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SUMMARY RECORD OF THE 38th MEETING

Chairman: Mr. MUNTASSER (Libyan Arab Jamahiriya)

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

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The meeting was called to order at 3.25 p.m.

AGENDA ITEM 116: UNITED NATIONS COMMON SYSTEM (continued) (A/46/30 and A/46/275; A/C.5/46/28, A/C.5/46/31, A/C.5/46/33 and A/C.5/46/35)

AGENDA ITEM 117: UNITED NATIONS PENSION SYSTEM (continued) (A/46/9 and A/46/614; A/C.5/46/15, A/C.5/46/31 and A/C.5/46/33)

1. Ms. VUORINEN (Finland), speaking on behalf of the Nordic countries, said that the Committee should not forget that the complex technical issues before it translated into concrete terms in the lives of more than 50,000 individuals employed within the common system in 160 countries and territories, a majority of whom worked in the field, where conditions varied greatly. The Committee should also be aware that personnel costs accounted for some 75 per cent of the United Nations budget.

2. The Nordic Governments strongly supported the common system, as it had been created, to regulate and coordinate conditions of service. Accordingly, they shared the concerns of the International Civil Service Commission (ICSC) over the decisions of the International Labour Organisation (ILO) and the International Telecommunication Union (ITU) to add new elements to their pension schemes, and trusted that increased contacts would take place between the Commission and the various organizations of the common system in order to avoid such unfortunate incidents.

3. The Nordic delegations endorsed in principle the recommendations made by ICSC in its report, although they would have wished that the views expressed by the staff and by the Administrative Committee on Coordination (ACC) could have been more extensively considered.

4. Since 1984, the system which regulated Professional remuneration had been operating under the 110-120 margin range, while General Assembly resolution 44/198 had called for the Commission to ensure that the margin should average 115 over a five-year period beginning in 1990. ICSC had recommended that the 115 five-year average for the margin should be eliminated in order to avoid a prolonged freeze on remuneration, which would have a negative impact on the common system. The Commission had identified two alternative approaches for the years 1992 and 1993 to take account of the anticipated pay increases by the comparator beginning in 1994 and the projected drop in the margin at that time. The Commission had recommended the alternative involving partial classes of post adjustment as long as the 120 limit was not exceeded, in an endeavour to provide at least marginal compensation for inflation. Since that alternative did not definitely exclude the possibility of a freeze, the Nordic Governments wished to continue discussion of the item in informal negotiations in order to reach a solution that would be acceptable to all and that would at the same time address the important issue of restoring the competitiveness of United Nations salaries. In addition, they would welcome further studies on those issues to be submitted at the forty-seventh session, as suggested by ICSC and ACC.

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(Ms. Vuorinen, Finland)

5. One goal of the review of the conditions of service of the Professional and higher categories had been to simplify the complex remuneration and benefits system. The base/floor salary scale had been introduced in order to provide minimum amounts to be paid system-wide, to reward mobility and compensate for hardship conditions. It seemed that staff were indeed being attracted to hardship duty stations, and she looked forward to the ICSC report on the system at the forty-seventh session. The Nordic Governments were willing to consider favourably the ICSC recommendation for an increase in the base/floor salary scale by 8.6 per cent with effect from 1 March 1992, but would like clarification of the associated costs charged to extrabudgetary resources.

6. The fundamental goal of the pension scheme should be to guarantee participants, on retirement, a benefit which would allow them to support themselves under conditions which did not markedly differ from those they had enjoyed during their last years of service.

7. The comprehensive review of pensionable remuneration and pensions for General Service staff, to be undertaken by the Commission together with the United Nations Joint Staff Pension Board, was an important and complex operation. It was essential to determine the most equitable approach, and to consider whether the pensions of both Professional and General Service staff should be determined on the basis of the same principle. The Nordic Governments concurred in the recommendation of ICSC that the current methodology should be used pending completion of the requisite studies, and accepted the revised staff assessment scale to be applied from 1 January 1992. She noted the recommendations concerning the determination of pensionable remuneration for ungraded officials, who should also be included under the common system.

