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Official Records

FIFTH COMMITTEE
18th meeting
held on
Tuesday, 3 November 1992
at 10 a.m.
New York

SUMMARY RECORD OF THE 18th MEETING

Chairman: Mr. DINU (Romania)

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

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The meeting was called to order at 10.35 a.m.

AGENDA ITEM 111: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (continued) (A/47/11)

1. Mr. BAUMANIS (Latvia), speaking on behalf of Estonia and Lithuania in addition to his own country, said that the assessments of the Baltic States raised certain methodological issues that required examination.

2. One fundamental principle on which the Baltic States insisted was the right of States to submit the data, in particular the national accounts and foreign exchange data, used to determine their assessments. The Committee on Contributions had concluded its deliberations on the scale of assessments for 1992-1994 before the admission of the Baltic States to the United Nations at the forty-sixth session. The recommended assessment for each of the three independent Baltic States had been based on the national accounts data and official rouble/dollar exchange rates over the base period 1980-1989, when Estonia, Latvia and Lithuania had been under occupation. At the forty-sixth session, the Baltic States had argued that the official exchange rates overvalued their annual assessable incomes in dollar terms during the base period, and that more realistic exchange rates should emerge from the studies of their economies than being conducted by the International Monetary Fund (IMF). The General Assembly, in resolution 46/221, had stated that the assessment rates of the Baltic Republics were to be determined by the Committee on Contributions during its fifty-second session, taking into account the results of the IMF study, and that those assessment rates would be deducted from that of the Union of Soviet Socialist Republics of 9.41 per cent. At the fifty-second session of the Committee on Contributions (15 June to July 1992), a complete set of exchange rates other than the official USSR exchange rates for the base period had not yet been available from IMF. Accordingly, the Committee had decided to repeat its 1991 recommendation with respect to the Baltic States. IMF had recently provided the relevant information, which supported the argument of the Baltic States against the use of official USSR exchange rates.

3. The Baltic delegations welcomed the efforts made by the Committee on Contributions, within the limits of its mandate, to arrive at a fair scale of assessments. One unprecedented aspect of determining the scale, not covered by the Committee's terms of reference, was that the former USSR had for many years voluntarily accepted, primarily through setting the official rouble/dollar rate of exchange, an assessment that considerably exceeded its capacity to pay. The Baltic delegations could not accept the assessments recommended by the Committee on Contributions (A/47/11, para. 52), which were not based solely on the capacity of the Baltic States to pay, but also included, through the use of the official USSR exchange rate, a share of the excessive assessment of the former Soviet Union. The Baltic States could, however, support new terms of reference for the Committee on Contributions

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(Mr. Baumanis, Latvia)

calling for the preparation of a new scale based on capacity to pay according to a methodology that took into account the collapse of the Soviet Union.

4. The length of the statistical base period and the scheme of limits also impacted on the assessments of the Baltic States and other countries in transition. Whereas the intended effect of those principles was to even out economic fluctuations, for the independent Baltic countries they would lead to assessments that would be affected for some years to come by economic data from the period when they had been dependent parts of the former Soviet Union. In that connection, he pointed out that all three Baltic countries had abandoned Soviet statistical methods in favour of the United Nations accounting methodology for market economies. New national accounts data would be submitted to reflect the true situation in those countries between 1980 and 1989.

5. Estonia and Latvia had shown their good will by making partial payments towards their 1991 estimated assessments, while Lithuania had paid in full. If the assessment problem was not resolved, however, there would be far-reaching effects, such as an increase in the number of countries in arrears because of their inability to pay. Latvia could become one of those countries, since its annual total payments to the United Nations system on the basis of the current recommendations amounted to approximately 10 per cent of its total hard currency budget.

6. The financial health of the Organization depended largely upon a consensus that its expenses were assessed fairly and that its monies were spent frugally and efficiently. An approach that reflected the specific situations of States was essential if a consensus was to be built within the diverse membership of the United Nations. The Baltic delegations appealed for a spirit of fair dealing for the greater good of the Organization.

7. Mr. BATIOUK (Ukraine) said that the functioning of the United Nations depended to a large extent on the proper distribution of the financial burden among Member States. His delegation objected to the recommendation of the Committee on Contributions that Ukraine's contribution should be increased by more than 50 per cent, since that recommendation reflected a mechanical approach to the apportionment of the assessment of the former Soviet Union. A radical revision of the scale was required.

8. The Committee on Contributions had made inexplicable blunders in recommending an unprecedented increase of 69 points in the assessment for Ukraine. It had not, in fact, been mandated to revise the assessment of Ukraine's contribution to the regular budget. The General Assembly had determined that the scale should be subject to a general revision only when it was clear that there had been substantial changes in capacity to pay. In the case of Ukraine, any changes had been for the worse.

