



SUMMARY RECORD OF THE 15th **MEETING**

Chairman: Mr. VAN DEN HOUT (Netherlands)

later: Mr. ARASTOU (**Islamic Republic of Iran**)

later: Mr. OKEYO (Kenya)

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

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AGENDA ITEM **120**: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE **EXPENSES** OF THE UNITED NATIONS (**continued**)

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~~The meeting was called to order at 3.45 p.m.~~

AGENDA ITEM 12C: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (~~continued~~) (A/43/11 and Corr.1)

1. **Mr. PAULINICH (Peru)** said that he hoped that the future work of the Committee on Contributions **would** reflect the application of criteria that **reconciled** the **principle** of capacity to pay with the current needs **of** international relations. The Committee should further consider proposals designed to secure a more even **distribution** of assessments so as to make the Organisation less vulnerable.

2. With respect to the scale **recommended** for the next three-year period, he **noted** that it **did** not reflect the widening economic gulf between **developing** and **developed** countries, in that the aggregate **assessments of the former had increased**. **Further, the** external debt factor had not been applied in such a way as to reflect capacity to pay. Use of a shorter statistical base **period** would better reflect **economic** and financial realities, **while** consideration should be given to the establishment of **contingency** machinery to be **used** in the event of **sudden changes** in the socio-economic circumstances of **Member States**. In **addition**, the mitigation process should be applied **in a** more transparent and equitable way,

3. The principle of capacity to pay should be **supplemented** with political criteria **designed** to **reduce** the Organisation's vulnerability. The **continuing** financial **crisis demonstrated** the weakness of depending *on* one **Member State** for 25 per cent of the budget. **Bold** action, tempered **by** respect for equality, was required to resolve it.

4. **Mr. Arastou (Islamic Republic of Iran) took the Chair.**

5. **Mr. LOPEZ (Venezuela)** said that the "far from perfect" scale **recommended** by the **Committee** on Contributions did conform to the **guidelines** set forth **in** General **Assembly** resolution 421208 and should, therefore, be adopted. Efforts should, however, be **made to refine** certain elements of the **methodology** in order to limit the shortcomings of future scales. **His delegation** did not believe **that** per capita income alone constituted a sufficiently reliable indicator of capacity to pay and **urged** that equity should not be sacrificed for the **sake of simplicity**. Any new methodology must **include adjustments** to the machine scale which would **as** faithfully as possible reflect the relative capacity to pay of Member States. **Results** would also be **enhanced** by an improvement in the data base **for** income calculations **and** agreement on an adjustment to reflect exchange rate distortions. The lack of specific **rules** governing the mitigation **process** could give rise to dissatisfaction, but his delegation did not believe that any elements of **mitigation already agreed** upon by the Committee on Contributions should be subject to revision. **Systematic** criteria should, however, be introduced to the process as applied to future scales. Rather than **delay** approval of **the** current **recommended** scale, **the** Committee should **be** encouraged to redouble its efforts to revise and **improve** the methodology for future **use**.

(Mr. Lopez, Venezuela)

6. Approval of the scale of assessments was only one step in the process of managing resources. It was also of vital importance that all Member States should fulfil their financial obligations to the United Nations, and his delegation was therefore pleased to note the steps which had been taken by certain major contributors to settle their outstanding debts. Any further unilateral withholding of contributions would be particularly disheartening at a time when the Organization was showing itself to be an irreplaceable instrument for the peaceful and constructive development of international relations.

7. Mr. TETTAMANTI (Argentina) agreed that the recommended scale was "far from perfect". Although there was no disagreement over the fundamental principle of capacity to pay, the scale did not take sufficient account of the growing disparity between the economies of the developing countries, whose aggregate contributions had increased, and those of the developed countries, whose assessments had been reduced. Mitigation in respect of external debt had not produced the desired results and no agreement had been reached on the use of price-adjusted rates of exchange to correct currency conversion distortions.