8. With regard to the Commission's views on the recommendations of ACC (A/46/30, vol. II, paras. 29-46), the Nordic delegations reiterated their view that ACC representatives and representatives of the staff should participate in the informal consultations of the Fifth Committee on the report of ICSC (recommendation 7). The Nordic Governments adhered to the principle of direct negotiation of conditions of service. ICSC had noted that the proposal of the Federation of International Civil Servants' Associations (FICSA) on that issue was contrary to the Commission's statute and incompatible with the staff rules and regulations of the organizations (A/46/30, vol. II, para. 48). If that was indeed the case, procedures should be developed at the earliest possible opportunity to allow for the fullest possible consultations with the staff.

9. The General Assembly, in its resolution 45/242, had requested the United Nations Joint Staff Pension Board to give priority to the development of a long-term approach to the determination of initial local currency pensions and to submit recommendations on the pension adjustment system at the current session. The Board's proposals involved modifying the four parameters currently used to determine initial local currency pensions and would have an

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(Ms. Vuorinen, Finland)

estimated cost of 0.3 per cent of pensionable remuneration. The Nordic delegations were willing to consider the Board's proposals favourably, but since the proposals would result in additional costs and an actuarial imbalance, the Nordic Governments concurred in the view of the Advisory Committee (A/46/614, para. 22) that the Board should continue to "fine tune" its proposals in order to limit the costs.

10. With regard to the 8.9 per cent return on the Pension Fund's investments, which represented a real rate of return adjusted for inflation of 3.8 per cent, the Nordic Governments considered the results to be good, and supported the proposals in the draft resolution contained in annex XIX to the Board's report (A/46/9), including the suggested contribution to the emergency fund for the biennium 1992-1993.

11. Mr. NASSER (Egypt) said that initiatives to bring about a further improvement in the functioning of ICSC should respect the letter and spirit of the Commission's statute. His delegation viewed as unfair and unwarranted the criticism that ICSC had become increasingly politicized and that changes in the selection process for appointing new members were needed. He noted with regret that ILO and ITU had taken unilateral action with regard to their pension schemes, disregarding the implications for the common system. The General Assembly must support the Commission against those who might seek to weaken the common system.

12. He concurred in the Commission's recommendations regarding the methodology for determining the pensionable remuneration of ungraded officials, and welcomed the in-depth approach taken by ICSC in its review of pensionable remuneration for the General Service category. An examination of the drawbacks inherent in the current system should result in a simpler and more satifactory methodology.

13. With regard to the concern voiced over the possibility of an automatic freeze on the remuneration of staff in the Professional category if the margin exceeded the upper limit of 120, he noted that such a possibility had been implicit in the decision to establish a margin range. The argument that the United States Government had recognized that its civil service pay levels lagged some 30 per cent behind comparable pay in the private sector, and that it would immediately initiate action to bring its pay levels into line with the private sector, were not relevant in the context of the United Nations. His delegation believed, however, that a freeze should be avoided as far as possible, while Professional remuneration should remain within the margin range. Accordingly he supported the Commission's recommendations that the decision requiring ICSC to manage the margin around the mid-point of the range should be rescinded and that the post adjustment system should be managed within the current margin range (A/46/30, vol. I, para. 116).

14. His delegation noted with appreciation that the United Nations Joint Staff Pension Fund had secured a real rate of return of 3.8 per cent on its investments for the year ending 31 March 1991. The Fund's portfolio

(Mr. Nasser, Egypt)

structure, however, still did not reflect the guidelines established by the General Assembly for the geographical diversification of the Fund's investments, only 13 per cent of which were in developing countries. The economic restructuring under way in many developing countries should help to stimulate investment by the Fund in their economies.

15. On the important question of General Service pensionable remuneration, it was important that all the alternatives should be given thorough consideration by staff, administrations and Member States before any decision was taken.

16. He noted with appreciation the decrease in the actuarial imbalance, although an actuarial balance had not yet been achieved, despite the increased rate of contribution approved at the forty-fifth session. The Board seemed to be contemplating further increases in the rate of contribution, but it might be preferable for it to review pension benefits and reduce its administrative expenses. Lastly, he concurred in the view of the United Nations Joint Staff Pension Board (A/46/9, para. 194) that its recent practice of making recommendations by consensus had lessened the urgency of reconsidering the proportionate representation of the General Assembly in the Board.

