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Chairman: Mr. Yousfi . . . . (Algeria)

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

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06-55939 (E)

The meeting was called to order at 10.10 a.m.

Agenda item 122: Scale of assessments for the apportionment of the expenses of the United Nations (A/61/11 and A/61/68; A/C.5/61/3)

1. **Mr. Greiver** (Chairman of the Committee on Contributions), introducing the report of the Committee on Contributions (A/61/11), recalled the need for the General Assembly to adopt a new scale of assessments at its current session. He said that in accordance with the Committee's general advisory mandate under rule 160 of the rules of procedure of the General Assembly as well as the General Assembly's request in its resolution 58/1 B that the Committee should continue to review the scale methodology based on the principle of capacity to pay, a major focus of the Committee at its sixty-sixth session had been the scale of assessments for the period 2007-2009. The Committee had also recalled its consideration of the scale methodology at its previous sessions.

2. The Committee had considered representations concerning the new scale from Ecuador, Japan, Mexico and the Bolivarian Republic of Venezuela; Japan and Mexico had put forward proposals for the methodology to be used in preparing the new scale. The Committee had also held information meetings with representatives of Ecuador, Mexico and the Bolivarian Republic of Venezuela.

3. The Committee had not been able to agree, however, on whether it had a mandate to consider proposals relating to the scale directly from Member States; some members had suggested that the Committee should seek guidance in that regard from the General Assembly. Some members had been of the opinion that, given the political nature of the proposal by Japan, the Committee did not have a mandate to consider it, but other members had taken the view that all proposals were of a political nature and that under rule 160 the Committee did have a mandate to consider such proposals. The Committee had taken note of the representations and of the information provided by the Member States in question.

4. With regard to the methodology for preparing the scale, the Committee had reaffirmed that the most current, comprehensive and comparable data available for gross national income (GNI) should be used for the income measure. With regard to conversion rates, the Committee had considered a number of options: market exchange rates (MERs), price-adjusted rates of exchange (PAREs), purchasing power parity (PPP) rates and the World Bank Atlas method. It had reaffirmed its earlier recommendation that conversion rates based on market exchange rates should be used in preparing the next scale, except where that would cause excessive fluctuations or distortions in the gross national income of certain Member States expressed in United States dollars, in which case price-adjusted rates of exchange or other appropriate exchange rates should be used.

5. The Committee had also recalled the current maximum assessment rate, or ceiling, of 22 per cent, the least developed countries ceiling of 0.010 per cent, and the minimum assessment rate, or floor, of 0.001 per cent. The Committee had decided to continue consideration of the questions of the base period and the debt burden and low per capita income adjustment in the light of any guidance provided by the General Assembly.

6. The Committee had considered a number of proposals for the scale. Several Member States faced large increases in their rates, including those affected by an increase in their per capita income to above the adjustment threshold; some members had suggested measures to phase in the increases whereas others were opposed to any such measures. The Committee had decided to continue consideration of the possibility of introducing automatic annual recalculation of the scale on the basis of any guidance from the General Assembly.

7. Recalling that Member States were in the process of moving from the System of National Accounts, 1968 (1968 SNA) to the System of National Accounts, 1993 (1993 SNA), in which gross national product (GNP) had been renamed gross national income, and given that Member States accounting for over 92 per cent of world gross domestic product (GDP) had implemented the 1993 SNA by May 2005, the Committee had recommended that gross national income should be used for the 2007-2009 scale.

8. The Committee had also recalled that the external debt information reviewed by the Committee for the current scale, extracted in most cases from the World Bank database on debt, included countries with per capita GNI of $10,065 or less. Due to changes by the World Bank and the Organization for Economic Cooperation and Development (OECD), no data were

available after 2002 for some countries benefiting from the debt burden adjustment in the current scale. Those countries had been approached for alternative data; where no data had been provided, the Committee had used the data from the current scale.

9. In reviewing which market exchange rates should be replaced in preparing the scale, the Committee had used the methodology of relative price-adjusted rates of exchange, as outlined in annex II to the report. The initial parameters suggested the previous year had been adjusted and the new approach had been used to adjust the market exchange rates for Afghanistan, Angola, Turkmenistan and Zimbabwe. The Committee had decided to use United Nations operational rates of exchange for Myanmar and the Syrian Arab Republic and official rates for the Democratic People's Republic of Korea. In keeping with past practice and its recommendations on the scale methodology, market exchange rates would be used for other Member States, including Argentina, although one member had had reservations about the impact of that decision.