8. Under the recommended scale, his country's assessment would increase to 0.66 per cent of the Organization's expenses while certain developed countries with much higher per capita incomes would pay considerably less. The contradiction was even more striking given that mitigation had been extended to his country in respect of its external debt.

9. For the purpose of future scales, efforts should be maintained to identify a methodology which was as far as possible consistent with the principle of capacity to pay. The use of short-term economic indicators and a reduction in the statistical base period were among the elements which should help to eliminate imbalances.

10. Mr. MOHIUDDIN (Bangladesh) said that determining a scale of assessments was by no means an easy task in that it involved reconciling conflicting interests and taking into account changing circumstances. The Committee on Contributions had to determine relative capacity to pay with the aim of ensuring the Organization's financial stability. It was important to have a technically sound methodology and a fair and equitable scale for apportioning expenses.

11. Broad agreement on the basic elements of the methodology for the scale of assessments for the three-year period 1989-1991 had been reached in the Fifth Committee at the forty-second session. Nevertheless, the Chairman of the Committee on Contributions had himself stated that the recommended scale was far from perfect, a fact evidenced by the increase in the aggregate assessment of the Group of 77 from 9.67 per cent to 10.01 per cent, whereas the aggregate assessments of the OECD countries showed only a marginal increase of 0.13 per cent. That state of affairs seemed inexplicable, although his delegation nevertheless hoped that the Chairman of the Committee on Contributions could shed some light on the matter. His delegation, however, noted with satisfaction that Bangladesh's assessed contribution had declined to the floor rate of 0.01 per cent for the next triennium, a rectification that had been long overdue.

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(Mr. Mohiuddin, Bangladesh)

12. The recommended scale had been determined in accordance with General Assembly resolution 42/208. It would *not* be proper to reopen the question of the methodology at the current session, since any delay in adoption of the scale would further aggravate the Organisation's financial situation. Accordingly, even though improvements were clearly warranted, his delegation trusted that the recommended scale could be adopted.

13. Bangladesh supported effort⁶ to make the methodology more transparent, but not at the expense of the fundamental principle of capacity to pay. In that connection, the application of mitigation factors should be *more* objective. The process of improving the methodology was ongoing, and his delegation trusted that the Committee on Contribution⁶ would submit a more adequate methodology at the forty-fourth session. It was regrettable that no agreement had been reached on the adoption of a system of price-adjusted rate⁶ of exchange, while further work was required on the question of external indebtedness. Lastly, his delegation agreed with the recommendation⁶ made by the Committee on Contribution⁶ with regard to non-member States.

14. Mr. AL-ROMAHI (Bahrain) said that the Committee on Contributions, having devoted insufficient attention to the increases in assessments for members of the Group of 77 for the period 1986-1988, had also applied a further overall increase of 34 points to the Group's assessment for the period 1989-1991. If the recommended scale were to be adopted, the Group would therefore have suffered a total increase in its assessment of 103 points since 1980. Such a situation was unacceptable, given the Group's high level of indebtedness and exposure to natural disasters, as well as the fall in the price⁶ of raw materials.

15. Certain developing countries relied on the export of a single non-renewable natural resource, such as oil. It was unfair for such countries to be subject to high assessments on the basis of capacity to pay, because massive expenditure was needed to build up the infrastructure which industrialised countries already took for granted. Oil-exporting countries had also encountered economic problems as a result of fluctuations in the price of oil, exchange rate instability and international inflation. While supporting the Committee's decision not to increase the assessments of the least developed countries and to allow mitigation in respect of high levels of external debt, particularly in the case of the developing countries, his delegation was surprised that the Committee had not allowed for the effects of oil price fluctuations on the capacity to pay of oil-exporting countries. It also urged that particular attention be devoted to the problems faced by island developing countries, in accordance with the provision⁶ of General Assembly resolution 41/163 and the remarks of the Secretary-General in document A/43/513.