17. Mr. THIRUNUGARAN (Singapore), noting that the investment potential available to the Organization amounted to almost $10 billion, said that the real rate of return achieved by the Pension Fund seemed modest. It would be helpful if the Secretariat would circulate a paper indicating the investment philosophy of the Investment Committee and its rationale for investing in the currencies listed in Table 3 of document A/C.5/46/15.

18. Mr. FORAN (Acting Under-Secretary-General, Representative of the Secretary-General for the Investments of the United Nations Joint Staff Pension Fund) said that the Fund operated on the basis of an actuarial assumption of a 3 per cent return, and that the real rate of return of 3.8 per cent achieved in the year under review was therefore satisfactory.

AGENDA ITEM 114: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (continued) (A/46/11 and Add.1 and Add.2/Rev.1)

19. Mr. DINU (Romania) said that the item under consideration was possibly the most important on the Committee's agenda, and his delegation hoped that the negotiations would be conducted constructively, even though some delegations felt some unease about their possible outcome. With an eye to consensus, uncompromising tactics should be avoided, for the decision reached on such a difficult topic would never satisfy everybody.

20. His delegation was ready to support the recommendations of the Committee on Contributions and adopt the new scale of assessments for the years 1992, 1993 and 1994. However, on the question of methodology it seemed that the Committee had made no changes except to increase the upper per capita income limit in the low per capita income allowance formula. His delegation was

(Mr. Dinu, Romania)

willing to negotiate an agreement mandating further work on the methodology. The Committee on Contributions was an expert body, and its role as such should not be obscured by political considerations.

21. The principle of capacity to pay had stood the test of time and should be retained, with due account taken of all the relevant factors. A compromise formula could be worked out for the statistical base period; a shorter period might capture better the sharp variations in national product in turbulent periods. Some delegations had questioned the validity of the scheme of limits, but there, too, it should be possible to work out a formula to be applied after the period of the new scale of assessments.

22. Turning to the question of the Romanian economy, he said that the picture was grim, with domestic problems compounded by the consequences of certain international developments. His country was still feeling the effects of its compliance with the sanctions imposed against Iraq by the Security Council. It would continue to comply fully with Security Council decisions but felt entitled to ask for cooperation in order to mitigate the consequences. It must be made clear that Romania's current capacity to pay was fast approaching zero.

23. Mr. BELHAJ (Tunisia) said that the payment by each Member State of its contributions to the United Nations was the first positive gesture made by members of the international community at the beginning of each fiscal year to demonstrate their commitment to the Organization. However, those contributions sometimes represented a heavy burden, particularly for the developing countries, which, for reasons beyond their control, faced major economic difficulties. The growth of the Organization's budget, together with the proliferation of peace-keeping operations and voluntary contributions, had a serious impact on national finances. However, the amounts involved were not disproportionate, and his country always paid its contributions speedily and in full.

24. The methodology for establishing the scale of assessments must be governed by the principle of capacity to pay. That capacity was difficult to establish, for many factors had to be taken into consideration. Since the methodology could favour some Member States and disadvantage others, it must be free of any ambiguity. In particular, any mitigation in respect of foreign debt must take into account the attitude of those countries which, despite their difficulties, met their foreign debt obligations: they were the countries which should be granted adjustments for debt. They were not, in fact, always given due attention, and his delegation called upon the Committee on Contributions to study the question further. In addition, some delegations were rightly worried that the debt factor also worked to the benefit of developed countries with large foreign debts. There was a fundamental difference between a developing country which was forced to borrow because of a hostile international economic system and a developed country which borrowed for reasons of economic policy.

(Mr. Belhaj, Tunisia)

25. The upper per capita income limit should be adjusted upwards. While the proposal to set it at $3,000 might be difficult to accept, it could be fixed at $2,800, as suggested in paragraph 17 of the report of the Committee on Contributions (A/46/11). The proposals concerning the statistical base period would make no difference to his country, but it would prefer the Committee to use the period closest to the date of the entry into force of the scale of assessments. Otherwise, intervening events might jeopardize the application of the principle of capacity to pay. A period of three years would certainly be preferable to the current period of 10 years.

