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at 10 a.m.  
New York

SUMMARY RECORD OF THE 8th MEETING

Chairman: Ms. MUSTONEN (Finland)  
(Vice-Chairman)

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

CONTENTS

AGENDA ITEM 116: FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS  
OF THE BOARD OF AUDITORS (continued)

AGENDA ITEM 123: JOINT INSPECTION UNIT (continued)

AGENDA ITEM 125: 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 10.30 a.m.

AGENDA ITEM 116: FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS (continued) (A/45/5 and Corr.1, vols. I, II and III, and Add.1, Add.2 and Corr.1, Add.3-5, Add.6 and Corr.1, Add.7 and Add.8 and Corr.1, A/45/457, A/45/509, A/45/537 and A/45/570 and Corr.1)

1. Mr. KOULYK (Ukrainian Soviet Socialist Republic) said that his delegation attached great importance to the work of the Board of Auditors and continued to support an expansion of its functions with respect to the tightening of financial discipline and the exposure or elimination of incorrect or careless uses of funds. It supported all measures designed to improve financial and budgetary control and to standardize the submissions of financial departments. It was entirely appropriate that the question of developing generally accepted accounting principles for the United Nations system should have been discussed at the Board's consultations with the Advisory Committee on Administrative and Budgetary Questions (ACABQ). In that connection, his delegation endorsed the commissioning of a study, with assistance from the International Accounting Standards Committee.

2. It was regrettable that not all administrations had taken the necessary steps to implement the recommendations of the Board and the Advisory Committee, as called for in General Assembly resolution 44/183. It was even more regrettable that no explanation should be given for such a failure. Examples of abuse in the report on the United Nations included instances of fraud and of excessive overtime payments in the Security and Safety Service. It appeared that major economies could be achieved through the recovery of rental and operating costs charged to the specialized agencies and other entities by regional commissions and other offices away from Headquarters. A review of the cost-sharing arrangements between the United Nations Office at Vienna, the United Nations Industrial Development Organization (UNIDO) and the International Atomic Energy Agency (IAEA) could also yield substantial savings. His delegation supported the proposed speedy and substantial strengthening of administrative and budgetary functions and structures of the United Nations Office at Vienna, which was consistent with the General Assembly's intention to make the work of that Office as effective and economical as possible.

3. Other serious breaches of financial discipline had been noted in the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF) and the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). In the Office of the United Nations High Commissioner for Refugees (UNHCR) the Administration's response to concern over the loss of three vehicles was highly unsatisfactory and emphasized the need for practical implementation of the principle of individual financial responsibility.

4. It was the hope of his delegation that all administrations of the United Nations system would make every possible effort to ensure that all the conclusions and recommendations of the Board and the Advisory Committee were implemented without delay. It would also appreciate some further clarification of the doubts

(Mr. Koulyk, Ukrainian SSR)

expressed by the Chairman of the Board with respect to the Board's capacity to carry out a comprehensive review of the effectiveness of programmes.

5. Mr. WU Gang (China) said that the reports of the Board of Auditors not only helped Member States to understand the performance and financial position of the various organizations of the United Nations system but also helped those organizations to strengthen their financial management.

6. As far as budgetary control was concerned, there would appear to have been marked over-expenditure in the United Nations, UNDP, UNICEF and the United Nations Institute for Training and Research (UNITAR). In UNITAR, in particular, such over-expenditure was accompanied by an insufficiency in pledged contributions. UNITAR should therefore give priority to reducing expenditure while increasing revenues and strengthening management. While UNDP had improved its budgetary discipline, expenditures in five of its headquarters units had still exceeded allotments. In the United Nations, in 10 out of 34 budget sections expenditures had exceeded appropriations. The Administration had frequently made transfers between budget sections in order that no section should exceed its appropriations, but no practical and effective control measures had been taken. The Advisory Committee had approved the transfers but had noted in its report that the Administration needed to explain much more clearly the reasons for them. In his delegation's view, these reasons should also be made known to the General Assembly or to the governing body concerned. It hoped that the observations and comments of the Board of Auditors and the Advisory Committee would be heeded and that in future budgetary discipline would be enforced.

