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SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS

Draft report of the Fifth Committee

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I. INTRODUCTION

1. At its 4th and 5th plenary meetings, on 22 September 1978, the General Assembly decided to allocate to the Fifth Committee agenda item 108, entitled "Scale of assessments for the apportionment of the expenses of the United Nations: report of the Committee on Contributions".

2. The Fifth Committee considered that item at its 3rd, 4th and 5th meetings on 27, 28 and 29 September, and at its 6th, 8th and 10th meetings, on 2, 4 and 6 October, respectively. It had before it the report of the Committee on Contributions 1/ containing two draft resolutions recommended by that Committee.

3. In his oral introduction of the report at the 3rd meeting, held on 27 September, the Chairman of the Committee on Contributions, recalling General Assembly resolution 31/95 A of 14 December 1976, whereby that Committee was requested to study in depth ways and means of increasing the fairness and equity of the scale of assessments, stated that the Committee was aware of its continuing obligation to the Assembly to achieve that objective. The Committee recognized the need for a further reappraisal of the methodology it used. In fact, under the guidance of the General Assembly, the Committee had, over the years, devoted much of its time to searching for improvements in the statistical measurement it used to evaluate the relative capacity of Member States to pay. During its recent session, the Committee explored other additional alternatives which included the

1/ Official Records of the General Assembly, Thirty-third Session, Supplement No. 11 (A/33/11 and Corr.1 and Add.1).

possibility of using a basket of currencies or purchasing power parities for the conversion of national income estimates into a common unit. However, in its examination it observed that, owing to the widely varying economic systems and stages of development of Member States, the adoption of either a basket of currencies or purchasing power parities would post complex problems. For example, baskets of currencies and units of account established by institutions for financial transactions and accounting purposes had never been adopted for or adapted to conversions of national accounts or income. No composite unit had been conceived with the aim of achieving comparative estimates of national incomes; nor did the existing composite unit embrace the entire membership of the United Nations. In other words, no single composite unit represented a realistic reflection of the economic relationships among all Member States. The conclusion of the Committee was that, for the purpose of formulating a scale of assessments, the results obtained through the use of the special drawing right were only marginally at variance with those results based on the use of the United States dollar.

4. With regard to the use of purchasing power parities, in view of the limitations concerning the establishment of reliable comparisons of the real product and purchasing power of Member States, and in view of the fact that data covering the entire membership of the United Nations would not be available for many years to come, it would serve no useful purpose for the Committee on Contributions to consider such a substitution in the near future. The same was true with regard to the feasibility of expressing national income estimates in constant rather than in current United States dollars with a view to eliminating distortions resulting from varying degrees of domestic inflation. Since, apart from conceptual and practical difficulties, it was not anticipated that data in constant prices would be available for all Member States for at least another decade, the Committee on Contributions had had to discontinue its consideration of the subject pending the compilation of constant price data by Member States on a uniform and comparable basis.

5. The Committee on Contributions concluded that for the near future it should retain its use of the United States dollar for the conversion of national income data into a common unit, while, nevertheless, agreeing that its examination of a broad range of issues in connexion with conversion methods had been valuable and that in exercising its collective judgement, those issues would be taken into account in individual cases to the extent possible and feasible.

II. DEBATE

6. During the debate, the Committee on Contributions and its Chairman were commended by a number of delegations for the scope and depth of the Committee's report and for its indefatigable efforts in the search for a satisfactory solution to technically complex problems. Some delegations had no difficulty in endorsing the Committee's recommendations which, they considered, were well-founded and worthy of their full support. Others were prepared to accept the proposed scale with certain reservations.

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7. Referring to the report, one representative stated that the Committee on Contributions had undertaken an extensive review of the entire system and should, for the time being, bring to an end the discussions on possible improvements in the methodology for the formulation of the scale of assessments. It was stated by another representative that the General Assembly should never again alter the base period in order to accommodate the interests of individual countries. Capacity to pay should continue to be the basic criterion governing the formulation of the scale of assessments, and in the absence of a composite indicator reflecting the relative level of a country's development or its economic and social status, national income should continue to be the yardstick for measuring capacity to pay, since it was the only single indicator which could be statistically compiled for all countries.

8. Speaking on the role of the Committee on Contributions, it was stated that the Committee should be totally independent and on no account should it be subject to "political bargaining". Member States should attach great importance to preserving the traditional role of that Committee as an expert, an impartial arbiter of conflicts over the scale of assessments. It was a Committee that all Member States trusted and respected. Rates of assessment should be based on ascertainable facts and not on political pressure. Moreover, the great majority of Member States recognized that the changes agreed to at the last session of the General Assembly in the system for calculating assessment rates provided the basis of consensus for many years to come. Furthermore, the current methodology used by the Committee showed some merit in terms of a measure of stability, and they expressed the hope that the Committee would be allowed to employ the present system long enough so as to demonstrate its merits.