26. His delegation had welcomed the opportunity to address the Committee on Contributions at an information meeting during its latest session. It still thought that the Committee's work should be made more transparent. The information meeting had, in fact, merely provided an opportunity for some countries to make statements about their economic difficulties as they argued for the award of ad hoc adjustment points. His delegation thought that economic difficulties should be reflected in the scale itself and it maintained its reservations about the concept of ad hoc adjustments. Their use demonstrated the imperfections of the methodology for establishing the scale of assessments. The report showed that the adjustment mechanism gave too much weight to certain contributors and that the adjustment criteria established by the General Assembly were not respected. Therefore, the issues of principle and of application warranted an answer; paragraph 40 of the report, in particular, must be clarified by the Chairman of the Committee on Contributions.

27. Mr. SHAH (Pakistan) said that the principle of capacity to pay should remain the basis for the assessment of contributions. Despite its shortcomings, it enabled Member States to meet their obligations to the Organization, while providing progressive relief for the poorer countries. His delegation welcomed the efforts made by the Committee on Contributions to determine a scale based both on the methodology underlying the principle and on the presentations made by Member States. It endorsed the recommendation that the new scale should be adopted for the years 1992, 1993 and 1994.

28. The possible future adjustments of the current methodology set out in chapter VIII of the report of the Committee on Contributions, would complicate the process instead of resolving the minor difficulties. Any attempt to link assessments to membership of United Nations organs would run counter to the whole concept of universality, for it would discourage developing countries from seeking membership of the principal organs. However, the Committee on Contributions would be constantly revising assessments with each membership change. Instead, the Fifth Committee should try to determine how well the Committee on Contributions had carried out its mandate and how effective the present methodology had been. In his delegation's view, the Committee had carried out its mandate with thoroughness and objectivity.

29. Turning to the review of the upper per capita income limit, he said that the comparison set out in paragraph 16 of the report indicated that the

(Mr. Shah, Pakistan)

average per capita incomes and the per capita income limits were at present almost the same. The decision to set the upper limit at $2,600 was in line with economic realities, but that limit had resulted in higher rates for some developing countries and lower rates for some developed countries. Furthermore, since the proposal to raise the limit above $2,600 would benefit some non-developing countries, it should be rejected.

30. In the present economic situation the debt adjustment approach was very important. The calculation of debt relief had, surprisingly, resulted in reductions for some developed countries, owing perhaps to the lack of reliable data. Such data were, of course, a prerequisite for any study and for the calculations of the Committee on Contributions. The latter's views on the statistical base period, set out in paragraphs 52 to 54 of its report, were convincing, but a shorter period would make it easier to take into account economic changes which might affect assessments. However, since the longer period provided stability and continuity for all Member States, any proposal for change must be viewed with caution.

31. Where the scheme of limits was concerned, his delegation appreciated Japan's voluntary contribution of points to reduce the distorting effects, in accordance with the spirit of resolution 45/256 A. However, since the scheme brought substantial benefit to some countries, the Committee on Contributions should continue to try to modify it, but without raising the rates for developing countries. With regard to price-adjusted rates of exchange (PARE), it was pointed out in paragraph 64 of the report that some national exchange rates did not reflect changes in domestic prices and that their use might distort the capacity to pay. Member States must provide accurate information, and the Committee should endeavour to obtain reliable figures.

32. No methodology would ever satisfy all Member States, nor was any methodology perfect enough to warrant discontinuation of adjustments. The focus must therefore be on the interrelationship of the elements of the methodology and their performance in changing economic circumstances, with a view to producing a methodology which was fair and stable.

33. Ms. ROTHEISER (Austria) said that the scale of assessments must be just and acceptable to all and be based on verifiable and comparable data and capacity to pay. The new methodology adopted at the previous session amounted to little more than the old methodology retained as a political compromise and was considered inadequate in many respects. The Committee on Contributions should be mandated to prepare options for a new methodology which would better reflect capacity to pay.

34. The current long statistical base period provided stability and reflected a country's actual wealth. Any reduction in the period would benefit or disadvantage Member States randomly. However, the use of the 10-year base period rendered the scheme of limits superfluous and, by doubling the stabilizing effect, distorted the capacity to pay. The figures presented in annex VI to the report of the Committee on Contributions spoke for themselves,

(Ms. Rotheiser, Austria)

and the Committee's conclusion that it was premature to make a recommendation on the scheme of limits was therefore surprising. The debt adjustment approach did not reflect capacity to pay either, for it granted twofold relief regardless of whether efforts were being made to repay the debt. Although the resulting distorting effect was relatively small, with only 71 points redistributed, the calculation of debt relief should still be based on verifiable data. In the light of paragraph 49 of its report, the Committee on Contributions should carry out further research into the question of the variable impact of the ceiling rate.