7. The Board's report indicated that, in the case of UNDP and the United Nations Population Fund (UNFPA), the proportion of unaudited programme expenditure to total programme expenditure by executing agencies, Governments and non-governmental organizations remained too high and that programme expenditure and programme support costs expenditure were not supported by adequate evidence. Co-operation needed to be strengthened in order to ensure that all items of expenditure could be properly audited. Moreover, UNDP and UNFPA did not properly distinguish between programme expenditure, programme support costs and administrative expenditure.

8. In the case of many executing agencies, both management and procurement activities needed to be improved. For example, 24 per cent of UNICEF projects funded from general resources and 42 per cent of supplementary-funded projects had poor rates of delivery. Some United Nations projects also suffered from low delivery rates, and serious delays were experienced in some projects of the United Nations Habitat and Human Settlements Foundation (UNHHSF) and the International Trade Centre. His delegation hoped that detailed explanations would be given of such delays and of poor performance and that public bidding would be more commonly used in the procurement activities of certain organizations.

9. The reports of the Board of Auditors cited many instances of shortcomings in administrative management. His delegation hoped that the organizations concerned would pay due attention to the problems noted and adopt specific measures to prevent a recurrence.

(Mr. Wu Gang, China)

10. His delegation noted that in its report the Board had expressed a qualified opinion on the issue of unpaid assessed contributions to the United Nations and to peace-keeping activities. It was obvious that the huge amount of arrears seriously affected the financial management of the United Nations and hampered the smooth functioning of the Organization and his delegation earnestly hoped that all Member States would discharge their financial obligations promptly and in full.

11. Ms. OLDFELT HJERTONSSON (Sweden), speaking on behalf also of the delegations of Denmark, Finland, Iceland and Norway, said that the Nordic delegations attached great importance to the work of the Board of Auditors and to its reports, which provided Member States with an impartial assessment of the financial position and managerial efficiency of the different organizations of the United Nations system. They noted with satisfaction that the Board had continued its practice of reporting the results of specific audits and of issuing management letters containing detailed audit observations to the administrations concerned.

12. The Nordic delegations endorsed the Board's observations and recommendations and would, as in previous years, support a recommendation requesting the competent governing bodies to ensure that the executive heads concerned took the necessary steps to implement the Board's recommendations.

13. One point of particular concern was the lack of budgetary control in some organizations, including the United Nations itself, UNITAR and the International Trade Centre. In regard to the United Nations, the Board had found that expenditure controls in relation to allotments and total appropriations were not effectively exercised, with the result that it had become customary to seek approval for transfers between sections of the budget. The Board pointed out that, unless that practice was corrected, budgetary control was meaningless and it recommended that the utmost importance should be given to the budget performance report so that appropriations would not be exceeded. Further improvement of the techniques for estimating expenditures, especially in the final performance report, could minimize the incidence of transfers between sections of the budget. In that connection, the Nordic delegations asked whether the Secretariat could confirm that the introduction of the Integrated Management Information System would improve the situation.

14. Another point of concern was the lack of clarity in UNDP accounting policy regarding unliquidated obligations at year-end. The Board of Auditors pointed out that the accounting policy of UNDP in that respect departed from generally accepted accounting principles in the case of purchases of equipment in that the issuance of a purchase order was treated as an expenditure despite the fact that delivery had not yet taken place. That led to uncertainty in reported expenditure and the Nordic delegations hoped that the uncertainty would be removed.

15. The Board also noted that UNDP and UNFPA still had no guidelines for distinguishing between programme expenditure, programme support costs and administrative expenditure, and reiterated its previous recommendation that comprehensive guidelines should be issued and implemented in order to clarify the presentation of those expenditures. The Nordic delegations supported that recommendation.

(Ms. Oldfeit Hjartunsson, Sweden)

16. The Nordic delegations also noted with concern that the Board had once again been compelled to issue qualified audit opinions in regard to UNDP and UNFPA, despite the General Assembly's request, in resolution 44/183, that the executive heads concerned should take steps to correct or improve the conditions that had given rise to the qualification. Considerable improvements had admittedly been made, however, and it was to be hoped that further improvements would be possible.