16. A comprehensive review of the current methodology was required in order to eliminate shortcomings in future scales of assessment. Although his country had not been subject to any increase under the proposed scale, it felt that the manner in which other developing oil-exporting countries had been treated was open to question. However, it hoped that members of the Fifth Committee would be able to reach a consensus agreement on the proposed scale and to provide recommendations for the future work of the Committee on Contributions.

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(Mr. Al-Romaihi, Bahrain)

17. In conclusion, his delegation wished to join those others which had urged Member States to fulfil their financial obligations to the Organisation *on time and in full*. It welcomed the decision by the United States to pay a portion of its arrears and urged it and other countries to help in that way to steer the United Nations out of its current financial crisis.

18. Mr. NASSER (Egypt) said that his delegation had always attached particular importance to the scale of assessments, as an expression of commitment to the Organisation and its principles. From the perspective of the principle of capacity to pay, the scale recommended by the Committee on Contributions for the three-year period 1989-1991 was basically fair and reasonable.

19. With regard to the methodology, while simplicity had its advantages, objectivity and precision should not be sacrificed for the sake of transparency. Given the complexity of economic realities, there was little alternative to the present methodology. Consideration should, however, be given to a shorter statistical period, so as to reflect economic and political realities more faithfully.

20. Given the difficulties which countries with heavy external debt faced in obtaining convertible currencies, it was entirely reasonable for them to be granted relief, even though payments on external debt were deducted from national income estimates. The current formula for debt relief should be retained. Egypt noted that the recommended assessed contribution of many developed countries had decreased, not on the basis of a real decrease in national incomes, but owing to exchange rate fluctuations. In that context Egypt also noted that some Member States continued to apply unrealistic exchange rates. It was regrettable that the recommended assessed contributions of 20 developing countries had been increased. His delegation would welcome new recommendations from the Committee on Contributions designed to improve the system of price-adjusted rates of exchange. Further, clarification would be welcome on the reference in paragraph 58 of the Committee's report to the use of different exchange rates for the calculation of national income statistics and for payments by Member States to the United Nations. Lastly, Egypt would be ready to negotiate a more even distribution of assessments, which might imply a reduction of the ceiling rate and an increase in the floor rate, if that would help to guarantee the Organization's financial stability.

21. Mr. CHULKOV (Union of Soviet Socialist Republics) said that the preparation of a new scale of assessments provided the best possible illustration of the way the United Nations had to reconcile the differing and often contradictory desires of States, and strike a balance between their interests. The proposed scale in the report of the Committee on Contributions (A/43/11) represented a compromise arrived at with some difficulty. His delegation therefore viewed both the proposed scale and the report with some satisfaction. In the main, the Committee had been successful in its task.

22. The Committee had, on the whole, correctly applied the basic elements of the existing methodology based on relative capacity to pay, as defined by statistical comparisons of States' national income. Such statistics had to be calculated at

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(Mr. Chulkov USSR)

current prices and converted into dollars at official exchange rates, His delegation had consistently opposed the use of price-adjusted rates of exchange (PARE), which were a flimsy, artificial device divorced from the real economic processes taking place in individual countries. It made no allowance for the fact that prices and exchange rates were used by Governments as instruments of socio-economic policy and lay within their domestic competence. Not only would it not rectify the alleged incomparability of national income, it would lead to gross distortions and sharp swings in the scale of assessments. Although a slightly modified version of the method had been presented at the forty-eighth session of the Committee on Contributions, it had not received the support of all members and was, in his delegation's view, not acceptable as a means of calculating the scale of assessments.

23. His delegation supported the retention of the 10-year statistical base period and the upper limits for the low per capita income allowance formula; it likewise supported the Committee's decision not to raise the individual assessments of the least developed countries,

24. His delegation had no objection to taking external debt into account in the proposed scale. It was clear, however, that the Committee had not yet developed an effective means of doing so without distorting States' real capacity to pay. It should go on refining the methodology.