35. The biggest redistribution of points resulted from application of the low per capita income allowance formula. Since the investments needed to achieve a satisfactory level of wealth reduced a country's capacity to pay, the formula was a useful instrument for differentiating between rich and poor countries. In resolution 45/256 A the General Assembly had requested the Committee on Contributions to adjust that element in accordance with the evolution of the average world per capita income until 1989, thus permitting different views as to the level at which the upper per capita income limit should be set. Both the argument that $2,600 came closest to the actual world average and the argument that historically the upper limit had stood higher than the world average were correct. In that connection, the second component of the upper per capita income limit, namely, the gradient, warranted more thorough consideration. The General Assembly would have to decide whether to accept the upper limit of $2,600 proposed by the Committee on the basis of a gradient of 85 per cent.

36. Turning to the new scale of assessments, she noted that four different exchange rates had been used in the calculation of national income. While the data were not fully comparable, the Committee should be commended for trying to apply realistic exchange rates. It should be able to use more uniform rates for future scales.

37. It was regrettable that the Committee had not fully complied with the criteria for ad hoc adjustment referred to in paragraph 3 of resolution 45/256 A and that it had not provided detailed information on its decisions in that regard. While appreciating Japan's voluntary contribution of points, her delegation shared the concern that large-scale mitigation undermined the principle of capacity to pay. Mitigation points could be regarded only as a temporary remedy for an unsatisfactory methodology.

38. Mr. MOULTRIE (Bahamas) said that, until the divergent views of Member States as to what determined a country's capacity to pay were addressed comprehensively instead of individually, they would always lead to contradictory, unsatisfactory and therefore contentious results. While, in general, the report of the Committee on Contributions faithfully reflected the terms of General Assembly resolution 45/256, he wished to share the views of his delegation on some of the conclusions and proposals of particular importance to the Bahamas.

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(Mr. Moultrie, Bahamas)

39. Underlying all the queries and criticisms expressed in the Fifth Committee was a basic mistrust of the ultimate objectivity and fairness of the criteria used to determine the scale of assessments. In the view of his delegation, a country's general economic, social and structural development might prove a better indicator of its overall capacity to pay than national income. As requested in General Assembly resolution 45/256 A, consideration should be given to combining national income with the list of indicators suggested in paragraph 3 of resolution 43/223 B. To that list should be added an additional factor: income distribution in developing economies. When a large share of a country's income remained in the hands of a wealthy minority, it was necessary to modify the concept of national income to take that distribution into account. Under the current system, for example, his country's assessment failed to reflect the fact that the income of the wealthy minority invariably did not remain in the Bahamas.

40. His delegation was aware of the difficulties involved in implementing a scale of assessments from a development as opposed to a growth perspective. Those difficulties included the quantification of development indicators, the determination of the weights to be given to a particular or correlated set of factors, which was inevitably subjective, and the lack of complete, recent and comparable statistical data from many Member States, partly as a result of their differing statistical systems. To obviate such problems, it was necessary to reorder priorities and resources at both the national and the international levels and to change the approach to data collection. Until the aforementioned additional indicators could be statistically expressed, however, his delegation agreed that national income should continue to be used as the primary criterion for capacity to pay.

41. While national income was subject to adverse external forces such as inflation and currency fluctuations, the Committee's measures for mitigating such influences, including the use of statistical base periods of more than three years, were acceptable to his delegation. It should be recalled that those periods were used as a means of reducing the effects of short-term economic fluctuations and exchange rate movements. His delegation therefore believed that the current 10-year period should be retained until there was no longer a need for such a compensatory mechanism.

42. The ceiling and floor rates were another necessary compensatory mechanism, the elimination of which would further tip the scale in favour of the economically powerful Member States. His delegation encouraged the Committee on Contributions to continue to study the debt adjustment approach and alternative income concepts, which were significant to the provision of relief to many developing countries, including the Bahamas.