17. With regard to the audit of UNHCR, which had included an audit of its Unearmarked Trust Fund, the Board had concluded that no adequate controls had been instituted to govern the use of the Fund. It therefore recommended that UNHCR should ensure that voluntary contributions were only accepted and utilized in a manner consistent with the Financial Regulations and Rules of the United Nations, the Financial Rules for Voluntary Funds and, where relevant, with the United Nations Staff Regulations and Rules. The Nordic delegations strongly supported that recommendation. In the summary of its recommendations regarding UNHCR, the Board suggested that the possibility of obtaining guaranteed income to complement voluntary contributions, which had become largely unpredictable, should be explored. The difficulties in the timing of voluntary contributions to meet the operational funding requirements of UNHCR seriously hampered effective and speedy intervention. The Nordic delegations understood that the Executive Committee of UNHCR intended to seek the advice of ACABQ, which had also drawn attention to the problem, and appreciated the importance attached by the Board to an issue which was of the utmost importance for refugee programmes around the world.

18. In connection with management issues, the Board had drawn attention to the problem of quantifying final outputs in the United Nations programme budget and in the programme performance report, noting that planned output financed by extrabudgetary resources was not clearly specified in the programme budget and that allocation of resources at the output level was not indicated in the programme budget. The General Assembly and donor countries were thus not informed about the way in which extrabudgetary resources were being used to attain specific objectives. The Board accordingly recommended a detailed review of compliance with the relevant rules and regulations, with particular attention to the programme planning and monitoring of all United Nations activities funded partially or fully from extrabudgetary resources. The Nordic delegations believed that clear definitions of outputs were essential for the planning, budgeting, monitoring and evaluation process, and, while they agreed with ACABQ and the Secretariat that it was not always possible to define outputs accurately, they supported the Board's proposal and encouraged the Secretariat to make every effort to define outputs as clearly as possible.

19. The Nordic delegations were also concerned about the level of programme delivery in some organizations. The Board had reported problems in UNICEF, UNHCR and UNHHSF and had reviewed project execution in UNICEF, about which ACABQ had also expressed concern. The review indicated low or zero delivery rates for both supplementary-funded projects and projects funded from general resources. The Nordic delegations hoped that the endeavours that the UNICEF Administration intended to make in response would result in improvements in programme delivery rates.

AGENDA ITEM 123: JOINT INSPECTION UNIT (continued) (A/45/34, A/45/117 and A/45/441)

20. Mr. BENNETT (United States of America), recalling that, at the forty-fourth session of the General Assembly, Member States had endorsed the recommendations in the JIU report on the installation of an optical disc system for documents and record storage (A/44/684) and suggested that the Secretary-General should initiate the implementation of such a system during the current budget period, said that the Secretary-General had also been requested to prepare a comprehensive plan for the full implementation of the proposed system for presentation to the Assembly at its forty-fifth session. His delegation hoped that the Secretary-General's report would act as a catalyst for action and would receive serious attention from Member States.

21. The General Assembly also had before it at its current session a JIU report on human resource development through technical co-operation (A/45/113). Although, the recommendations in that report seemed useful and relevant and deserved careful review by Member States, his delegation believed that, before action was taken on the proposal to create a special office, within UNDP or some other organization in the system, for the purpose of co-ordinating human resources activities, it was essential to have the comments of the Administrative Committee on Co-ordination (ACC) and the Secretary-General. Furthermore, any proposal to create such a special office or "focal point" should include suggestions for expenditure reductions elsewhere.

22. The United States delegation had mixed views about the progress achieved in implementing previous JIU recommendations. The Secretary-General's report (A/45/441) indicated that serious efforts had been made to implement recommendations in some areas, in particular staff representation at United Nations conferences and meetings. The response to JIU proposals on technical co-operation between organizations of the United Nations system and the least developed countries had been less satisfactory; in many instances, Member States were merely informed that steps had been taken to implement recommendations without any specific examples. The response to JIU proposals for reducing the frequency and cost of meetings relating to the implementation of operational activities in the least developed countries was even less satisfactory; paragraph 31 of the Secretary-General's report indicated that the study requested had not been carried out, although some savings had supposedly been realized in the case of meetings organized by the United Nations Conference on Trade and Development (UNCTAD). His delegation requested clarification regarding the implementation of the recommendation by other United Nations agencies and programmes.

