



SUMMARY RECORD OF THE 13th MEETING

Chairman: Mr. AMNEUS (Sweden)

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

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AGENDA ITEM 121: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS: REPORT OF THE COMMITTEE ON CONTRIBUTIONS (continued)

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11p.

The meeting was called to order at 3.05 p.m.

AGENDA ITEM 121: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS: REPORT OF THE COMMITTEE ON CONTRIBUTIONS (continued) (A/42/11 and Add.1)

1. Mr. MICHALSKI (United States of America) noted that while many delegations had questioned the mechanism used in determining the scale, none had been able to suggest a formula which would treat all equitably. Experience had shown that the interests of equity were not necessarily served by introducing a more complicated mechanism. He therefore joined those delegations which favoured a scale that was as simple and transparent as possible.
2. Much of the debate had focused on ways of reducing the assessment of some Member States at the expense of others, leading delegations to wonder about the importance that some countries attached to the United Nations. And yet, the share of national income that United Nations membership required was miniscule even for the poorest Member States: the floor level currently paid by 78 Member States involved an assessment for 1987 of \$72,454 - substantially less than the cost of maintaining a single diplomat in New York for one year. For countries assessed above the floor level, the relation of such assessments to national income was similar. It was therefore difficult to accept arguments for relief that were based on macro-economic conditions such as a country's level of external debt repayment.
3. The Committee on Contributions had already made a number of "technical adjustments" to provide relief to the developing countries and to correct "anomalies" which allegedly distorted the capacity-to-pay principle. When the developing countries' economies had been growing rapidly, the Assembly had extended the base period so as to take into account years when national income had been lower. Now that rates of economic growth were lower a number of countries had proposed that the base be shortened. In particular, countries which had felt the effects of the decrease in the price of oil had requested reductions in their assessments although their per capita income exceeded the levels of many developed nations.
4. In addition, the per capita income limit had been increased repeatedly; as a result more than 80 per cent of Member States currently benefited from it. Arguing that the limit had not been adjusted to take into account the full effects of inflation in the United States, several delegations had supported a further increase. At the thirty-ninth session, the Committee on Contributions had reported that, under the limit of \$2,100 then in effect, most developing countries already received a benefit which was at least proportionately equal to the one they received in 1948. The General Assembly had nevertheless agreed to raise the limit to \$2,200. Any further increase would mainly benefit a handful of newly industrialized countries and even one major contributor and would increase the assessment of the developing countries whose national income was above the limit.

(Mr. Michalski, United States)

5. Many delegations had urged the Committee on Contributions to adjust national incomes of countries using unrealistic exchange or inflation rates by various means (such as purchasing power parities and price adjusted rates of exchange). That might prevent some Member States from manipulating their data to reduce their own assessments, but would make the process of determining assessments more complex and costly without necessarily achieving the goal of full data comparability.

6. His delegation did not see why debt servicing should be taken into account. Only a small number of middle- and upper-income developing countries would benefit, since interest payments were already deducted from national income. Other countries might be expected to request that their specific problems should also be taken into account. His delegation saw no purpose in continuing the formula adopted in 1985 or in developing a more refined approach.

7. His delegation remained convinced that capacity to pay should not be the basic determinant. It again requested that the floor should be raised for all but the least developed countries so that the great majority of Member States would have a greater stake in budgetary decisions. In the mean time, the only way that all Member States could gain the benefit of lower assessments would be by reducing the budget. His delegation was pleased to see that, judging from the proposed programme budget for 1988-1989, that was being done. That development, which resulted from the reforms requested in resolution 41/213, would enable members of the Fifth Committee to prepare, through informal consultations, a simplified set of instructions to the Committee on Contributions that would result in a more equitable scale for future assessments.

8. Mr. GORITA (Romania) said that he was pleased the Committee was focusing on the existing methodology which, despite its shortcomings, was as equitable as possible. Capacity to pay continued to be the basic principle; account must also be taken of the special difficulties encountered by the majority of countries: external debt, diminishing foreign currency, protectionism, high interest rates and restricted access to financial markets.

9. For the reasons set forth by the Committee, his delegation was in favour of retaining the 10-year base period and the scheme of limits to avoid excessive variations of individual rates of assessment. Although it had requested that the per capita income limit be increased, it would not object to retaining the existing limit of \$2,200 and the 85 per cent gradient. At the same time, it stressed the need for the Committee to use only official data transmitted by Governments so as to ensure that the next scale of assessments correctly reflected the real economic situation of each Member State.