43. In his delegation's view, there was little to gain from adopting a scale for a period of less than three years. It hoped that, within that period, the Committee on Contributions would be able to complete the studies and negotiations necessary to refine the existing methodology so that the next

(Mr. Moultrie, Bahamas)

scale would be more in keeping with the actual situation of Member States. That would also allow enough time for the Committee to analyse the data submitted and for Member States to do whatever was necessary to compile more recent and more complete statistics. The Fifth Committee should refrain from making the scale of assessments subject to annual review. What was required of it in the two years leading up to the scale year was to provide the Committee on Contributions with the guidance it needed to formulate the scale.

44. Finally, assessments should be considered as investments and it was up to the Fifth Committee to ensure that inequities in the scale of assessments did not contribute to the very problems those investments were intended to alleviate.

45. Mr. OSELLA (Argentina) agreed that it was logical to think that per capita income should not be the sole factor in determining capacity to pay. Over time, that fundamental criterion had been distorted and eroded by the addition of such factors as low per capita income allowances, the relief gradient, debt adjustment, the scheme of limits, floor and ceiling rates and ad hoc adjustments. While the methodology could undoubtedly be refined, in view of the limited time available, the Fifth Committee should not take upon itself the responsibilities of an expert body. It should instead confine itself to providing the Committee on Contributions with clear, precise and, if it so desired, mandatory guidelines.

46. The great error of the past in dealing with the scale of assessments had been to focus on the particular and lose sight of the whole - an especially dangerous tendency in a "zero-sum" game. For now, his delegation was prepared to accept the proposed scale for three years, on the understanding that future scales would reflect the real capacity to pay of Member States and would be fair, equitable, based on reliable data and, above all, transparent.

47. Mr. LAOUARI (Algeria) said that, despite much research over the years in response to the urgings of the General Assembly, the Committee on Contributions had been unable to achieve a universally acceptable methodology for accurately determining capacity to pay. The fact that the current methodology decreased the contributions of a number of developed countries to the detriment of middle-income developing countries such as Algeria amply demonstrated its inequitable nature. The 1988 scale of assessments had been adopted by consensus on the understanding that the Committee on Contributions would undertake an in-depth, comprehensive study aimed at improving that methodology. However, the scale of assessments proposed in the report of the Committee and addendum 2 thereto (A/46/11 and Add.2) did not differ fundamentally from preceding scales. Instead of taking bold, innovative measures, as his delegation had hoped, the Committee had based its work on the same discredited methodology - one that failed to take into account the growing gap between the developed countries, with their relatively stable growth rates, and the developing countries, whose development efforts were defeated by the crushing burden of their external debt, the drop in the prices

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(Mr. Laouari, Algeria)

of their raw materials and the devastating effects of various natural disasters.

48. Despite the inclusion of the new Member States, once again most of the upward adjustments would be borne by middle-income developing countries, while the downward adjustments would for the most part benefit developed countries. The Organization's inability to devise a methodology acceptable to all parties was perhaps due to the limitations inherent in the concept of national income, and Algeria continued to advocate the development of an alternative approach that, either separately or in combination with national income, would better reflect capacity to pay.

49. While recognizing the intent of the 10-year statistical base period - namely, to even out the impact of sudden or temporary economic changes and thus arrive at more realistic assessments - his delegation believed that the contributions of Member States should be based on their capacity to pay at the time of payment. It therefore favoured the use of a shorter base period for the purpose of determining assessments.

50. Under the current debt relief system, the debt adjustments of many countries were reduced or even cancelled by the redistribution of points required by application of the ceiling and floor rates. The solution might be to adjust for debt after application of the scheme of limits and to grant a greater percentage adjustment. Furthermore, as the debt relief system had been devised for the purpose of alleviating the burden of the most heavily indebted developing countries, the Committee on Contributions should be careful to limit such adjustments to those countries alone. His delegation agreed with the Committee's decision (A/46/11, para. 62) that it would be premature to make recommendations to the General Assembly regarding the scheme of limits and requested that, in its continuing consideration of that topic, it should take care to ensure that any changes in the formula did not increase the assessments of developing countries.

51. Until a fairer methodology could be developed, the practice of making ad hoc adjustments to mitigate any inequities should continue. That process should be flexible and should be based on transparent, uniform criteria. His delegation was dismayed to note that the number of countries offering points for the traditional ad hoc adjustments had shrunk considerably and that those points were apparently not being distributed according to the criteria established in paragraph 42 of the Committee's 1990 report (A/45/11).