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(Mr. Batiouk, Ukraine)

9. Further, the Committee on Contributions, although not mandated to do so, had recommended a revision of the scale on a regional basis, only for the former Soviet republics. No legislative authority existed for that recommendation, the effect of which had been to produce a scale that was unjust, as it related to a group of countries that were already in receipt of international assistance.

10. The Committee on Contributions had, moreover, acted as though Ukraine and Belarus were new Member States, whereas Ukraine had been one of the founding Members of the Organization.

11. It seemed that the Committee on Contributions was attempting to bypass the scheme of limits, which prevented excessive variations in assessments between successive scales. In accordance with that principle, the assessment of Ukraine could be raised, if at all, by no more than 10 per cent. It was difficult to understand why the Committee on Contributions had not applied the scheme of limits to Ukraine and Belarus and he suggested that it would be appropriate to seek the view of the Legal Counsel on that matter. The Fifth Committee would recall that, in previous cases involving founding Members which had gained independence, such as India and Pakistan, there had been no change in their assessments. He wondered whether the recommendations of the Committee on Contributions, adopted in disregard of the principle of capacity to pay, met the interests of the Organization. Owing to its critical hard currency situation, Ukraine was already experiencing extreme difficulty in making payments to the regular budget. No one could seriously consider that his Government could pay a 1993 assessment which was 50 per cent higher than its previous assessment. The Organization's financial difficulties would only worsen if the General Assembly accepted the recommendations of the Committee on Contributions.

12. Since capacity to pay was regarded as the main criterion in determining assessments, the Fifth Committee should consider the capacity to pay of a State like Ukraine, which was not integrated into the world economy, whose hard currency assets were frozen in Russian banks, which conducted most of its trade through barter, whose economy had shrunk by almost one fifth over the past year, and which had to pay its share of the foreign debts of the former Soviet Union. It was apparent that the Committee on Contributions had sought to deal with the redistribution of the assessment of the former Soviet Union in such a way that the shares of other States were left untouched. That had had the unfortunate effect of placing a considerable part of the burden on Ukraine and Belarus.

13. Two further issues arose in connection with the reapportionment of the contribution of the former Soviet Union. The total sum of the assessments of the new States - the former Soviet republics - was less than the assessment of the former USSR, although the latter's assessment had been substantially inflated. In that connection, it should be noted that the per capita incomes of several of those States were very low and, when converted into dollars,

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(Mr. Batiouk, Ukraine)

should justify relief in accordance with the existing rules. Relief had, however, been apportioned among only three or four of those States.

14. Furthermore, the shares of Ukraine and Belarus within the total assessment of the USSR had historically been less than their shares in the national income of that country. In recognition of its sufferings during the Second World War, Ukraine's share of the Soviet assessment had been set at 11.4 per cent of the total, a percentage which had been consistently used by the Committee on Contributions over the years. No delegation, including that of the Russian Federation, had ever questioned that approach. Indeed, the President of the Russian Federation had indicated, at the forty-sixth session, that his Government assumed complete responsibility for the financial obligations of the former Soviet Union in accordance with the Charter of the United Nations. The Russian Government had thus not suggested that its contribution should be reduced at the expense of Ukraine or Belarus.

15. It was also unfair that the Committee on Contributions should have assessed the former Soviet republics on the basis of statistical data for 1980-1989, since their national incomes had fallen significantly after that date. The assessments should be based on recent economic performance.

16. In an effort to find a constructive solution, his delegation proposed that the General Assembly, at the current session, should not take any decision to revise the scale of assessments approved at the previous session, in particular with regard to the assessments of Ukraine and Belarus. All that was necessary was to calculate the rates of the new Member States and deduct them from the share of the Soviet Union, in accordance with existing rules. The question of the apportionment of the former USSR assessment could then be considered at an extended forum, with the possible participation of IMF experts and representatives of the former Soviet republics. Another temporary solution might be the exclusion of 0.86 "superfluous" points from the scale, which would reduce the total to 99.14 per cent.

17. Lastly, the Fifth Committee must provide for more active participation by its members in the work of the Committee on Contributions in emergency situations. His Government, which was the thirteenth largest contributor to the regular budget, could not support the recommendations of the Committee on Contributions, which amounted to an infringement of Ukraine's rights as a result of arbitrary interference with the scale of assessments approved by consensus at the forty-sixth session.

18. Mr. GABRIEL (Philippines) commended the Committee on Contributions on having taken a positive step towards the simplification of rate calculations by using uniform exchange rates to calculate the rates of assessment for the new Member States.

19. With regard to debt-adjusted income, he noted that the application of that concept would raise the rates of assessment of certain indebted

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(Mr. Gabriel, Philippines)

developing countries. His delegation therefore thought it advisable to study the nature of such increases in order to ascertain whether or not debt adjustment would distort the national income data for those countries and what its effect would be when combined with the overall package of adjustments envisaged.