25. His delegation had accepted the use of the scheme of limits, on which it had earlier expressed serious reservations, only as a compromise. The use of the scheme had undesirable consequences for a number of States. The assessments of his own country and a number of other major contributors had been increased because of the adjustments made to the machine scale. Despite such concessions, some developing countries had suffered an increase in their assessed contributions; but without an increase in the assessments of the major contributors, their share would have been higher still. The scale now before the Fifth Committee was the best available compromise, accommodating to a greater or lesser extent for the interests of all Member States. It should be adopted,

26. Ms. PELLICER (Mexico) said that it was surprising that the aggregate assessments of the Group of 77 countries had increased by 34 points, compared with only 10 points for OECD countries, given the discrepancy in growth between the two groups. The difficulties that had arisen relating to capacity to pay, relief for external indebtedness, exchange rate distortions and the application of mitigation all demonstrated the need to improve the methodology to reflect the economic and financial realities of Member States. In that connection, it should be noted that the developing countries had been particularly affected by the economic crisis of the 1980s.

27. The Fifth Committee should recommend the preparation of a new methodology for submission to the Assembly at its forty-fourth session, to take account of such factors as external indebtedness, increases in interest rates, negative resource transfers, deterioration in terms of trade, declines in export product prices and the impact of natural disasters on economies. An index that would reflect levels

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(Ms. Pellicer, Mexico)

of economic development in global terms was necessary. In that connection the use of a 10-year statistical base period should be reviewed, so as to facilitate response to sudden global and regional fluctuations,

28. The most important aspect of the question of the scale of assessments was not that of individual assessments but the prompt and proper discharge by all Member States of the obligations they had assumed under the Charter by the unconditional payment of their assessed contributions. The Organisation could not be subjected to ongoing blackmail as a result of unilateral decisions that did nothing to promote the efficient functioning of the Organisation.

29. Mr. SOTO (Colombia) said that the current method of calculating the scale of assessments was very complicated. It was evident that purely statistical issues had become mixed up with the personal views of members of the Committee on Contributions, producing results which attracted criticism from all sides. The results achieved were acknowledged not to be the same as those sought: the report of the Committee itself, and a number of delegations, had drawn attention to inconsistencies and contradictions. Such problems were surely the result of using a method to which different criteria had been added at times when dominant economic conditions had also been different. The members of the Committee on Contributions had done an excellent job. What was needed was a new approach to the problem.

30. In 1956 the President of his country had told the General Assembly that the costs of the Organisation should be met with greater generosity by all Members, including the poorest. His delegation felt that the scale of assessments should be re-evaluated, without necessarily abandoning the current one, and it therefore supported the Norwegian suggestion that a high-level group should look for a new formula. Points to be borne in mind in devising a new method of assessing contributions should include new ceiling and floor levels, means of collecting contributions, the number of decimal places to be used in calculating percentage shares, means of better reflecting current economic circumstances without abandoning capacity to pay, and indebtedness.

31. His delegation did not see how the Fifth Committee could, working within the existing parameters, produce a substantial improvement on the scale recommended by the Committee on Contributions. The Fifth Committee should therefore accept the proposed scale, but only for 1989, and consider at the forty-fourth session the findings of the high-level group.

32. The spirit of multilateralism was reviving, and the United Nations had an important role to play in the context of development in the coming decade. It must have adequate finances which could not be squeezed if one member decided to use contributions as a means of coercion. What was needed was a balanced, appropriate and stable source of income, even if it meant a greater economic effort from Member States.

33. (Kenya) took the Chair .

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34. **Mr. AKIMOTO** (Japan) said that the question of the scale of assessments had assumed added importance owing to the possible expansion of United Nations peace-keeping operations; the expenses of those operations, which might be twice those of the regular budget, might well be distributed broadly on the same basis.

35. His delegation could support the new scale recommended by the Committee on Contributions, while it was not perfect, neither had its predecessors been. It had been criticised by some who chose to compare developing countries as a whole with developed countries as a whole. As his delegation saw it, however, the national incomes of the majority of both developing and developed countries had grown very moderately in the decade 1977-1986, while in a smaller number of countries it had increased substantially.