52. With respect to the development of a fairer methodology, he would like to know what progress had been made in complying with the request contained in paragraph 3 of General Assembly resolution 43/223 B and reiterated in paragraph 3 (b) of resolution 44/197 A and paragraph 4 (g) of resolution 45/256 A.

53. The information meeting held by the Committee on Contributions during its fifty-first session had been a very positive step towards establishing a

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(Mr. Laouari, Algeria)

dialogue between the Committee and Member States. However, more was needed to ensure the transparency of the Committee's work. Perhaps the General Assembly should consider the possibility of authorizing representatives of States that were not members of the Committee on contributions to attend its meetings as observers. Otherwise, the information meetings should be institutionalized and improved so that interested delegations would have access to the necessary documentation and could keep themselves abreast of the work of the Committee.

54. Despite increasing economic and financial difficulties, occasioned by a considerable drop in its export revenues and its heavy external debt burden, Algeria's assessment had once again been adjusted upward. It was difficult to accept such regular increases, especially when Algeria's contribution was much greater than that of other African countries whose economies were essentially the same size. Nevertheless, his country remained firmly attached to the ideals and activities of the United Nations and had always taken a positive attitude towards its contribution. It continued to have faith that the Committee on Contributions would be able rapidly to develop a new, and improved methodology for determining the scale of assessments that met all the necessary requirements.

55. Mr. ROE (Republic of Korea) said that his country was fully committed to the purposes and principles of the United Nations and, as a newly admitted Member, it was prepared to contribute its share to the cost of the Organization in accordance with the principles applied universally to all Member States. The Committee on Contributions had decided to recommend that the assessment of the Republic of Korea should be more than tripled, to 0.69 per cent from its previous hypothetical rate of 0.22 per cent. Such a drastic increase was unprecedented in the history of the Organization. While the hypothetical rate for observer States was determined by the same methodology used to compute the assessment of Member States, the actual payment of non-Member States was only a small proportion of that rate. It was therefore natural for those States, upon gaining membership, to expect the actual assessment to increase to the full level of the hypothetical rate or to a similar level with necessary adjustments. However, to the surprise of his country, the Committee on Contributions had decided not to apply the scheme of limits to its assessment on the sole ground that the status of the Republic of Korea had fundamentally changed. That was an arbitrary exception and could not be considered fair. His country had long been a full member of a number of international organizations that had used the very same hypothetical rate to determine its membership assessment. It was absurd that, if the Committee's recommendation were accepted, his country's financial obligations to those organizations would more than triple without any change in its status in their regard. If a scheme of limits was to be applied, it should be applied universally, without regard to the exceptionally strong economic performance of a given country at a given point in time. As an observer State, his country had not been able to express its opinion during the meetings at which the Committee on Contributions had taken the decision in question, and it wished to make clear that the level and the logic of the proposed assessment rate were not acceptable.

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56. Mr. AHMED (Iraq) said that the fundamental criterion for determining the scale of assessments was the capacity of Member States to pay. In performing its task for the period 1992-1994, the Committee on Contributions had used national income data for the years from 1980 to 1989 and the methodology described in document A/46/11. Iraq, which was well aware of the financial crisis of the United Nations and of the fact that the solution to it lay in the commitment of Member States to pay their assessed contributions, had always met its obligations in full. Since the imposition of the blockade on his country by the Security Council on 6 August 1990, however, all of its assets abroad had been frozen and it had suffered immense destruction from bombing and sabotage at home. Reports by visiting missions, such as those contained in documents S/22328 dated 4 March 1991, S/22366 dated 20 March 1991 and S/22799 dated 17 July 1991, confirmed that unimaginable damage had been done to the country's economic installations and infrastructure. In addition, the continuing blockade and the financial obligations imposed on Iraq by various Security Council resolutions further impaired its capacity to pay.

57. Iraq had tried to convey the facts about its post-war economic and financial state to the Secretary-General and the Security Council, but the Committee on Contributions had taken no account of its changed situation and had even increased its assessment from 0.12 per cent to 0.13 per cent. That was quite unrealistic. His delegation regretted that it would have to reject the assessment and hoped that the Fifth Committee and the General Assembly, recognizing that Iraq was prevented from paying its contribution by force majeure, would reconsider its assessment.

