Were that to be done, the variation between two successive scales would be very limited because, in fact, the pattern of the world economy had for decades remained resistant to change. It would be ironic if the more economically advanced and prosperous Members obtained relief while the economically disadvantaged shouldered additional burdens. Therefore, some device had to be found to avoid excessive variations between successive scales.

12. He strongly urged the Committee on Contributions to intensify and expedite its efforts to find ways and means to increase the fairness of the scale of assessments and hoped that the next review of the scale could be conducted on a more equitable basis.

13. Mr. CORREA DA COSTA (Brazil) said that the Committee on Contributions had been asked time and again by the General Assembly to explore ways and means of increasing the fairness and equity of the scale of assessments and to take into account for that purpose a variety of circumstances which deeply affected the capacity to pay of Member States. It was indeed a difficult task to devise methods for accurately gauging capacity to pay, and the General Assembly had recognized that fact in the original terms of reference of the Committee on Contributions, in which comparative per capita income and the ability of Member States to secure foreign currency were identified as the main factors to be taken into account in seeking to correct the anomalous assessments that would result from the use of national income alone to measure capacity to pay. The General Assembly had repeatedly directed the Committee on Contributions to exert its best efforts to devise complementary criteria to ensure that the real capacity to pay of Member States was more accurately reflected in the scale of assessments. Unfortunately, the Committee on Contributions had so far failed to do so. The broad terms of reference of the Committee, as developed by the General Assembly over the years in a series of resolutions, made it absolutely clear that comparative estimates of national income were not intended to be the sole factor for the calculation of the scale.

14. With regard to the Assembly's instruction to give due attention to the special economic and financial problems of developing countries and the continuing disparities between the economies of developed and developing countries, the

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(Mr. Correa da Costa, Brazil)

Committee on Contributions had paradoxically presented the General Assembly with a series of scales in which the industrialized countries had benefited from significant reductions in their rates of assessment, while developing countries had been penalized with excessive and disproportionate increases. It had been suggested by some members of the Committee on Contributions that developing countries should be divided into two categories for the application of the low per capita income allowance formula. It was rather curious that, while contending that the disparities between developed and developing countries could not be translated into an objective criterion, those members thought it necessary to discriminate between artificial categories of developing countries. Following that line of reasoning, a distinction should also be made between different categories of industrialized countries by establishing a special reserve of percentage points in the scale, to be distributed among the wealthiest of them.

15. As to the possibility of improving the statistical measurement of capacity to pay, the report of the Committee on Contributions gave no grounds for optimism that progress would be made in the foreseeable future. It could be inferred from the Committee's conclusions that insufficient progress in statistical science conspired against the wishes of the General Assembly and would probably continue to be used as a pretext to prevent the Committee from observing its broad terms of reference. If that was so, the General Assembly either would have to resign itself to the fact that its directives aimed at improving the fairness and equity of the scale of assessments could never be implemented or, despite the scarcity of statistical data, would have to take more decisive action to correct the distortions that occurred in the scale to the detriment of developing countries.

16. As a result of the methodology currently used in assessing capacity to pay, developing countries were penalized for their efforts to achieve greater economic and social well-being, and were called upon to shoulder an ever-greater share of the expenses of the United Nations, while the gap between the industrialized and the developing countries continued to widen. His delegation could not accept such distortions and rejected the notion that they must be tolerated because of the short-comings of statistical science.

17. As to the Committee's consideration of methods to avoid excessive variations of individual rates of assessment between two successive scales, it was indicated in the report that most of its members were of the opinion that the device of setting a percentage limit to variations was too mechanistic and arbitrary, and that it would constitute a departure from the principle of capacity to pay. Those holding that view seemed to be so satisfied with the distortions that already existed that they strongly opposed the idea of introducing a new distortion which might well serve to offset the existing ones. In view of his delegation, the formula currently used for evaluating capacity to pay was so defective that if the General Assembly did not set percentage limits to variations, it would be consolidating for ever the existing distortions and inequities.

18. The Committee on Contributions had again engaged in a semantic debate on the meaning of "extreme" and "excessive" as applied to variations, it being contended that it was impossible to quantify those concepts owing to their subjective and

(Mr. Correa da Costa, Brazil)

relative nature. Brazil's rate of assessment had been increased from 0.77 per cent in 1976 to 1.27 per cent in 1980, or an aggregate increase of 64 per cent over four years. There could be no doubt that such a variation was extreme and excessive. Occasional increases in national income were not the only factor to be taken into account when assessing a country's capacity to pay. The General Assembly had not adopted resolutions adding new elements to the basic principle of the capacity to pay only to be told by the Committee on Contributions that sharp increases in the rate of assessment were merely a function of corresponding increases in national income.