10. In order to identify the impact of new data on the scale of assessments for 2007-2009, including decisions on data and conversion rates, but excluding proposals for changes in the scale methodology, the Committee had applied the new data to the methodology used to prepare the current scale. The results were included in the report (chap. III E) for information purposes.

11. Upon reviewing the report of the Secretary-General on multi-year payment plans, as well as updated information on the implementation of plans submitted as at 30 June 2006, the Committee had concluded that the system of multi-year payment plans had made a positive contribution in assisting Member States to reduce their arrears. It had noted that both Iraq and the Republic of Moldova had completed payments under their plans and had welcomed the submission of a new plan by Liberia. The General Assembly should encourage other Member States in arrears to consider submitting multi-year payment plans.

12. In considering the eight requests for exemption it had received under Article 19 of the Charter of the United Nations, the Committee had noted that four of the Member States had submitted multi-year payment plans, and encouraged all Member States requesting an exemption to consider presenting a payment plan if possible. Subject to a number of observations, the Committee had concluded that the failure of the Central African Republic, the Comoros, Georgia, Guinea-Bissau, Liberia, the Niger, Somalia and Tajikistan to pay the full minimum amount to avoid the application of Article 19 was due to conditions beyond their control, and recommended that they should be permitted to retain their voting rights until the end of the sixty-first session of the General Assembly. With regard to a request from Tajikistan that its arrears for peacekeeping activities accrued before 2000 should be written off, the Committee had concluded that that issue was beyond its competence as a technical advisory body.

13. The Committee had noted the admission of Montenegro as a new Member State on 28 June 2006 and recommended that, based on available national income and population data, its rate of assessment for 2006 should be 0.001 per cent. It had also recommended that Montenegro should pay six twelfths of that rate for 2006 and that its assessments should be deducted from the assessment for the former Serbia and Montenegro. With regard to the assessment for the Holy See, the Committee had recalled its recommendation, endorsed by the General Assembly in its resolution 58/1 B, that the annual assessment for the Holy See should be based on 50 per cent of its notional rate of assessment applied to the net assessment base for the regular budget, and had proposed that that arrangement should be continued for the period 2007-2009. It had also recommended that the notional rate of assessment for the Holy See in 2007-2009 should be fixed at 0.001 per cent.

14. At the conclusion of its sixty-sixth session, the Committee had noted that, although they had all been granted exemptions until 30 June 2006, nine Member States were subject to the provisions of Article 19: the Central African Republic, the Comoros, Georgia, Guinea-Bissau, Liberia, the Niger, Sao Tome and Principe, Somalia and Tajikistan. It had also noted that pursuant to paragraph 3 (a) of General Assembly resolution 58/1 B, the Secretary-General had accepted in 2005 the equivalent of over US$ 1 million in two currencies other than United States dollars.

15. **Mr. Sach** (Controller) stressed the importance of a smooth flow of contributions for the functioning and stability of the Organization. In 2007 that would require the existence of an agreed new scale of assessment.

16. Introducing the report of the Secretary-General on multi-year payment plans (A/61/68), he recalled that four payment plans, from Georgia, the Republic of Moldova, Sao Tome and Principe and Tajikistan, had been submitted prior to the adoption of General Assembly resolution 57/4 B endorsing the conclusions and recommendations of the Committee on Contributions regarding multi-year payment plans contained in its report on its sixty-second session (A/57/11). In some cases those plans had been revised and Georgia had subsequently made further revisions. New plans had been submitted by the Niger in 2004, Iraq in 2005 and Liberia in 2006; the Central African Republic and Guinea-Bissau had indicated that plans might be forthcoming at a later date.

17. As at 31 December 2005, Iraq and the Republic of Moldova had completed payments under their respective plans, two other Member States had fully met their obligations, one had more than met its aggregated payments due through the end of 2005, and one had not made its planned payments for 2003-2005. He noted that the report of the Committee on Contributions (A/61/11) contained updated information on the submission and implementation of payment plans as at 30 June 2006.

18. **The Chairman** drew the attention of the Committee to a letter dated 5 October 2006 from the President of the General Assembly addressed to the Chairman of the Fifth Committee (A/C.5/61/3), transmitting a letter dated 4 October 2006 from the Government of Sao Tome and Principe regarding a request for exemption under Article 19 of the Charter of the United Nations.