23. Little effort had been made to address the recommendations in the JIU report on UNICEF activities and structures (A/42/136). The Executive Director appeared to take the position that none of the recommendations were relevant. In view of the continuing and serious problems identified in recent reports of the Board of Auditors, his delegation would have expected the Executive Director to take positive action on the recommendation that an inspection unit should be established to deal with operational and management issues. The recommendation that the Under-Secretary-General level post for external relations should be eliminated had

(Mr. Bennett, United States)

also met with no response, despite the recommendation of the Group of 18 regarding the reduction of high-level posts. While strong external support was undoubtedly important to the success of UNICEF, the elimination of the post would have emphasized the Fund's commitment to maximizing cost-effectiveness, a key element in the effort to secure additional funding. The arguments against the elimination of the post put forward in paragraph 14 of the Secretary-General's report were irrelevant and misleading. Moreover, the assertion in paragraph 18 that monitoring and on-site inspection were an integral part of the field-based approach of UNICEF was questionable, given the serious weaknesses in the administration and management of programmes by field offices identified in the audit of the UNICEF accounts for 1988-1989. As noted in paragraph 22 of the report, no action had been taken to implement the recommendation that Executive Board sessions should be biennialized. Although, in general, his delegation supported the biennialization of intergovernmental bodies in order to reduce conference-servicing costs, it felt that, in the case of UNICEF, annual sessions were probably necessary for the time being to ensure that the interests of donors and recipients were protected.

24. The format of the Secretary-General's annual report on the implementation of the recommendations of the Joint Inspection Unit could well be improved. It would be useful, for example, if JIU could comment on the responses of the organizations and programmes studied. His delegation hoped that, when it drafted a resolution on the item, the Committee would consider modifying the current follow-up system in order to ensure that Member States received the additional information that could be provided in that way.

25. The Joint Inspection Unit provided Member States with an in-depth analysis of United Nations activities that was available from no other body in the system. At the same time, in its recent resolutions on the work of JIU, the General Assembly had been increasingly specific about what JIU should investigate. Nevertheless, there had been an increased tendency in past years for governing bodies and Member States to put JIU reports aside and ignore the Unit's work. One was the report on the evaluation of rural development activities in three African least developed countries (A/45/76), which indicated that rural development programmes suffered from serious conceptual and design flaws. That report had been on the agenda of the most recent session of the UNDP Governing Council, the forum best suited to take action on it, but had received no attention at all. His delegation hoped that it would at least be taken up during the current session of the General Assembly. Member States concerned about the way in which the Organization conducted its business and spent their assessed contributions should be more attentive to JIU and its findings. JIU could not continue to be effective if its reports were not given the consideration they deserved.

26. Mr. ABRASZEWSKI (Poland) said that his country had supported JIU since its inception and considered its role extremely important. In 1971 and 1972, Poland had been among the delegations that had requested JIU to study the use of experts and consultants in the United Nations system, and the Unit's subsequent reports and recommendations, the substance of which had been incorporated into General Assembly resolutions and the Secretary-General's administrative instruction on the subject, afforded tangible evidence of its significant contribution to the work of the Fifth Committee and the Organization as a whole.

(Mr. Abraszewski, Poland)

27. The report of the Joint Inspection Unit (A/45/34) and its work programme (A/45/117) reflected the Unit's serious endeavours to meet the requirements of relevant General Assembly resolutions, including resolution 41/213 containing the recommendations of the Group of High-level Intergovernmental Experts to Review the Efficiency of the Administrative and Financial Functioning of the United Nations, and resolutions 43/221 and 44/184 requesting the Joint Inspection Unit to give even greater attention to management, budgetary and administrative issues relevant to the agendas of the governing bodies of its participating organizations and to their main and common concerns.

28. While respecting the independence of JIU in determining which topics should be subject to inspection, his delegation wished to encourage the Unit to concentrate on issues that were of major and common concern to Member States. The emphasis on administrative, management and budgetary issues should relate not only to activities covered by the regular budget but also to the various aspects of peace-keeping operations. The participation in the Fifth Committee's work of the Chairman and the Executive Secretary of JIU was most useful in stimulating open discussion and focusing the debate on the major issues.