19. As to the revision of the low *per capita* income allowance formula called for by the General Assembly, the Committee on Contributions had concluded that a decision on the matter should be deferred to its 1982 session, when it would carry out a general review of the scale of assessments. It should be recalled that the low *per capita* income allowance formula had been devised to avoid anomalous assessments resulting from the use of comparative estimates of national income, and that when the allowance had been established the *per capita* income of only two countries had been above the upper limit. Since that time, the upper limit and the gradient of the allowance formula had been revised more than once, but they had not kept pace with the rate of inflation. As a result, 38 countries currently did not qualify for the allowance and a number of developing countries might become ineligible if the formula was not brought up to date. He therefore called for a meaningful revision of the values of the allowance formula while rejecting the proposal contained in paragraph 27 of the report of the Committee on Contributions to introduce the concept of "graduation" in the assessment of capacity to pay.

20. The Committee on Contributions had been unable to comply with the General Assembly's instructions in paragraph 2 of resolution 34/6 B. It seemed to have been immobilized by the conservative mentality of some of its members, who favoured only the interests of industrialized countries. After two sessions devoted entirely to the consideration of resolution 34/6 B, the Committee's conclusions left no room for hope that it would be able to agree on an improved methodology for the preparation of the next scale of assessments. In the absence of positive action by the Committee towards that end, the Fifth Committee should lay down precise criteria for drawing up the next scale so as to curb the growing distortions that were otherwise likely to continue to penalize developing countries. The measures to be adopted should include the setting of percentage limits to variations in individual rates between successive scales, increasing the upper limit of the low *per capita* income allowance formula in order to compensate for the effects of inflation over the past five years, and increasing the statistical base to 9 or 11 years. Consideration should also be given to the fact that the general principle of the capacity to pay was being applied to all Member States except one. Brazil would not accept disproportionate increases in its rate of assessment resulting from the failure of the Committee on Contributions to develop a methodology that ensured justice and equity in assessing the real capacity to pay of Member States.

21. He noted that only eight countries had been able to benefit from arrangements to allow Member States to pay a portion of their assessed contributions in

(Mr. Correa da Costa, Brazil)

currencies other than the United States dollar and urged the Secretary-General to make every effort to consider increasing the number of acceptable currencies.

22. Mr. NAGGAGA (Uganda) said that, given the difficulties and the lack of comparability between data, it was not surprising that the Committee on Contributions had been unable to establish new criteria or supplementary indicators of the capacity to pay. Rather than being an indictment of the Committee, that was an indication of the complexity of the problem.

23. However, since all Member States had accepted the principle of capacity to pay as the most equitable method, they had also implicity agreed to live with the inherent inequities of the existing system until it could be refined and improved. It was in that spirit that his Government had accepted its assessment.

24. While national income was the single most important measurement of capacity to pay, there was a need to supplement it by the use of other economic and social indicators. Those selected by the Committee for Development Planning to identify the least developed countries covered all the key areas and were of unquestionable relevance in determining capacity to pay. The Committee on Contributions should give further thought to their use in future calculations of the scale of assessments. Despite the obvious difficulties in obtaining data, the decision to use those indicators in reviewing individual cases were encouraging.

25. The Committee should address itself squarely to the definition of excessive variations. In his delegation's view, a sudden increase was not necessarily excessive if it was based on an equivalent percentage increase in national income.

26. Mr. GETACHEW (Ethiopia) said that his country was one of the 21 least developed countries in Africa and had to spend over 60 per cent of its export income on the import of oil and food items and on debt-servicing. In the light of such serious difficulties, it was concerned about a number of aspects of the report of the Committee on Contributions. First, although the seven leading economic and social indicators studied were good indicators of the level of development, some of them were irrelevant in determining capacity to pay, as the experience of a number of African countries proved. The use of such indicators as the literacy rate or life expectancy would necessarily lead to the establishment of an inequitable and unjust scale of assessments, because those very improvements demanded the allocation of substantial amounts from already meagre resources. Second, the use of external public indebtedness as a supplementary criterion gave rise to misgivings because the flow of financial resources to developing countries had always been uneven. International donors had not been generous to the low-income countries, especially when they did not follow the market-economy system. Consequently, those countries had to resort to economic policies of self-reliance, with comparatively low debt burdens, while other countries had large debt burdens as a result of investment in their economies. Returns from those investments undoubtedly transformed their economies and hence enhanced their capacity to pay. While special consideration should certainly be given to countries whose debt burden had reached intolerable proportions as a result of perpetual balance-of-payments deficits, a high degree of indebtedness did not necessarily indicate lack of capacity to pay.