9. Dissatisfaction was expressed by representatives of some Member States over the rates of assessment for their countries adopted by the General Assembly at its thirty-second session.

10. The representative of Singapore in particular expressed disappointment over the decision of the Committee on Contributions not to reduce his country's assessment for 1978 and 1979. Singapore accepted the primary principle of the collective responsibility of a developing country to shoulder a greater share of the financial burden of the Organization as that country began to achieve economic progress, except that there should be a fair burden-sharing. The representative considered that the rate of 0.08 per cent was an exaggeration of Singapore's increased capacity to pay.

11. Referring to the extension of the base period from three to seven years, some delegations welcomed the use of a seven-year statistical base. However, this view was not shared by other delegations who were of the opinion that the extension would not reflect a Member State's current economic situation. One delegation expressed the hope that the Committee on Contributions would eventually return to the former base period of three years; whereas another delegation suggested that a base period of five years would have been a better compromise. Still another preferred a period even longer than seven years in order to include a wider reflection of economic realities.

12. In determining a country's capacity to pay, some delegations were of the opinion that the present statistical basis could also be ameliorated by the introduction of national wealth data as well as national welfare statistics. While the foreign trade of a country should be given more weight than the purely domestic portion of its economy, the earnings of developing countries from their foreign trade should not automatically be taken as a final reflection of their real capacity to pay since foreign trade earnings were needed to finance development. Consequently, a big rise in net national income should not automatically lead to a larger assessment, but should be interpreted in the broader context of other supplementary statistical data. Purchasing power parities were important in correcting distortions which resulted from speculation and from other factors with little relevance to the true economic and financial position of a country. The unavailability of data from certain countries should not impede the possible improvement in the methodology to be used by the Committee in the future. In the case of Japan, it was stated that the purchasing power parities of that country's currency to the dollar were currently in the range of 210-230 yen per US dollar, whereas the current rate of exchange stood at less than 190 yen per US dollar, thereby leading to the supposition that the yen was over-valued in relation to the dollar. In the view of some delegations, the concept of purchasing power parities might in the future provide a viable unit for comparing the real purchasing power of Member States, thus the possibility of its future application should be kept constantly under review.

13. It was emphasized by one representative that the efforts made by the Committee on Contributions in an attempt to bring about a change in the methodology for the calculation of a more judicious assessment were extremely important, since the scale established for 1978-1979 was not satisfactory. There was an urgent need, therefore, for the Committee to continue consideration of different methods which might lead to a more equitable distribution of contributions in the light of the particular situation of each country.

14. With reference to the evolution of national income, it was pointed out, it was impossible to make comparisons between the developed and the developing countries which had started from nothing and which, therefore, had a very high growth rate. For example, the Libyan Arab Jamahiriya, it was stated, had only a single source of income which would one day be exhausted and, in order to build its economic future, it had had to execute a very large number of development projects and purchase all necessary products from the developed countries for their execution. Furthermore, it was added, as that Member State was sensitive to the economic situation of the less developed countries, it continued to provide them with economic assistance which represented 8 per cent of its national income. In the circumstances, the assessment for that country was beyond its capacity to pay. It was hoped, therefore, that the Committee on Contributions, in its future studies, would take greater account of the situation of each country.

15. The representative of Poland confirmed his country's reservations on the calculation of its assessed contribution under the present scale of assessments and called for its correction in the new scale of assessments. He stressed that the rate of exchange which has been in use since 1972, the economically sound

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co-efficient of 33.20 zloties to $US 1, should have been used for the calculation of Poland's contribution to the United Nations. Referring to paragraph 57 of the report of the Committee on Contributions 1/ (which deals with the case of Poland) he stated that, most likely by omission, the conclusion was dropped from that paragraph. The Chairman of the Committee on Contributions agreed, and he assured the representative of Poland that, in the case of the representations submitted by Poland, the Committee had made a thorough examination and agreed to bear in mind the relevant points raised in them in the formulation of the next scale of assessments. A number of delegations voiced their support for the arguments advanced by Poland and hoped that they would be fully taken into consideration by the Committee on Contributions.

16. Poland also favoured consultations between the Committee on Contributions and Member States in some difficult cases and supported the upward revision of the present low income allowance formulae.

17. The presentation of complete data on national income was, however, a difficult task for many countries, and the choice of exchange rates was a complicated process in the case of the developing countries and those countries non-members of the International Monetary Fund. Therefore, distortions in the national accounts caused by measures to control inflationary pressures could lead to results which in no way reflected the true situation prevailing in the country. It was suggested that one solution might be to combine the efforts of the Committee on Contributions with those of the Link Project with a view to having available data that were constantly being revised, thereby enabling the Committee to take into account the findings of the Link Project when it held its session in 1979.