10. Mr. ZONGWE (Zaire) endorsed the decisions taken by the Committee on Contributions concerning the statistical base and the use of average exchange rates. He agreed with the view expressed in paragraph 18 of the Committee's report (PARE methodology) and was in favour of furthering the work of the United Nations Statistical Office on purchasing power parities. He shared the concern expressed by other delegations concerning the debt problem and, having taken note of

(Mr. Zongwe, Zaire)

paragraph 25 of the Committee's report, expressed the hope that, at its forty-eighth session, the Committee would endeavour to find the index which best took debt servicing into account.

11. His delegation agreed that the Committee should continue to use the existing methodology in establishing the next scale, retaining the 10-year statistical base period and the income allowance formula. That methodology certainly called for changes but Member States could not use that as a pretext for avoiding their obligations under the Charter.

12. Mr. ZSOHAR (Hungary) said that capacity to pay must remain the basic criterion as noted in resolution 41/178. His Government recognized that the Committee needed accurate, up-to-date and comparable information and assured the Committee that his Government would co-operate in that area.

13. Given the difficulties which the Committee had encountered, it was worth thinking about what would happen if the methodology were further complicated. His delegation was therefore pleased that the Committee had decided to be realistic and to retain the main elements of the current methodology: 10-year base period, \$2,200 limit, 85 per cent gradient scheme of limits used for the period 1986-1988 and ceiling and floor rates of 25 per cent and 0.01 per cent respectively.

14. Mr. ROSLI (Malaysia) said that, at its most recent session, the General Assembly had been unable, in the absence of consensus, to provide the Committee on Contributions with guidelines concerning the method of calculating the scale of assessments for 1989-1991. The General Assembly would undoubtedly be able to resolve that basic issue at the current session. Last year the Fifth Committee had considered four alternative methods proposed by the Committee on Contributions without approving any of them. Malaysia did not object to the principle of the capacity to pay of Member States, but felt that that method of calculation, which was not always satisfactory, could be improved. Aside from the use of basic indicators, it was essential for the Committee on Contributions to take into account other verifiable socio-economic indicators as additional indices in calculating the scale of assessments.

15. While awaiting the development of a more fair and representative methodology, his delegation accepted the recommendation of the Committee on Contributions that in the calculation for the next scale of assessments, to continue to use the 10-year statistical data base, the scheme of limits to avoid variations of individual rates of assessment, and the ceiling and floor rates. It hoped, however, that the Committee on Contributions would continue regularly to review those elements and take into account the proposals of the Committee.

16. His delegation welcomed the decision of the Committee on Contributions to develop a uniform data base in order to provide better national income statistics. It noted that the Committee would henceforth rely on verifiable data compiled by the United Nations Statistical Office and discontinue the use of special questionnaires to Member States. The Statistical Office could count on his delegation's co-operation.

(Mr. Rosli, Malaysia)

17. It was unfortunate that the Committee on Contributions had been unable to use the price-adjusted rate of exchange methodology to correct distortions in the national income and per capita income expressed in United States dollars. However, the Committee on Contributions had decided to work further on the purchasing power parities concept to improve data comparability of national income. His delegation felt that it should continue to consider the external debt in calculating the next scale of assessments and to examine that factor at its next session.

18. Although Malaysia had reservations regarding the increase in the scale of assessments for the current period, it had not prevented a consensus, in the hope that, collectively, the Committee would continue its search for a more equitable formula. It appealed to all Member States to pay their contributions as a matter of priority in order to ensure the viability of the Organization. In conclusion, he stressed that it was necessary to give clear and concrete guidelines to the Committee on Contributions and urged the Committee to give priority attention to the search for a more equitable and acceptable formula.

19. Mr. RAHMA (Oman) said that the data provided to the Committee by the Statistical Office was for 1985 but that the economic situation had changed a great deal in recent years. The Committee must therefore re-examine the question of the base statistical period and attach greater importance to recent figures in order better to reflect the real capacity to pay of the developing countries, particularly those dependent upon a single non-renewable resource such as oil (which was the case of Oman). In that connection, he noted with satisfaction that the next scale of assessments would be established on the basis of national income estimates for 1986. He reaffirmed that the per capita income of his country must be calculated in terms of a population of 2 million and recalled that when the scale for the period 1986-1988 had been established his delegation had protested the fact that the assessments of some developing countries had risen considerably, particularly that of Oman, which had gone up by 100 per cent. His country had agreed, nevertheless, to pay its 1987 contribution in full and would continue to do what was necessary to facilitate the Committee's task.