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(Mr. Getachew, Ethiopia)

27. On the other hand, export earnings and foreign exchange reserves were acceptable supplementary criteria and their use was, moreover, in conformity with General Assembly resolution 14 (I) and subsequent resolutions on that subject.

28. His delegation fully supported the view that the Secretary-General should use his discretion in accepting contributions in national currencies as long as they could be used to further the work of the Organization. It likewise supported the rates of assessment recommended by the Committee on Contributions for two new Member States, Zimbabwe and Saint Vincent and the Grenadines.

29. As a founder member of the Organization, his country would continue to pay its contribution regularly and promptly and to make voluntary contributions to the specialized agencies and other bodies of the United Nations system. However, in view of its serious economic problems, and those of other least developed countries, it hoped that it would be possible to recommend a favourable level of relief for low-income countries.

30. Mr. NICULESCU (Romania) said that, at a time when a world economic crisis was affecting the economic stability of almost all countries, especially the developing countries, there was all the more need to establish a scale of assessments that was as equitable as possible. That could not be done unless full account was taken of the serious economic situation of the developing countries and their efforts to reduce expenditure as far as possible. The recommendations contained in General Assembly resolution 34/6 B in that respect were as timely as ever, since the gap between developed and developing countries was widening and underdevelopment persisted.

31. Although the Committee on Contributions had not been able to reach unanimity or to make practical proposals, its report did not contain useful elements, and it should ultimately be able to arrive at generally acceptable recommendations. His delegation had noted with interest that the Committee on Contributions would continue to study the use of other economic and social indicators to supplement national income data in seeking to measure capacity to pay. The data being requested from the Statistical Office would doubtless prove highly relevant in that connexion. However, he reiterated the view expressed by his delegation at the thirty-fifth session that the Committee on Contribution should take greater account in the scale of the efforts being made by individual countries to find the necessary convertible currencies to finance their national development. Developing countries like his own, which had to allocate large sums for that purpose, should not be penalized by an increase in their contributions to the United Nations budget. They were fully entitled to relief, and the current low per capita income allowance formula should be amended by raising the dollar limit to an agreed level. That would encourage developing countries to mobilize all their efforts despite the unfavourable economic climate.

32. His delegation supported the seven-year statistical base period which, it believed, would attenuate excessive variations in individual rates of assessment between two successive scales.

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(Mr. Niculescu, Romania)

33. Finally, it was most appreciative of the efficient work carried out by United Nations statisticians and by the secretary of the Committee on Contributions, and it would continue to co-operate to ensure the objective analysis and full considertion of official statistics by that Committee in determining an equitable, realistic and acceptable scale of assessments.

34. Mr. MUENCH (German Democratic Republic) said that despite the deficiencies of the method whereby capacity to pay was determined on the basis of national income, there was no possible alternative at the present stage. However, if efforts to find additional indicators succeeded, it would be necessary to reach a consensus on ways of interrelating and quantifying them in proportion to over-all capacity to pay. That would call for a high degree of care, sensitivity and responsibility, and modifications of the machine data should remain the exception.

35. The problem of avoiding excessive variations in individual rates of assessment between successive scales had long been the subject of discussion but, assuming that the scale of assessments was based on real economic facts, there was no justification for imposing either percentage limits or percentage points limits on those variations. Changes in the scale along the lines illustrated in paragraph 6 of the report would be unjustified. Moreover, with the well-known exceptions of the United States and China, the so-called extreme variations had always meant an increase in rates of assessment, never a decrease. Should such a trend continue, the imposition of a ceiling on variations would result in States which had made little economic progress during the base period paying relatively higher contributions than those which had made extraordinary economic advances to establish any ceiling for individual contributions would therefore be mechanistic and arbitrary, would go against the accepted principle of assessment on the basis of capacity to pay, and would run counter to efforts to improve methods of measuring that capacity and better approximating contributions to economic realities.

36. On the other hand, the extension of the base period to seven years and the comparison of the national income data of individual members with those of all members would lead to a certain levelling. The seven-year base period should be maintained therefore as a workable compromise which would ensure a certain degree of stability. The fact that variations in national income were not reflected in the rate of assessment until 10 years later presented no problem.