19. **Mr Grönberg** (Finland), speaking on behalf of the European Union; the acceding countries Bulgaria and Romania; the candidate countries Croatia and the former Yugoslav Republic of Macedonia; the stabilization and association process countries Bosnia and Herzegovina and Serbia; and, in addition, Iceland, and Ukraine, stressed the importance of the payment of assessed contributions in full and on time. The European Union therefore attached great importance to Article 19 of the Charter of the United Nations, the sole mechanism for ensuring payment of contributions, while recognizing the need to take into account the genuine difficulties of Member States.

20. Multi-year payment plans had been a positive tool for reducing arrears, and he recognized the efforts made by Georgia, Iraq, Liberia and the Niger in the context of their payment plans. Four of the eight Member States requesting exemptions under Article 19 had submitted multi-year payment plans and all Member States requesting an exemption should be encouraged to submit payment plans. The European Union endorsed the recommendation of the Committee on Contributions that the Central African Republic, the Comoros, Georgia, Guinea-Bissau, Liberia, the Niger, Somalia and Tajikistan should retain their voting rights until the end of the sixty-first session of the General Assembly.

21. The European Union did not look favourably on requests under Article 19 that bypassed the Committee on Contributions and were put directly to the Fifth Committee, or that failed to comply with the time limits established in General Assembly resolution 54/237 C with a view to ensuring a fair review of such requests by the Committee on Contributions. While regretting that the Government of Sao Tome and Principe had not presented its case in accordance with established procedures, the European Union would reluctantly agree to its request for an exemption on the understanding that it would honour its commitments with regard to the payment schedule and, in the future, comply with the proper procedure.

22. Turning to the scale of assessments for 2007-2009, he stressed that the methodology for establishing that scale must be stable, simple, transparent and based on the principle of capacity to pay. The European Union endorsed the view of the Committee on Contributions that the scale should be based on gross national income as the most accurate reflection of capacity to pay. However, the current scale did not accurately reflect capacity to pay; for example, the European Union's collective assessment was approximately 33 per cent, which far exceeded its 26 per cent collective share of gross national income. The current scale did not take into account the economic power of the emerging economies, which accounted for over 40 per cent of world exports and held over 70 per cent of the world's foreign exchange reserves, although their contribution to the Organization's budget was relatively modest.

23. With regard to the various elements of the scale methodology, the European Union proposed modifying and improving the current low per capita income adjustment, which benefited only a handful of countries and hardly helped the least developed

countries. It also favoured the six-year base period, as promoting greater predictability and stability in the scale; a single statistical base period would likewise minimize distortions caused by repeated rounding off of figures. It would consider the exclusion of debt-burden adjustment from the scale methodology, given that gross national income data already adequately reflected the actual cost of debt servicing and that that adjustment, like the low per capita income adjustment, scarcely benefited the least developed countries.

24. Recalling that when in 2000 the General Assembly had decided to reduce the ceiling for the largest contributor it had also agreed to review the issue at a later date, the European Union noted that any agreement regarding a ceiling for the largest contributor should take into account the principle of capacity to pay. Finally, the European Union stressed the importance of resolving the issue of the unpaid assessed contributions of the former Yugoslavia by the end of the main session of the General Assembly.

25. **Mr. Kumalo** (South Africa), speaking on behalf of the Group of 77 and China, reiterated that the financial resources provided to the United Nations must be sufficient to ensure the effective implementation of its mandated activities. Member States had a legal obligation to bear the expenses of the Organization and must therefore strive to pay their assessed contributions in full, on time and without conditions.

26. Capacity to pay must remain the main criterion for determining the scale of assessments. In that connection, it was essential to ensure that adjustments to the scale methodology did not lead to excessive assessment rates for the developing countries. The main element affecting the application of the principle of capacity to pay was the ceiling, which had been reduced to 22 per cent in order to facilitate the payment of arrears and improve the financial situation of the United Nations. However, those objectives did not appear to have been attained, and the General Assembly must now therefore undertake the review of the ceiling provided for in paragraph 2 of its resolution 55/5 C.

27. The scale of assessments should be based on the most current, comprehensive and comparable data available for gross national income. In that connection, the Group of 77 and China endorsed the recommendation contained in paragraph 30 of the report of the Committee on Contributions (A/61/11). The Group had also taken note of the reference in paragraphs 27 and 28 of the report to purchasing power parity. However, since purchasing power parity did not provide a useful measure of capacity to pay and did not meet the criterion concerning the use of reliable, verifiable and comparable data, the Group would not support any proposal to use it in the preparation of the scale of assessments.