20. Mr. SAFAI (Islamic Republic of Iran) noted that General Assembly resolution 41/178, on the basis of which the report of the Committee on Contributions (A/42/11) had been prepared, reaffirmed the responsibility of Member States to bear the expenses of the Organization as apportioned by the General Assembly, but at the same time recognized capacity to pay as the fundamental criterion for determining the scale of assessments. The capacity to pay, however, was just a guiding principle for those who put it into practice. Consequently, Iran felt that the specific determination of a just and equitable scale necessitated incorporating, if not all, then the major elements which affected the capacity to pay. The experience in recent years indicated that the use of national per capita income as the sole criterion for determining Member States capacity to pay did not truly reflect the economic differences between countries at different levels of development. Although simplicity might be an advantage in selecting a formula, it could not be a justifiable reason for abandoning the concept of capacity to pay.

(Mr. Safai, Islamic Republic of Iran)

21. His delegation welcomed the initial steps taken by the Committee as indicated in its report (A/42/11), including the decision to discontinue special questionnaires. Comparison of the economic and financial performance of Member States could be made sufficiently comprehensive only by using a uniform data base. Such a method removed the problem of comparability of data, especially with regard to adjustments for inflation and fluctuations in exchange rates used to convert national income into United States dollars.

22. Stability and continuity must remain in a methodology with a 10-year base period. In that case also, however, the Committee should examine whether that practice reflected the economic and financial changes in developing countries and, if not, the base period should be shortened. The Committee should also finish its work on the price-adjusted rate of exchange (PARE) before establishing a new scale.

23. As his delegation had already stated in the past, the scale did not take into consideration the economic situation of countries with one depletable source of income, especially the OPEC countries. In the case of his own country, the Committee remained heedless of the impact of inflation, the war imposed on Iran and the deterioration of oil markets, on the national economy of a country with more than 2.5 million Afghan and Iraqi refugees and the same number of homeless war victims.

24. In addition, while bearing in mind that the total assessments of permanent members of the Security Council had decreased by 24 per cent since 1946, and while hostile to the right of veto, his delegation shared the view that since those countries enjoyed special and political privileges, they should also receive special assessments.

25. Mr. DOLJINTSEREN (Mongolia) said that the comments and proposals made at the preceding session had been taken into consideration in the Committee's report (A/42/11). At the forty-first session, many delegations, including his own, had argued that the capacity to pay of Member States should remain the paramount criterion in setting the scale of assessments.

26. In his delegation's views the 10-year statistical base period and the low per capita income allowance formula should be changed as proposed in the report. It was in favour of retaining the ceiling and floor rates of 25 per cent and 0.01 per cent respectively. It also believed that the Committee should take into account the external indebtedness of the developing countries and formulate recommendations to that end, particularly along the lines indicated by other delegations which advocated the establishment of a special mechanism for taking that factor into consideration. The Committee noted in paragraph 18 of its report that it had been unable to reach agreement on the systematic application of the PARE methodology. That was not surprising, since it was for each State to fix its own rate of exchange.

(Mr. Doljintseren, Mongolia)

27. His delegation hoped that the new scale of assessments for 1989-1991 would be based on the central criterion of capacity to pay. It was determined to contribute to the most effective implementation of the Organization's tasks and activities while at the same time seeking to make the most rational use of existing financial resources.

28. Mr. AFRIDI (Pakistan) said that the information on assessed and voluntary contributions in 1985 and 1986 contained in the addendum to the report (A/42/11/Add.1) would help the Committee to assess the overall financial charge for the Organization.

29. Regarding the methodology for setting the scale of assessments, his delegation noted that as the General Assembly had been unable to agree on any of the methodologies offered by the Committee, the latter now proposed that it should use the existing methodology. His delegation was prepared to accept that procedure for the time being, on the understanding that the General Assembly would be able at its current session to provide unambiguous guidelines that would enable the Committee to prepare a revised scale of assessments for 1989-1991.

30. Both political and economic considerations made it imperative to address the issue immediately and in much greater detail than in the past. Pakistan welcomed the decision of the Soviet Union to meet in full its obligations towards the regular budget of the United Nations. The announcement that it would pay its outstanding share of the assessed budget in the amount of \$255 million could not have come at a more opportune moment. The payment should facilitate a positive response from other Member States, in particular the major contributors currently in default. However, the weakness of a system which made the Organization financially dependent on a single country or small groups of countries was evident. The review of the scale of assessments should provide an opportunity to seek a remedy for that situation.

31. It was also evident that the concept of capacity to pay had been seriously eroded. The time had come to work out criteria based on just and equitable principles which would restore the financial soundness and viability of the Organization. His delegation appealed to all delegations to make every effort to reconcile the divergent points of view on a new scale of assessments and recalled that alternative I proposed by the Committee at the last session had received widespread support.