37. With respect to the low per capita income allowance formula, he noted that any fixed percentage increase in the per capita income limit allowance would primarily favour the medium-income and higher-income countries and would bring about extremely small improvements for the least developed countries. Having already made a proposal at the previous session of the General Assembly for further relief for the least developed countries in the assessment of their contributions, his delegation strongly opposed raising the income limit, bearing in mind that the low per capita income allowance formula had been intended to facilitate payment of contributions by those countries.

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(Mr. Muench, German Democratic Republic)

38. It likewise opposed any method which would seek to apply Article 19 of the Charter in order to offset any arrears in contributions, including with respect to the budgets of the United Nations Emergency Force, the United Nations Disengagement Observer Force and the United Nations Interim Force in Lebanon.

39. Finally, he urged the Fifth Committee and the bodies working closely with it to abide by the Organization's resolutions and decisions on economy measures. He noted that by omitting the extracts from previously issued documents contained in annex I, the number of pages in the report of the Committee on Contributions could have been reduced by a third.

40. Mr. BOUZARBIA (Algeria) said that the definition of a country's capacity to pay should take significant socio-economic indicators into account, allowing for the disparities between the developing and the developed countries and the difficulties which the developing countries were encountering in their development efforts owing to economic conditions and a deep structural crisis. His own country, whose exports depended on a single, non-renewable resource vulnerable to currency fluctuations and imported inflation, devoted almost nine tenths of its export revenue to purchasing capital, semi-finished and consumer goods, and often had to resort to the money market, with its exorbitant interest rates, in order to service its foreign debts. Accordingly, any definition of capacity to pay should employ basic data and make allowance for the notion of accumulated wealth with its associated multiplier effects.

41. The seven year statistical base period currently in use had originated at a time when the countries producing a particular natural resource had legitimately decided to increase its value. The selection of such a period seemed arbitrary, focusing attention on a certain category of developing countries, and tending, in addition, to penalize any country which sought to promote its economic development. An extension of the period to beyond 12 years would appear reasonable.

42. The low per capita income formula should be extended to cover all developing countries, and the dollar limit should be at least $2,500, in order to mitigate the effects of the current economic situation. Proper allowance must be made for the very advanced stage of development of certain countries, which should receive no relief since, otherwise, an unwarranted extra burden would have to be borne by the developing countries.

43. If the Committee on Contributions took account of the points he had mentioned, there might be no need for the safety valve of restrictions to avoid excessive variations in assessments between two successive scales. In any event, his delegation would willingly support the third scheme indicated in paragraph 6 of the Committee's report (A/36/11).

44. Mr. LAHLOU (Morocco) said that the differences between the "haves" and the "have-nots" justified any measure to alleviate the burden on the latter. The Fifth Committee would be neglecting its responsibilities if it chose to disregard the real indicators, namely, of wealth and power.

45. The goal of the Committee on Contributions was still the introduction of a fairer and more equitable scale of assessments, by establishing each State Member's capacity to pay in the light not only of its national income but of its level of development, economic and social situation and national well-being. Since its assiduous efforts to find precise indicators had been unsuccessful, it was being suggested that the General Assembly would have to resign itself to a situation which strongly disfavoured the developing countries. Clearly, however, some countries were more affected by economic difficulties than others. In the circumstances, General Assembly resolution 31/95 B could only be interpreted as a directive not to increase the proportion of the budget borne by the developing countries.

46. Accordingly, his delegation could not support any of the methods illustrated in paragraph 6 of the Committee's report (A/36/11), as they would be bound to penalize the developing countries unduly. It was confident that the Assembly would wish to avoid any distortion which might hamper the third world's development efforts.

47. It was important to ensure that the relief formula for low *per capita* income countries answered the legitimate concerns of the developing countries. In every scale it had recommended so far, the Committee on Contributions had made systematic reductions, taking into account comparative *per capita* income. The formula should be adjusted to keep pace with developments in the economic situation, inflationary pressures in particular. The extent of recent economic changes and of fluctuations in the monetary system and price mechanisms justified a higher reduction than 75 per cent.

48. The developing countries had no intention of defaulting on their obligations as partners in the United Nations, but hoped that the developed countries would make the traditional concessions to assist them in their development efforts. The current economic crisis affected developed and developing countries alike, but whereas the developed countries would have to trim marginal benefits, developing countries would have to sacrifice some of their priorities in order to pay their contributions.

49. Privileges accorded to developed countries in accordance with the size of their contributions were not in keeping with the principles of the organization. The permanent members of the Security Council had particular responsibilities under the Charter, which should be matched by correspondingly larger contributions. His delegation firmly opposed any reduction in those countries' contributions, which would affect rates of assessment in general and those of the developing countries in particular.