28. Both the low per capita income adjustment and the debt-burden adjustment elements of the scale methodology should be retained. Similarly, the floor and the maximum assessment rate for the least developed countries should be maintained at 0.001 per cent and 0.010 per cent, respectively. Since several Member States were once again facing substantial increases in their rates of assessment, such increases should be phased in during the scale period so as not to impose an excessive burden on those States. The proposal to introduce a minimum assessment rate for the permanent members of the Security Council was contrary to the principle of capacity to pay. Furthermore, the proposal to recalculate the scale of assessments on an annual basis was not only impractical but also fell outside the mandate of the Committee on Contributions.

29. With regard to requests for exemption under Article 19 of the Charter, he agreed with the Committee on Contributions that the failure of the Central African Republic, the Comoros, Georgia, Guinea-Bissau, Liberia, the Niger, Somalia and Tajikistan to make the minimum payment necessary to avoid the application of Article 19 had been due to conditions beyond their control. The request made by Sao Tome and Principe in document A/C.5/61/3 should also be viewed sympathetically, and all nine States should therefore be permitted to vote until the end of the sixty-first session of the General Assembly. Every effort must be made to ensure that all future requests for exemption were submitted to the Committee on Contributions in accordance with the provisions of General Assembly resolution 54/237 C.

30. The Group of 77 and China commended those Member States that had submitted multi-year payment plans and honoured the commitments made therein, and encouraged Member States with significant arrears to consider submitting such plans if they were in a position to do so. However, multi-year payment plans must remain voluntary and must not be used to

pressure Member States. They were certainly not a prerequisite for the granting of exemptions under Article 19.

31. Lastly, the Group had taken note of the comments made at the previous meeting by the representative of Slovenia on the question of the unpaid assessments of the former Yugoslavia and looked forward to considering proposals that would facilitate the early conclusion of that matter.

32. **Mr. Hill** (Australia), speaking on behalf of Canada, Australia and New Zealand (CANZ), said that the United Nations had developed into a truly global service provider. It worked on the ground in virtually every corner of the world, in order to improve the lives of people in need of help. Such work required significant resources, and all 192 Member States had a responsibility to contribute to providing them.

33. For 60 years, the methodology used to apportion the expenses of the United Nations among its Member States had incorporated four core elements: a measure of national income, to assess each Member State's capacity to pay; an adjustment for low per capita income; maximum or ceiling assessment rates, to prevent the Organization from becoming excessively dependent on any one State and to avoid placing an undue burden on least developed countries; and minimum or floor assessment rates, which applied to any and every Member State.

34. Other elements incorporated in the current scale were not so soundly based, and should perhaps be changed. The debt adjustment element had little or no demonstrable link to capacity to pay, because the effects of debt servicing costs were already taken into account in the current method of measuring gross national income. Current capacity to pay was best assessed from the most recent accurate data available. He would favour a shorter base period, so that the scale could be adjusted each year to reflect changing data. It was also important to ensure consistency in the base period over time, and that could not be achieved using the current methodology. The three delegations were willing to consider proposals for new or adjusted elements of the scale, subject to the principle of capacity to pay.

35. Since the current scale would lapse at the end of the year and could not be applied again without the explicit approval of the General Assembly, the Committee must reach agreement on a new scale to apply from 1 January 2007. It did not however have any recommendations on a new scale to consider, because of its own lack of precision in the guidance offered to the Committee on Contributions. He therefore urged Committee members to use the illustrative table on pages 12 to 25 of the report of the Committee on Contributions (A/61/11) as the most appropriate starting point for negotiations.

36. **Mr. Liu** Zhenmin (China) said that the report of the Committee on Contributions provided a good basis for the Fifth Committee's consideration of the scale of assessments. Capacity to pay had been the cornerstone of the scale methodology since the establishment of the United Nations, and his delegation was therefore against any proposal that deviated from that principle. Any attempt to link assessment rates to status within the Organization ran counter to the spirit of the Charter and would seriously undermine the position of developing countries.

37. The methodology used for the period 2004-2006, which had been adopted by consensus after lengthy negotiations, should also be used for the period 2007-2009. The ongoing reform of the Organization required a solid financial base and employing the same methodology would ensure that the new scale was both stable and predictable. In particular, the low per capita income adjustment should be retained, since adjusted GNI took account not only of the overall economic strength of a State as reflected by its national income but also of its actual capacity to pay as reflected by its per capita income. All Member States had a vested interest in the adoption of a fair and equitable scale methodology and his delegation hoped that all sides would be able to agree on a practical and scientific solution.