58. Mr. THIRUNAGARAN (Singapore) said that, since the report of the Committee on Contributions contained only a summary of its discussions, it was difficult for the Fifth Committee to examine it in detail. His delegation therefore proposed that Member States should endorse its recommendations. The dissatisfaction expressed by some Member States with the current methodology for the preparation of the scale of assessments could be met by assigning new directives to the Committee on Contributions in the resolution to be submitted to the General Assembly. The aim should be to refine the methodology so that it was clear, workable and acceptable to a large majority of Member States.

59. His delegation fully agreed that the scale of assessments should be based on the fundamental criterion of capacity to pay. In determining that capacity, it was important to address the specific economic problems which afflicted any particular group of countries, especially developing countries. His delegation also supported the proposal of the Committee on Contributions that the upper per capita income limit should be set at $2,600 and thought that the Committee should continue to apply the average world per capita income rather than some arbitrarily higher figure as the limit in future scale of assessments exercises.

60. The scheme of limits had been a controversial issue for many years but, as its major beneficiaries were developing countries, his delegation believed that it should be retained until alternative methods of avoiding sudden increases in the assessments for middle-income developing countries were

(Mr. Thirunagaran, Singapore)

found. The Committee on Contributions should be asked to study the problem in depth.

61. With regard to the ad hoc adjustments to the machine scale, Japan was currently the only voluntary contributor of points which Western countries had traditionally offered to assist the developing countries; his delegation applauded Japan's generosity. The effect of obtaining one mitigation point had been to halve the increase in Singapore's machine scale assessment from 18.2 per cent to 9.1 per cent. That was still a substantial increase for such a small country. The other major beneficiaries of the mitigation process were also developing countries which had suffered a two-point increase in their machine scale assessments and had been given a mitigation point each.

62. In conclusion, he said that the 10-year statistical base period introduced in 1981 had benefited Member States by providing continuity in scales of assessment and smoothing out economic fluctuations. Although some Member States would prefer a shorter base period, his delegation was sure that a large majority would support retention of the 10-year period. It also endorsed the recommendation of the Committee on Contributions that the new scale of assessments should be applicable for the three-year period 1992-1994.

63. Mr. H. KABIR (Bangladesh) said that the report of the Committee on Contributions deserved careful consideration. With regard to the methodology used in drawing up the scale of assessments, his delegation believed that the existing system, although complex and in urgent need of refinement to take account of the legitimate concerns of Member States, was still a workable one.

64. With reference to individual elements of the system, his delegation believed that the 10-year statistical base period should be retained since a long base period might make the scheme of limits unnecessary by eliminating the impact of short-term economic fluctuations. On the other hand, it was surprised and dissatisfied that the Committee on Contributions had granted relief to a number of developed countries under the debt adjustment approach, contrary to the original intention that only developing countries burdened with large external debts should benefit. His delegation urged the Committee on Contributions to solve the problem as soon as possible. It also urged the Committee not to make any modifications to the scheme of limits that would result in increased assessments for developing countries. In that connection, it noted Japan's offer of 24 points to reduce the distorting effects of the scheme of limits and of a further 26 points for the traditional ad hoc adjustments to the scale of assessments, and hoped that other countries would be as generous. The process of mitigation played an important part in making the machine scale fair and equitable. It was to be hoped that information meetings such as the one organized by the Committee on Contributions in June 1991 would make the mitigation process more transparent and encourage Member States to offer more points for distribution than they had for the proposed new scale.

(Mr. H. Kabir, Bangladesh)

65. With regard to the appropriate level for the upper per capita income limit, his delegation hoped that consensus could be achieved. The usefulness of price-adjusted rates of exchange (PARE) in correcting inflation-related distortions could not be overemphasized and his delegation would await with interest the results of the Committee's continuing work on that issue.

66. As to the scale of assessments itself, the Committee on Contributions had done its best and his delegation would like to see a consensus achieved. The problem was a difficult one, and it was impossible to satisfy everyone. His delegation would approach the issue in a spirit of cooperation. It considered the recommendation that the new scale should be applied for the three-year period 1992-1994 to be reasonable, as it could offer stability and continuity to all concerned and a much-needed respite from contentious annual discussions.

The meeting rose at 6 p.m.