18. With reference to special drawing rights, the Committee concluded that the result obtained by their use in order to mitigate the effects on the scale of sharp variations in national income caused by national currency fluctuations did not differ markedly from that obtained by lengthening the base period. It was further stated that this conclusion was correct only when increases in national income due to appreciation of the national currency vis-à-vis the US dollar were followed by reductions due to devaluation of that currency against the dollar. Thus the national incomes of countries whose currencies had not fallen along with the dollar had recorded an artificial increase in their national incomes expressed in dollars. In the case of Cuba, it was stated, the artificial increase had reached about 25 per cent annually since 1972. This fact should be borne in mind in the formulation of the next scale of assessments.

19. Further on the subject of the special drawing rights, it was said that while there were limitations on the scope of the SDR and other international units, they could still impart a greater degree of stability to the budget and to the scale of assessments than was possible under the current system. Accordingly, the Committee on Contributions should continue to study on an urgent basis the feasibility of using the SDR or some other international unit.

20. Concerning the Committee's conclusions to continue the use of the United States dollar, at least for the near future, for the purpose of converting national

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income data into a common unit, some delegations considered that it was unrealistic to expect one currency to be the permanent reference point for the calculation of the budget or the scale of assessments, particularly when increasing decentralization of United Nations activities was accompanied by an increase in expenditures in currencies other than the United States dollar. It was further pointed out that, for some developing countries, payments of contributions in United States dollars had caused some depletion of foreign reserves. For example, Barbados had been forced to dig deeply into its reserves as its national contribution had increased in relation to those of developed countries whose currencies had risen against the dollar. If Barbados could pay the relevant segment of its contribution in Barbados dollars to cover the cost of United Nations activities financed in that currency, it would be better able to participate in more of the vital organs of the United Nations system, and it might even be able to make further voluntary contributions.

21. The problem of insulating the budget and assessed contributions from currency fluctuations was common to all the organizations of the United Nations system, thereby necessitating a system-wide approach. In this connexion, it was suggested that a high-level expert group be established to examine the adverse effects on the budgets of the organizations of the system and the contributions of their members as a result of the denomination of contributions in a single currency. The group should also study the extent to which fluctuations could be minimized by denominating budgets and contributions in an international monetary unit, and identify the most appropriate international unit for that purpose. It should suggest a phased plan for the adoption of the new unit and address specific recommendations to all organizations in the United Nations system. It was further suggested that the group should consider the possibility of holding contributions from Member States in a number of currencies, since a large part of the expenses of the Organization were incurred in the field and necessitated the reconversion of dollar contributions into local currencies - a process which resulted in considerable losses to the Organization. The purpose of holding contributions, as far as practicable, in the currencies of Member States, subject to their convertibility at short notice, should give a measure of flexibility to contributions and ensure greater equity.

22. In response to an inquiry made by the representative of Trinidad and Tobago about the possible utilization of the unit of account of the European Community, the Chairman of the Committee on Contributions explained that the observation of the Committee on Contributions that no single composite unit embraced the entire membership of the United Nations was also true in the case of the unit of account of the European Community. The unit of account of the European Community was composed of only the currencies of the Community's nine members as against 16 currencies comprising the Special Drawing Right basket. While it was true that the EEC had wide ranging trading patterns with countries of Africa, the Caribbean and the Pacific and with the socialist countries of Eastern Europe, it should be noted that the unit of account of the European Community excluded important trading currencies such as the US dollar, the Japanese yen and the Canadian dollar, whereas the latter currencies were included in the SDR. Thus the unit of account of the European Community was a more restricted basket of currencies than the SDR.

23. Furthermore, most of the currencies of the countries in Africa, the Caribbean and the Pacific, which had extensive trade relations with the European Community and which were signatories to the Lomé Convention with the Community were pegged to either the US dollar, the SDR, the French franc, or the pound sterling. Trade settlements between the European Community members and the socialist countries of Eastern Europe were made mostly in US dollars.

24. If a scale was calculated based on the unit of account of the European Community, one would have to follow the same procedure as in the case of a scale based on the SDR, namely convert national currencies estimates into the unit of account of the European Community through the US dollar. If a comparison was made between the trends of the value of the unit of account of the European Community and that of the SDR both expressed in US dollars, the differences would appear to be minor, and especially when comparisons were made in terms of scales of assessment, one might find that a scale based on the unit of account of the European Community would also be marginally at variance with a scale based on the US dollar.