38. The Chinese Government had honoured its financial obligations to the Organization by consistently paying its assessed contributions in full and on time. Moreover, as a permanent member of the Security Council, China had also taken on additional financial obligations for peacekeeping activities. China's assessment rate had increased by 107 per cent between 2000 and 2004 and, if the existing scale methodology was retained, its assessment rate would be raised to 2.716 per cent in 2007. However, as long as its domestic economy continued to grow, and provided that the rate of assessment continued to be calculated on the basis of capacity to pay, the Chinese

Government was prepared to give favourable consideration to further increases.

39. It should be stressed, however, that despite its rapid economic development, China's per capita gross domestic product for 2005 was only US$ 1,703, far below the threshold level of US$ 5,094. Furthermore, at the end of 2005, more than 23 million Chinese had been living below the poverty line, and economic development and modernization in all areas continued to pose serious challenges.

40. **Mr. Kumaran** (India) endorsed the conclusions of the Committee on Contributions regarding the requests for exemption under Article 19 of the Charter and agreed that the States concerned should be permitted to vote until the end of the sixty-first session of the General Assembly. Since multi-year payment plans were a useful tool for reducing unpaid assessed contributions, he commended those States that were striving to meet their commitments under such plans. However, some States in arrears were not in a position to submit multi-year payment plans, and every effort must be made to support them in their time of need. In that spirit, favourable consideration should be given to Tajikistan's request that its arrears for peacekeeping that had accrued before 2000 should be written off. There could be no justification, however, for developed countries falling into arrears.

41. The financing of the United Nations was based on the fundamental and inviolable principle of capacity to pay and, while statistics could be manipulated to justify any argument, such practices undermined the spirit of the Organization. The 22 per cent ceiling imposed on the assessed contributions of one Member State was responsible for distorting the principle of capacity to pay, and it was time to reassess the impact of that measure and take appropriate action. The financial well-being of the United Nations was in the interest of the whole membership. Accordingly, all Member States should endeavour to pay their assessed contributions in full, on time and without conditions.

42. Turning to the methodology for the scale of assessments for the period 2007-2009, he agreed with the Committee on Contributions that the methodology should be based on the most current, comprehensive and comparable data available for GNI. Every effort must be made to ensure that all three of those criteria were met. He also endorsed the recommendation of the Committee contained in paragraph 30 of its report.

43. In order to ensure maximum simplicity and technical soundness and to minimize short-term fluctuations, a six-year base period should be used. The base period for the current scale was the result of a compromise and lacked technical merit. The proposal concerning annual recalculation should be approached with caution, as it would probably diminish predictability and result in needless additional administrative costs.

44. As far as the debt-burden adjustment was concerned, the current debt stock approach should be retained, since it was the true indicator of a country's indebtedness. The appropriateness of the current application of the debt-burden adjustment to higher income countries should be examined. Furthermore, the low per capita income adjustment should continue to be distributed only among Member States above the threshold. He was opposed to any significant increases in the assessments of developing countries and would be willing to consider further reductions in the floor if it continued to impose excessive burdens on some of the smaller Member States. The Secretariat must cooperate with those Member States that were having difficulty collating and submitting national income statistics on time with a view to ensuring that assessment rates were not determined on the basis of erroneous data.

45. **Mr. Al-Anazi** (Saudi Arabia) said that capacity to pay continued to be the most appropriate criterion for calculating the scale of assessments, not least because it had been applied since the establishment of the United Nations in accordance with Article 17 of the Charter. Although it was not perfect, the principle of capacity to pay remained the most realistic and logical method of determining Member States' financial contributions to the Organization.

46. He agreed with the Committee on Contributions that the Central African Republic, the Comoros, Georgia, Guinea-Bissau, Liberia, the Niger, Somalia and Tajikistan should be exempted from the provisions of Article 19 and that they should be permitted to vote until the end of the sixty-first session. In that connection, Saudi Arabia took the view that multi-year payment plans were a valuable tool for encouraging and assisting Member States to reduce their arrears.

47. He urged all Member States to pay their assessed contributions in full, on time and without conditions,

so as to ensure that the Organization could overcome its chronic financial difficulties.