32. His delegation noted with satisfaction that the question of the debt burden of the developing countries was receiving due attention from the Committee, which had decided to study at its next session the most effective means of taking it into account in calculating the scale of assessment. It also welcomed the Committee's continued efforts to improve the comparability of national income statistics and noted that the discontinuation of the special questionnaire and its replacement by the data base of the United Nations Statistical Office would streamline and expedite the Committee's work. It hoped that, in considering the statistical base period, the Committee would take into account the wishes of the developing countries to give due weight to the adverse effects of the changes in the world

(Mr. Afridi, Pakistan)

economy on their economies. If the other elements of the current methodology remained unchanged, Pakistan would favour retaining the prevailing low per capita income allowance formula. In conclusion, he stressed the need for a more responsible attitude on the part of Member States towards their collective duty to ensure the financial stability of the Organization.

33. Mr. DANGE (Nigeria) said that the issue of the scale of assessments remained as controversial as it had been in the early days of the Organization and that his delegation supported the sensible decision of the Committee on Contributions not to study it further. The comments of several delegations showed that there was broad agreement among Member States on maintaining capacity to pay as the main criterion in setting the scale. In 1988, the Committee would be called upon to present a new proposed scale of assessments for 1989-1991 and in his delegation's view the Fifth Committee should concentrate at the current session on establishing guidelines that would facilitate the work of the Committee on Contributions in that connection.

34. His delegation believed that a number of factors should be taken into account and command a general consensus: (i) the capacity to pay of Member States must remain the principal criterion for apportioning the expenses of the United Nations; (ii) the existing methodology of using the low per capita income allowance formula to adjust national income should measure capacity to pay; (iii) the use of the current 10-year base period should be maintained; (iv) the current level of the low per capita income allowance (\$2,200) should continue to apply; (v) the scheme of limits to avoid excessive variation between successive scales should be maintained; (vi) the current ceiling and floor levels should be kept at 25 per cent and 0.01 per cent; (vii) the impact of the external indebtedness of developing countries on their capacity to pay during the period 1989-1991 should be taken into account.

35. In order to ensure fairness and equity, Member States should help the Committee on Contributions to minimize, and where possible eliminate, the current problems in respect of the data base. It was essential for the statistical data to be comparable, verifiable and accurate. In that connection, his delegation endorsed the Committee's decision to discontinue its former practice of sending Member States a questionnaire every three years for assessment purposes. It also endorsed the Committee's request to Member States to submit their annual national income statistics regularly to the United Nations Statistical Office. The data to be used by the Committee should be from published sources and should be verifiable. The Committee should not use statistical data from private or unofficial sources.

36. Similarly, a sound technical solution must be found that would allow for systematic adjustments of national income whenever relative price changes made it necessary. In that connection, his delegation noted the Committee's work on the price-adjusted rate of exchange methodology (PARE). It supported the Committee's decision not to apply that methodology until its inherent deficiencies had been corrected. It also noted the work of the United Nations Statistical Office on purchasing power parities and strongly supported the United Nations International Comparison Project.



(Mr. Dange, Nigeria)

37. In connection with paragraph 37 of the report (A/42/11), in particular the second sentence, his delegation stressed that the current ceiling of 25 per cent did not accurately reflect the real capacity to pay of the Member State which paid at that rate. It was in fact well below what the percentage should be.

38. His delegation shared the view of the Canadian delegation that it was important for the Committee to develop a scale which was acceptable to Member States, and for Member States to honour their legal obligations by paying their assessments in full and on time. It commended those Member States which had respected the rule of law and honoured their legal obligations. It considered that the withholding of assessed contributions was a violation of the principles of the Charter and the legal obligations which flowed from it. Such a practice was unjustifiable and unacceptable. Ultimately, Member States would have to decide to broaden the resource base of the Organization in order to prevent the recurrence of a state of affairs in which the Organization was held hostage financially. It was desirable, and indeed necessary, for Member States to take action to insulate the Organization from the disruption and vulnerability to which its current disproportionate financial reliance on one or a few Member States exposed it.

39. Mr. AL-NOUAIMI (Qatar) said he wished to comment on the rules for data collection, on the details of the approach currently used in determining assessments and on other criteria used by the Committee on Contributions.