29. The term "inspection" should not be interpreted as being confined to the investigation of problem areas, as it sometimes was, but should properly cover areas of significant innovation within the United Nations system with broad implications for system-wide application. A case in point was the report on an optical disc system for the United Nations (JIU/REP/89/11) (A/44/684), which commendably stated not only the object of the exercise but also the objective of potential wider applicability.

30. Referring to the comments by the Secretary-General and the executive heads of the various agencies on recommendations contained in JIU reports, especially those recommendations which had not been implemented, he said that in some cases non-implementation might be due not to any intrinsic inadequacy in the recommendation but to a question of timing, as in the case of a highly innovative recommendation which ran counter to existing procedures and practices.

31. While the content of reports, focusing on the main issues and recommendations, was of paramount importance, the question of the presentation of JIU reports should not be overlooked. The reports, which went to all participating specialized agencies, were competing for attention with all other United Nations documents and, because of their very technical nature, special care should be taken to enhance their appeal. A suggestion might be to begin with an executive summary or, preferably, the conclusions and recommendations, followed by a substantiation of those conclusions and recommendations, in order to familiarize delegations from the outset with the contents of the report. A wider use of graphic illustrations might also be helpful.



32. Mr. KABONGO (Chairman of the Joint Inspection Unit) said that the comments and suggestions that had been made and the policy guidance given to JIU by the Committee as a whole in recent years would continue to be fully taken into account in the Unit's work. Particular attention would be paid to critical areas so as to achieve the necessary harmony between the activities of United Nations organizations and provide concrete, unambiguous solutions in order, ultimately, to enhance the living standards of peoples throughout the world.

33. When preparing its work programme, JIU would take into account the Committee's views on evaluation and effectiveness and other issues which had a direct impact on Member States. Particular consideration would be given to the points made about the ability of certain developing countries to pay their assessed contributions.

34. He welcomed the comments on the JIU report (JIU/REP/89/9) contained in document A/45/130 and trusted that it would be fully discussed by the Committee, despite its busy schedule.

35. He thanked the representative of Poland for his comments and suggestions and assured him that JIU would continue to do its utmost to respond to the Committee's hopes and expectations.

AGENDA ITEM 125: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (continued) (A/45/11)

36. Mr. SOTIROV (Bulgaria) said that his delegation shared the view that the ability of States to pay was the basic criterion for determining the scale of assessments, and that the definition of national income was a decisive factor. The Committee on Contributions had clearly endeavoured to take into account the opinions voiced in the Fifth Committee the previous year and to respond to the recommendations in resolution 44/197 A. The recommendations in the report of the Committee on Contributions (A/45/11) concerning improved scale methodology could be conducive to a more accurate assessment of the actual capacity of States to pay and a more equitable distribution among them of the Organization's growing expenses. His delegation fully supported the Committee's proposal that the upper per capita income limit should be increased from \$2,200 to \$2,600 to reflect the changes in the international economic situation and the growth of the average per capita income of the population. As annex II of the report showed, 19 States, mostly developing countries with a high foreign debt, would see a drop in their percentage of the scale of assessments, while developed States would see a certain increase.

37. Stressing the great importance of a corrective mechanism which took into account the high foreign debt of countries which had great repayment difficulties, he said that that was particularly true of States with limited access to foreign currency and of those that were most seriously affected by the Gulf crisis. In that connection, the Secretariat should continue to update its data on the foreign debt of States regularly through the international financial institutions.

(Mr. Sotirov, Bulgaria)

38. The proposal to preserve the 10-year statistical base period was viewed as a guarantee of assessing the ability of States to pay on an equitable basis, allowing for changes in current conditions while preserving the principles of consistency and stability. His delegation appreciated the concerns expressed by some States regarding unexpected changes in their national income, which were reflected in their ability to pay their dues, and considered it appropriate that data on national income should be periodically reviewed for a three-year period and then serve as a basis for the methodology's corrective mechanisms. Meanwhile, the Committee on Contributions should continue to look into ways of working out a consistent and objective system for balancing disproportions resulting from price changes that were not proportionally reflected in currency rates.