48. **Mr. Ferreira** (Sao Tome and Principe), referring to the letter addressed to the Chairman of the Committee requesting an exemption under Article 19 of the Charter (A/C.5/61/3), explained that the economy of his country was very fragile. The long period of decline in the world price of cocoa and rising prices for crude oil were putting severe pressure on incomes and living standards. Extreme poverty was widespread and unemployment was increasing. Sao Tome and Principe had a high per capita debt ratio and was among the countries benefiting from the Highly Indebted Poor Countries (HIPC) Initiative. Its economic and social situation made it impossible for it to pay its assessed contribution at present, but it would do so as soon as possible. He hoped the Committee would make a decision in its favour, and expressed his thanks to the European Union and to all Member States which supported his country's request.

49. **Mr. Muhith** (Bangladesh) recalled that, in reviewing the scale of assessments, the Committee on Contributions had complied with its general mandate under rule 160 of the rules of procedure of the General Assembly. It had not received any guidance from the General Assembly on preparing a new scale for 2007-2009. However, it had decided to consider further the questions of the base period, the debt-burden adjustment, and the low per capita income adjustment. For his delegation, those three factors were very important elements in the future scale of assessments.

50. The new scale, in which capacity to pay should remain the principal element, should be based on updated gross national income data. For the least developed countries, his delegation strongly supported maintaining the floor assessment rate of 0.001 per cent and the maximum assessment rate of 0.010 per cent.

51. Conversion rates should be based on market exchange rates, with some exceptions where they would cause excessive fluctuations and distortions in the reported income of a Member State. Purchasing power parity was neither reliable nor appropriate as an element of the scale, because PPP exchange rates applied only to traded goods. Yet some crucial goods and services could not be traded internationally. Furthermore, while prices compared at market exchange rates might be similar in rich and poor countries for goods that were easily traded, prices of goods and services that could not be easily traded across borders could easily be as much as 50 times higher in rich countries than in poor ones.

52. His delegation strongly supported the conclusions of the Committee on Contributions concerning the requests received from eight Member States for exemptions from the provisions of Article 19, and its recommendation to allow those countries to vote until the end of the sixty-first session of the General Assembly. He also endorsed the request by the delegation of Sao Tome and Principe.

53. The system of multi-year payment plans had proved useful in assisting Member States to reduce their unpaid dues while demonstrating their commitment to meeting their financial obligations towards the United Nations. Liberia was to be commended on submitting a multi-year payment plan and making an initial payment. He welcomed the fact that Iraq and the Republic of Moldova had also made payments under multi-year plans.

54. It was very important to obtain reliable, verifiable and comparable statistical data on the financial situation of countries. In the case of certain countries which had not supplied information directly in response to the questionnaire on national accounts, the data relied upon had been that posted on the websites of their central banks or ministries of finance. Failure to update such information at source could result in the erroneous assessment of contributions. He suggested seeking the information required in such cases from the permanent missions to the United Nations of the countries concerned.

55. **Mr. Chem** (Cambodia) said that his delegation was firmly convinced that the methodology for the new scale of assessments should continue to be based on GNI data, average statistical base periods of six and three years, conversion rates based on market exchange rates, except where price-adjusted rates of exchange or other appropriate conversion rates would be more effective in avoiding distortions in reported Member State incomes, and a minimum assessment rate of 0.001 per cent and a maximum of 0.010 per cent for least developed countries.

56. He supported the conclusions and recommendations of the Committee on Contributions concerning the exemption of several Member States in arrears from the application of Article 19, and the proposal that those countries should be allowed to vote

until the end of the sixty-first session of the Assembly. His delegation had sympathy for Member States which were in difficulty and were temporarily unable to meet their financial obligations. Measures to encourage the payment of arrears should take account of their situation. The multi-year payment plan should remain a voluntary mechanism to assist in the payment of contributions, and should not be made subject to conditions.

57. **Mr. Afifi** (Egypt) said that for the United Nations to play a greater role in international affairs, it must have a sound financial basis. All Member States should pay their assessed contributions in full, on time and without conditions. Where severe circumstances prevented some Member States from fulfilling their obligations, they should be afforded sympathetic treatment. He supported the recommendation by the Committee on Contributions that they should be permitted to vote in the General Assembly until the end of its sixty-first session. He also supported the request by the delegation of Sao Tome and Principe. Egypt encouraged the submission of multi-year payment plans, which should remain voluntary.

58. The principal element in the methodology for establishing the scale of assessments should continue to be capacity to pay. The current methodology sometimes distorted that principle, and his country stood ready to explore options for improving it. The best expression of capacity to pay lay in the adjustments for low per capita income and for debt burden, which took account of both aggregate national income and per capita incomes.