50. Mr. STUART (United Kingdom), speaking on behalf of the ten Member States of the European Economic Community (EEC), said that those countries had noted from the latest report of the Committee on Contributions that national income remained the only indicator which could be statistically compared for all countries and used to measure their capacity to pay. They therefore remained convinced that comparative national income statistics must continue to form the basis for assessments of such capacity. They believed that any limitation on variations in rates of assessment achieved by means of a percentage limit would further distort the way in which the financial burden of the Organization, as measured by the criterion of capacity to pay, ought to be distributed.

51. The General Assembly's decision, at its thirty-second session, to extend the base period to seven years had resulted in a distortion of countries' contributions as assessed in accordance with their capacity to pay, since the alleviation in the burden for those countries whose capacity to pay had improved had been achieved at the expense of other countries whose capacity had diminished. While the Member States of EEC would accept the current period, they were opposed to any further lengthening of the base period and, indeed, doubted whether such an extension would be in the long-term interests of certain countries whose assessed capacity to pay would remain high when their actual income, from the export of certain non-renewable commodities, was falling.

52. Any modification in the low *per capita* income allowance formula should seek to reduce the burden of the low income, rather than the middle income, countries. The EEC countries considered it undesirable to raise the *per capita* income limit so as to benefit large industrialized countries, and accordingly favoured the course suggested in paragraph 27 of the committee's report, namely to grant further relief to countries with *per capita* incomes below $900 by increasing the gradient of maximum relief from 75 to 90 per cent.

AGENDA ITEM 98: FINANCIAL REPORTS AND ACCOUNTS, AND REPORTS OF THE BOARD OF AUDITORS (*continued*) (A/36/480; A/C.5/36/L.3)

(a) UNITED NATIONS DEVELOPMENT PROGRAMME (A/36/5/Add.1);

(b) UNITED NATIONS CHILDRENS FUND (A/36/5/Add.2);

(c) UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST (A/36/5/Add.3);

(d) UNITED NATIONS INSTITUTE FOR TRAINING AND RESEARCH (A/36/5/Add.4);

(e) VOLUNTARY FUNDS ADMINISTERED BY THE UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES (A/36/5/Add.5);

(f) UNITED NATIONS FUND FOR POPULATION ACTIVITIES (A/36/5/Add.7)

53. Mr. BROTODININGRAT (Indonesia) said that consultations on the draft resolution proposed by the Chairman (A/C.5/36/L.3) had been brought to a successful

(Mr. Brotodiningrat, Indonesia)

conclusion. Delegations had agreed to insert a second preambular paragraph reading "Taking into account the views expressed by delegations during the debate in the Fifth Committee". They had also agreed on the following wording for operative paragraph 4:

> "4. Further requests the executive heads of the organizations and programmes concerned to take such remedial action in areas falling within their competence as may be required by the comments and observations made by the Board of Auditors in its reports."

54. The CHAIRMAN said that, if there was no objection, he would take it that the Committee agreed to adopt the draft resolution, as orally amended.

55. It was so decided.

56. Mr. GREN (Union of Soviet Socialist Republics) said that his delagation had supported the draft resolution just adopted. The amendment to the fourth operative paragraph was important, since in some instances the Board of Auditors had exceeded its mandate. For example, in its references to contributions to UNDP, the Board had overlooked the fact that those contributions were clearly voluntary and that payment of contributions in non-convertible currencies was quite consistent with the Financial Regulations and Rules of the United Nations. The Board had therefore gone too far in recommending the action it had.

57. Mr. PAPENDORP (United States of America) said that his delegation had accepted the draft resolution as amended, but would have been prepared to adopt it as originally submitted. The resolution protected the independent character of the Board of Auditors and implied that the Board should continue to make factual, helpful suggestions to the General Assembly and the executive heads of the organizations concerned. His delegation regarded the statement the Committee had just heard as an explanation of vote rather than a contribution to the debate proper. The claim that non-convertible currencies significantly advanced the ends which UNDP sought to accomplish was one in which his delegation did not place great credence.

58. Mr. RAKAU (German Democratic Republic) said that, although he had supported the draft resolution just adopted, he had serious reservations as to paragraph 9 of the report of the Board of Auditors on UNDP (A/36/5/Add.1, sect. II). He therefore wished to reiterate the position his delegation had taken in the UNDP Governing Council, namely that programmes should be financed primarily through voluntary contributions, the amount and form of which was at the sole discretion of the Governments concerned. He could not subscribe to the Board's recommendation in respect of non-convertible currencies, which, he felt, would only serve the manoeuvrings of transnational corporations.

The meeting rose at 1 p.m.