25. With reference to the expenses of the United Nations peace-keeping forces and the status of unpaid contributions relating thereto vis-à-vis the application of Article 19 of the Charter of the United Nations, some delegations were of the opinion that the expenses of the Organization had to be evaluated in the light of the purposes for which those expenses were made, and peace-keeping operations, they maintained, fulfilled the primary objective of the Organization; accordingly, the related expenses constituted expenses of the Organization within the meaning of paragraph 2 of Article 17 of the Charter. That view had been upheld by the International Court of Justice in 1962 in an advisory opinion and accepted by the General Assembly in resolution 1854 A (XVII) of 19 December 1962. Attention was drawn to the fact that expenses of earlier peace-keeping operations such as the United Nations Truce Supervision Organization in Palestine (UNTSO) and the United Nations Military Observer Group in India and Pakistan (UNMOGIP), had been included in the budget and that most Members, if not all, had paid their share of the cost through their assessed contributions. In this connexion, it was further stated that there was a dangerous tendency among Member States to be selective in paying their contributions toward the expenses of the Organization. The refusal of some Member States to contribute to the expenses of certain peace-keeping operations seemed to be based not on legal but on purely political consideration. It was essential, therefore, that the Assembly should be guided in its decisions by the larger interests of the Organization so as to ensure that its primary purpose of maintaining world peace could be fulfilled without interruptions.

26. On the other hand, with reference to the same subject, certain representatives conveyed the position of their delegations that they did not wish to participate in the financing of those peace-keeping forces. On the relationship between the expenses of peace-keeping operations and the application of Article 19 of the Charter, one delegation objected to the interpretation, whereby the scope of Article 19 of the Charter was extended so as to apply it to the expenses of peace-keeping forces. It was pointed out that according to a decision taken by the General Assembly in 1965 in connexion with the reports of the Special Committee on Peace-keeping Operations, such arrears did not come within the terms of Article 19,

III. ACTION BY THE COMMITTEE

27. At its 10th meeting, on 6 October 1978, the Fifth Committee adopted by consensus the two draft resolutions recommended by the Committee on Contributions (see para. 28 below).

IV. RECOMMENDATIONS OF THE FIFTH COMMITTEE

28. The Fifth Committee recommends to the General Assembly the adoption of the following draft resolutions:

DRAFT RESOLUTION I

Scale of assessments for the apportionment of the expenses of the United Nations

The General Assembly

Resolves that:

1. The rates of assessment for the following States, admitted to membership in the United Nations on 20 September 1977, shall be as follows:

Member State	Percentage contribution	
	1977	1978-1979
Djibouti	0.02	0.01
Viet Nam	0.03	0.03

For 1979, these rates shall be added to the scale of assessments established under subparagraph (*a*) of General Assembly resolution 32/39 of 2 December 1977;

2. For 1978, Djibouti and Viet Nam shall contribute at the rate of 0.01 and 0.03 per cent, respectively;

3. For 1977, Djibouti and Viet Nam shall contribute at the rate of one ninth of 0.02 and 0.03 per cent, respectively;

4. The contributions of the two new Members for 1977 and 1978 shall be applied to the same basis of assessment as for other Member States, except that in the case of appropriations approved under General Assembly resolutions 31/5 C and D of 22 December 1976 and 32/4 B and C of 2 December 1977 for the financing of the United Nations Emergency Force and the United Nations Disengagement Observer Force, and under Assembly resolution S-8/2 of 21 April 1978 for the financing of the United Nations Interim Force in Lebanon, the contributions of those States (as determined by the group of contributors to which they may be assigned by the Assembly) shall be calculated in proportion to the calendar year;

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5. The advances to the Working Capital Fund of Djibouti and Viet Nam under regulation 5.8 of the Financial Regulations of the United Nations shall be calculated by the application of rates of assessment of 0.01 and 0.03 per cent, respectively, to the authorized level of the Fund, such advances to be added to the Fund pending the incorporation of the new Members' rates of assessment in a 100 per cent scale;

6. Subject to rule 160 of the rules of procedure of the General Assembly, and notwithstanding the provisions of subparagraph (f) of Assembly resolution 3062 (XXVIII) of 9 November 1973:

(a) Viet Nam shall be called upon to contribute towards the 1976 expenses of those United Nations activities in which it participated at the rate of one half of 0.06 per cent for the first half of 1976 2/ and at the rate of one half of 0.02 per cent for the remainder of that year;

(b) Viet Nam shall be called upon to contribute towards the 1977 expenses of those United Nations activities in which it participated at the rate of eight ninths of 0.03 per cent.

DRAFT RESOLUTION II

Amendment to rule 159 of the rules of procedure of the General Assembly

The General Assembly

Decides to amend rule 159 of its rules of procedure to read as follows:

"Rule 159

"The members of the Committee on Contributions, no two of whom shall be nationals of the same State, shall be selected on the basis of broad geographical representation, personal qualifications and experience and shall serve for a period of three years corresponding to three calendar years. Members shall retire by rotation and shall be eligible for reappointment. The General Assembly shall appoint the members of the Committee on Contributions at the regular session immediately preceding the expiration of the term of office of the members or, in case of vacancies, at the next session."

2/ In respect of the former Republic of South Viet Nam.