59. **Mr. Adekanye** (Nigeria) said that Nigeria would continue to pay its assessed contributions in full and without conditions. His country valued the role of the United Nations in the world, and believed it was the responsibility of its entire membership to provide the resources for it to fulfil its mandates. The methodology for establishing the scale of assessments should include low per capita income adjustment and debt-burden adjustment, both of which impacted directly on a country's capacity to pay. His delegation supported the requests made by eight countries for exemption from the provisions of Article 19, owing to circumstances beyond their control. The request of Sao Tome and Principe should also be considered with understanding. He hoped the Committee would approve all those requests, so enabling the nine countries concerned to participate fully in the work of the Assembly at its sixty-first session. Member States which had submitted payment plans and honoured their commitments under them were to be congratulated.

60. **Mr. Roslan** (Malaysia) said that when dealing with the scale of assessments it was vital to take account of the various socio-economic factors which affected the well-being of Member States. The principle of capacity to pay must remain the basis for determining rates of assessment. His delegation supported the recommendation of the Committee on Contributions that market exchange rates should be used in determining the scale of assessments for the period 2007-2009, but should be replaced by price-adjusted rates of exchange or other appropriate conversion rates in cases where they would result in excessive fluctuations or distortions in reported national incomes. His delegation had serious reservations about the use of purchasing power parity, a concept not applicable in many countries and which would not be a feasible yardstick of actual capacity to pay.

61. Concerning the base period, the existing period of four and a half years was reasonable, but his delegation was willing to consider a minimum of three years or a maximum of six years. As for the ceiling rate, it should reflect actual capacity to pay, with the largest contributor paying more into the regular budget than the 22 per cent ceiling. His delegation would however be willing to consider other proposals intended to prevent the Organization from becoming dependent on the contribution of any individual Member State.

62. Debt-burden adjustment was an essential element in the calculation of the scale of assessments. Most developing countries also benefited from the low per capital income adjustment. Some Member States however faced problems when their GNI moved up past the adjustment threshold between different scale periods, and his delegation looked forward to a discussion of possible measures for addressing the problem of discontinuity.

63. Its Government was not in favour of an annual recalculation of the scale of assessments; that would make contributions less predictable for Member States, and would result in additional expenditure on technical reviews. The new scale of assessments should be fair, equitable and balanced, and should as far as possible avoid drastic changes in the assessments of Member States. He hoped all Member States would contribute

to honour their assessed contributions and pay their arrears unconditionally, so as to provide adequate and stable funding for the Organization.

64. **Mr. Farooq** (Pakistan) said that, in considering the scale of assessments, the Committee must face the challenge of reconciling diverging views. However, a good starting point was agreement that capacity to pay must form the foundation of any new methodology. Capacity to pay was the only concept that could ensure equitable sharing-out of the Organization's expenses while also taking into account the limitations of developing and least developed States.

65. Low-income relief for countries with low per capita incomes must remain an integral part of the methodology for determining the scale of assessments, because it provided modest but essential compensation for countries whose economies had suffered from global economic and political developments. For that reason, the gradient, or rate of relief, should return to its former level: 85 per cent. The current debt-stock approach to calculating such countries' debt-burden adjustment should be retained, as the debt levels of many of them remained unsustainable.

66. His delegation concurred with the recommendation of the Committee on Contributions that gross national income should continue to form the basis of scale of assessment calculations. The alternatives, which included purchasing power parity, had no sound technical or moral basis, and should not be discussed. If they were applied, the absence of up-to-date or comparable figures for most Member States would create huge distortions and abrupt and substantial increases in the assessments of low-income countries.

67. Member States' contributions to the budget of the Organization must be determined by capacity to pay, rather than potential alternative considerations such as responsibility within the Organization. The Member States must avoid polarization and division. Levels of contribution must not be used to create political leverage. Pakistan had always met its financial obligations in full and on time, realizing that the Organization could only fulfil all of its mandates and responsibilities with adequate resources. The financial crisis it had previously faced must be avoided in the future.

68. **Mr. de la Peña** (Mexico) said that, since the birth of the Organization, Mexico had taken the view that expenses must be apportioned according to Member States' capacity to pay. No system for achieving that end was perfect, but every system could be improved. For that reason, his delegation had proposed ways to correct the distortions and negative effects found in the current methodology for calculating the scale of assessments. Those problems, which dated back decades, would only grow worse as developing and transitional economies progressed. Although discontinuity in the low per capita income adjustment was less serious than before, it would come to affect more Member States. Moreover, with the greatest element in the calculation of the scale of assessments being gross national product, the base periods used must be adjusted to take better account of capacity to pay, either by eliminating the two-year time lag in macroeconomic data, or by finding another way to ensure that short-term methods of measurement reflected economic reality more closely.