39. His delegation shared the view of the Committee on Contributions that any change in the ceiling and floor rates was more political than technical in nature. The annexes to the report suggested that a possible increase in the ceiling rates and drop in the floor rates could mean sharp differences in the scale for a number of countries and would cast doubt on the rationality of the entire current methodology. Thus, as could be seen from annex IV.B, an increase in the floor rate would seriously affect the least developed States which already had difficulty in paying their contributions.

40. The scheme of limits had been extremely useful in avoiding as far as possible any sharp changes in the individual limits of contributions between two scales. His delegation would also like to see the categories used in the scheme of limits to be determined by the ability of States to pay. It would be inappropriate to decrease the contributions of States with a higher per capita income at the expense of those with a small per capita income.

41. Mr. DIPP GOMEZ (Dominican Republic), while welcoming the recommendation to increase the upper per capita income limit to \$2,600, agreed with the representative of Mexico that such an increase was probably inadequate, given the effects of international inflation. It was also regrettable that the Committee on Contributions should have ignored the request to continue its exploration of alternative income concepts and failed, in the tables presented as annexes to its report, to apply capacity to pay as the fundamental criterion for determining the scale of assessments.

42. His country's contribution had been assessed in the various tables incorporating different factors and adjustments at between 0.02 and 0.06 of the Organization's budget. Nevertheless, despite substantial reductions in the contributions to be paid by other States, his country's assessment remained unchanged at 0.3 per cent. That level neither reflected its capacity to pay nor took account of its considerable debt burden. According to statistics produced by the United Nations and the International Monetary Fund, its debt amounted to over \$1 billion in September 1990. Its financial reserves had declined drastically over the past three years and its per capita income had fallen from \$1,332 in 1982 to \$851 in 1987. He hoped that the Committee on Contributions would, at its next session, recognize his country's reduced capacity to pay and adjust its contribution accordingly, in accordance with paragraph 1 (a) of General Assembly

(Mr. Dipp Gomez, Dominican Republic)

resolution 44/197 A and the study of alternative income concepts presented in paragraphs 22 to 33 of the report.

43. Mr. ZONGWE MITONGA M'PULUA (Zaire) said that the Committee on Contributions must ensure the most equitable possible distribution of United Nations expenses among all Member States by applying the principle of capacity to pay. The scale of assessments should be based on reliable, verifiable and comparable data, the methodology should be as simple, transparent and stable as possible, and the report of the Committee should be concise.

44. The purposes of stability were appropriately served by the Committee's decision to recommend retention of the 10-year statistical base period. His delegation also endorsed the recommendations to increase the upper per capita income limit to \$2,600, to maintain the relief gradient at 85 per cent and to retain the scheme of limits in its current form. It agreed that any change in ceiling and floor rates would require a political decision. The process of making ad hoc adjustments required a certain degree of flexibility, and there was a need to reduce the overall size of such adjustments.

45. The mechanisms introduced with a view to solving the debt problems of the 1980s were still enveloped in uncertainty, entailing a continuation of complications in the 1990s. Noting the Committee's efforts to study alternative income concepts, his delegation hoped that it would take advantage of the positive factors embodied in the concept of debt-adjusted income.

46. Mr. RADZI (Malaysia) said that, despite the difficulty of the task undertaken by the Committee on Contributions, the recommendations contained in its report provided a constructive basis for the Fifth Committee's work.

47. With regard to methodology, it should be re-emphasized that the principle of capacity to pay must serve as the fundamental criterion for determining the scale of assessments. While endorsing the Committee's recommendations to increase the upper per capita income limit and to retain the relief gradient at its current level, his delegation would appreciate some further clarification of the reasoning involved. It agreed with the recommendations to retain the 10-year statistical base period and the scheme of limits, following a thorough assessment of that scheme's implications. It also welcomed the decision to address the needs of countries which were suffering excessive adverse effects from the ad hoc adjustment process and agreed that any change in ceiling and floor rates would require a political decision.

48. Noting that external debt was a major factor affecting the capacity to pay of many developing countries, he welcomed the Committee's recommendation to use the concept of debt-adjusted income in the preparation of the next scale of assessments. Although the concept itself required further elaboration, it constituted a positive step towards a reduction of the difficulties experienced by heavily indebted countries in paying their assessed contributions.

The meeting rose at 12.15 p.m.