36. One feature of the recommended scale was a decrease in the assessments of some developed States. Those States had offered to provide a considerable number of points for mitigation purposes, but the mitigation process had still not completely offset the effects of the decrease. His delegation understood the concerns of developing countries that the burden was being transferred to them. It found it difficult, however, to attribute that phenomenon to deficiencies in the methodology and criteria used by the Committee on Contributions. The relatively small increase in the share of OECD countries could be explained by the slow growth in most of their economies in the 1980s. That trend, however, had already been reversed, and the large-scale appreciation of the majority of OECD currencies, together with depreciations in those of developing countries, would have changed the picture by the time the scale was next reviewed. A long-term view would be in the interests of all.

37. His delegation did share the concern expressed at the continuing decrease in the assessments of permanent members of the Security Council. His delegation had already commented on that subject. He would, however, add that the question of the ceiling on contributions should also be considered in that context.

38. From the table given in annex II to the report (A/43/11), his delegation deduced that a number of factors had been taken into account in the distribution of mitigation points. The mitigation provided seemed generally to have been fair and justifiable. The points used for mitigation were offered voluntarily by Member States which were willing to accept additional points above their assessment under the machine scale. The number of such points therefore varied, depending on the budgetary circumstances of potential donors as well as possible beneficiaries. Mitigation had always been necessary and useful in producing an equitable scale of assessment. Equity, however, required numerous factors to be considered, and they must be considered comprehensively. Any attempt at defining or quantifying those factors would further complicate an already complicated method and unduly restrict the discretion of the Committee on Contributions. His delegation did not, therefore, support the view that the General Assembly should go into the details of mitigation. The Committee could, however, take note of the views expressed by delegations and seek help from the Secretariat in obtaining information on conditions in States for which mitigation was contemplated.

(Mr. Akimoto, Japan)

39. His delegation supported the Committee's decision to apply the aurrent scheme of limits to the new scale. The purpose of the scheme was not to afford relief. Its objectives did include alleviating the impact of excessive increases in individual rates of assessment between successive scales, and that was necessary and useful for both developing and developed countries. There was no evidence that successive applications of the scheme progressively distorted the assessments of Member States. Changes in economic trends, such as oil shocks, had often reversed flows of resources from one group of countries to another. In the long run, an approximate balance was achieved. The greatest potential beneficiaries of the scheme were developing countries, in partiaular the newly industrialising economies, which were growing faster than developed and now mature ones. The scheme should be maintained, with the present limits.

40. *External* debt affected not only debtor but also creditor aountries. As a problem, it, was growing more and more serious. Japan had taken steps to alleviate the debt burden for both low- and middle-income countries. It appreoiated the decision by the Committee on Contributions to afford relief for the high indebtedness Of some Member States. There were some problems: some data on debt were not readily available, and as the burden of debt relief must be borne by other Member States, the appropriate amount of debt relief must be determined. The Committee had developed a coherent and systematic formula within the limitations of those difficulties. It should be encouraged to improve the formula further: the General Assembly could facilitate that task by indicating the amount of relief to be given.

41. A long-term view was important in the consideration of a method for establishing a scale of assessments. Some of the representatives who had recently argued for a short statistical base period had, in the past, argued for one of more than 10 years. Economic situations did change. If the criteria were changed every time economic trends in a certain number of Member States shifted, however, they would become highly arbitrary. The current method and criteria had been developed over four decades, taking into account changing economic trends and the interests of the developing countries in particular. They had withstood the test of time, and remained viable.

42. His delegation was prepared to give recent sweeping proposal6 for further study, but was not fully convinced of their appropriateness. It advocated a more pragmatic approach, based on step-by-step improvements. Better statistical data, for example, would make for a much fairer scale of assessments. Further efforts should be made, by both the Secretariat and Member States, to improve the comparability of data on national income. The PARE concept should be further refined, and Member States should also support the United Nations international comparison project on purchasing power parity.

The meeting rose at 5.15 p.m.