69. His delegation would like the Committee on Contributions to inform it how many countries had previously crossed the low per capita income threshold from one scale to the next, and how many were likely to do so in the next scale under the current methodology. He wondered how many countries were likely to face the income-adjustment discontinuity problem in the coming three years, and whether establishing a second threshold would address that problem. Mindful of the two-year lag in data collection, Mexico wondered whether reducing one of the base periods from three to two years might help, how many States actually provided timely official information and how information was obtained for States which failed to do so.

70. **Mr. Tal** (Jordan) said that, at the sixtieth session of the General Assembly, the Committee had devoted a great deal of time to discussing the methodology for establishing the scale of assessments. His delegation hoped that members of the Committee would not repeat the views already expressed, but rather build on past discussions. Capacity to pay was the main criterion for apportioning the expenses of the Organization, so the scale methodology must accurately reflect that principle, and must continue to take account of ceiling and threshold levels for developing countries. In addition, Member States must remember their legal obligation to pay their assessments in full and on time. Failure to do so prevented the United Nations from fulfilling its

mandates and hindered efforts to improve its performance.

71. The data collected to establish the scale of assessments for 2007-2009 must be reliable, both to provide a faithful economic picture, and to enable economic performance to be monitored over time. As appropriate debt-burden adjustment was vital to assist countries with a high ratio of debt to gross national product, Jordan favoured continued use of the debt-stock approach. Like other developing countries, it considered that the steep increase in its assessments had not been matched by an increase in its capacity to pay, and hoped that there would not be a wider shift of the financial burden to developing countries. It also lent its support to multi-year payment plans, calling on all States covered by such plans to adhere to them. Multi-year payment plans must continue to be voluntary, however. The difficulties faced by the group of States to which Article 19 of the Charter might apply had been caused by very serious economic circumstances; Jordan therefore favoured enabling those States to vote in the General Assembly until the end of the current session.

72. **Ms. Taylor Roberts** (Jamaica) said that her delegation supported the requests for a waiver of the provisions of Article 19 of the Charter received in advance of the current meeting from a number of Member States, as well as that just received from Sao Tome and Principe. In that connection, the Committee should demonstrate understanding: States did not depart from established procedure without good reason, and the number of such requests made directly to the Committee had declined.

73. The increase in assessments from one scale to the next which Angola currently faced and which Jamaica had faced in 2004 were substantial and excessive. There should be an established mechanism to cope with such situations to prevent the States affected from being forced to beg for indulgent treatment, and the increases themselves should be phased in. The fairest principle for calculating assessments remained capacity to pay, so the Committee should without delay review the biggest distortion in the system, which was the 22 per cent ceiling on contributions.

74. **Mr. Jha** (Nepal) said that Nepal's good record in paying assessed contributions reflected its belief in the Organization. The Organization could only carry out its mandated tasks effectively with a sound financial base. However, some Member States accumulated arrears because of unavoidable circumstances connected with socio-economic, political and natural phenomena and because of their debt burdens. Some also accumulated arrears because of increases in assessments which were not commensurate with their capacity to pay, a key principle. Moreover, special consideration should be given to countries emerging from conflict.

75. The Committee should consider the prospect of using purchasing power parity as a basis for calculating the scale of assessments with great care, in order to determine whether the figures it provided were reliable, verifiable and comparable. Developing countries, especially the smallest countries and the least developed countries, suffered when their assessments rose. Accordingly, the floor rate of 0.001 per cent and the least-developed-country ceiling of 0.010 per cent should be maintained. Nepal supported the request for a waiver of the provisions of Article 19 of the Charter made by a group of States, as their inability to make the minimum required payments was due to conditions beyond their control.

76. **Ms. Udo** (Nigeria), speaking on behalf of the African Group, said that States' requests for a waiver of the provisions of Article 19 of the Charter, whether made to the Committee on Contributions or to the Fifth Committee, customarily received sympathetic consideration. She hoped that would continue to be the case. While the African Group believed that procedures should be followed, departures for understandable reasons did occur. In some cases, those States' missions in New York were unable to submit such requests in a timely manner.

The meeting rose at 12.35 p.m.