40. His delegation supported, in principle, General Assembly resolution 41/178 but considered that determination of capacity to pay should be based on accurate measurements which should come as close as possible to reality. Developments in the world economic situation and fluctuations in exchange rates and in raw-material prices complicated the determination of the scale of assessments of Member States; the issue could not be treated by oversimplification or by cutting corners. It was, for example, clear that many developing and oil-producing countries would face an increase in their assessments, at a time of economic recession, reduced gross domestic product and lower oil prices. The Committee had not taken such elements into account, as it had used a 10-year statistical period pending the results of a comprehensive study of alternative methods for evaluating Member States' real capacity to pay.

41. The Committee had also maintained its position regarding the 10-year base period, notwithstanding the comments of a number of its members, particularly those of developing countries, who had pointed out that shortening the period would better reflect the economic and financial realities of their countries and hence their capacity to pay.

42. Qatar was making every effort to utilize its resources for the economic and social development of its people but, in doing so, it faced great difficulties because it had to depend on a single source of income, namely, oil. Oil was a non-renewable source of income and was also subject to fluctuations in exchange rates and in raw-material prices. A distinction should therefore be made between

(Mr. Al-Nouaimi, Qatar)

countries with multiple sources of income and those with a single, non-renewable source when the scale of assessments was established, so that the assessments for the latter category of countries would be reduced.

43. His delegation appreciated the difficulties faced by the Committee on Contributions in implementing its mandate as contained in General Assembly resolution 41/178 but considered that further efforts should be made with a view to establishing a scale of assessments that would reflect the special circumstances of developing countries which were currently experiencing a serious economic and financial crisis. The Committee should find new alternatives for determining assessments and his delegation supported the Committee's suggestion to give further study, during its forty-eighth session to the ceiling and floor rates, bearing in mind in particular that the preliminary analysis of a table showing contributions in 1987 as a percentage of 1985 national income seemed to indicate that almost half of the developing countries assessed at the floor rate of 0.01 per cent had paid proportionately more than developed countries.

44. Mr. MUDHO (Kenya) said that his delegation also considered that capacity to pay should continue to be the main principle guiding the establishment of the scale of assessments. However equitable it might be, however, that principle left open the question of how to determine Member States' capacity to pay. In that connection, his delegation welcomed the initiative of the Committee in taking into consideration the external debt of developing countries. Some delegations might argue that such a decision would be tantamount to opening Pandora's box. In the case of Kenya, however, account must be taken of all the factors which reduced a country's capacity to pay its share of expenses as determined by the strict application of the scale.

45. One delegation had expressed the view that capacity to pay should not be the principal determinant and that the assessment floor should be raised in step with a decrease in the overall budget total. Such an analysis was not convincing, however, and it was his delegation's view that consideration should also be given to lowering the ceiling in proportion to the contribution of each State to the budget.

46. His delegation welcomed the announcement that one Member State had initiated the appropriate procedure for payment of the arrears of its assessments and expressed the hope that that example would be followed by others.

47. Mr. MONAYAIR (Kuwait) said that, since the adoption of the scale of assessments for 1986-1988, which had been marked by unjustifiable increases in the assessment of certain countries, the General Assembly had not been in a position to make any radical changes in the bases and rules for the calculation of the capacity to pay of the various States. It was true that, during the previous year, the Committee had initiated a study of four methods of calculation, some of which were based on economic and others on political criteria; his delegation had, however, already pointed out that such formulas could not reach the desired results quickly enough and that there was a need to study them in greater depth with a view to their improvement.

(Mr. Monayair, Kuwait)

48. Kuwait considered that, in selecting a methodology for the equitable calculation of capacity to pay, the Committee must take into account the substantial and growing gap separating the economies of the advanced countries from those of the developing countries. The criteria selected must also be sufficiently flexible to take account of the social situation of the different Member States. In that connection, it would be preferable to select a statistical base period which would make it possible to take better account of countries' economic and financial situation. Improvements in the comparability of the statistical data, the use of adjusted exchange rates and the consideration of a range of economic and inflation factors would also help to enhance the equity of the system for establishing scales of assessments.

49. His delegation considered that the issue of the inequitable sharing of expenses was extremely important and believed that, in establishing scales, every effort must be made to avoid overwhelming the developing countries so that the important role which they played in expanding the world economy would not be restricted.

50. His delegation supported retention of the formula for limiting variations in assessments, and wished to point out that the Committee had not always taken that formula into account, having imposed very substantial increases on certain countries between two cycles. He hoped that that error would not be repeated when the next scale was established. He also hoped that, in such an important operation, the Committee would take account of the experience gained during the establishment of the current scale and that it would apply in an effective manner the criteria which it was drafting.

The meeting rose at 4.50 p.m.