20. As for the low per capita income allowance formula, his delegation took note of the view that upgrading the gradient from 85 per cent to 100 per cent would make the low per capital income formula more realistic and more representative of the capacity to pay. Since there appeared to be no technical justification for continuing to apply the 85 per cent gradient and since using a 100 per cent gradient would simplify the methodology and benefit countries with very low per capita income, the idea had merit. However, before such a change was made, a more careful study was required of its impact on individual rates of adjustment when combined with the other changes contemplated. Despite its shortcomings, his delegation supported the automatic adjustment of the upper per capita income limit. Until a more accurate method of determining real per capital income could be developed, that approach would provide at least some means of arriving at a more realistic figure for the prevailing world per capita income.

21. With regard to the scheme of limits, his delegation noted the Committee's conclusion that the results of applying all three proposed approaches to the phasing out of the scheme of limits demonstrated that most of the effects of the scheme could be eliminated over two three-year scale periods. However, it fully agreed with the Committee's conclusion that the results of the three different approaches did not necessarily present a realistic picture of the rates of assessment because of numerous other factors which might cause considerable fluctuations in the individual rates of assessment of many countries. In view of the possibility of such variations and the possible adverse effects for several developing countries, the best approach might be to make ad hoc adjustments in the existing scheme of limits for the next two three-year scale periods before eliminating it altogether.

22. His delegation fully understood that, in determining capacity to pay, the Committee's efforts to accommodate the specific concerns of certain Member States were greatly hampered by the unavailability of internationally standardized data. It hoped that the Committee would be able to consider those concerns more closely as such data became more available. It was glad to note the progress made in efforts to refine the methodology of price-adjusted rates of exchange (PARE) and supported the decision to continue working on PARE despite its conceptual imperfections. Until enough data could be accumulated to use purchasing power parities, PARE was still the best way to proceed. It noted with interest the model scale shown in column 5 of the table in annex V to the Committee's report, which was the result of applying floor and ceiling rates to the machine scale of national income weighted by per capita national income. Since some Member States had valid objections to that method, his country believed that further study was needed in order to determine whether its benefits outweighed its shortcomings.

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(Mr. Gabriel, Philippines)

23. In closing, he drew the attention of the Fifth Committee to the view expressed by some members of the Committee on Contributions that paragraph 3 of General Assembly resolution 46/221 B was formulated in such a way as to deprive that Committee of its raison d'être and reduce it to making comments on hypothetical scales of assessments calculated on the basis of criteria pre-determined by the General Assembly (A/47/11, para. 15). His delegation attached great importance to that statement. In its eagerness to perfect the scale of assessments, the Fifth Committee should not prevent the Committee on Contributions from using its vast expertise by placing undue limitations on its work.

AGENDA ITEM 17: APPOINTMENTS TO FILL VACANCIES IN SUBSIDIARY ORGANS AND OTHER APPOINTMENTS (continued)

(e) APPOINTMENT OF MEMBERS OF THE UNITED NATIONS ADMINISTRATIVE TRIBUNAL (A/47/105, A/C.5/47/34)

24. The CHAIRMAN said that, in accordance with article 3, paragraphs 1 and 2, of the statute of the United Nations Administrative Tribunal, the General Assembly had to appoint two persons to fill vacancies that would arise in the membership of the Tribunal on 31 December 1992. The Secretary-General had indicated that Mr. Jerome Ackerman (United States of America) and Mr. Francis R. Spain (Ireland) had been nominated by their respective Governments for reappointment. As the number of candidates corresponded to the number of vacancies, he would take it that the Committee wished to recommend the reappointment of Mr. Ackerman and Mr. Spain for a three-year term beginning on 1 January 1993.

25. It was so decided.

(a) APPOINTMENT OF MEMBERS OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS (A/47/101, A/C.5/47/30) (continued)

26. The CHAIRMAN, drawing the attention of the Committee to rules 155 and 156 of the rules of procedure of the General Assembly, said that the General Assembly had to appoint six persons to fill vacancies that would arise in the membership of the Advisory Committee on Administrative and Budgetary Questions on 31 December 1992. According to the note by the Secretary-General (A/C.5/47/30), nine persons had been nominated by their respective Governments. As the number of candidates from the Group of Asian States corresponded to the number of vacancies for that Group, he would take it that the Committee wished to recommend the appointment of Mr. Tadanori Inomata (Japan), Mr. Ranjit Rae (India) and Mr. Yu Mengjia (China) to the Advisory Committee on Administrative and Budgetary Questions for a three-year term beginning on 1 January 1993.

27. It was so decided.

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28. The CHAIRMAN informed the Committee that the Government of Belgium had decided to withdraw the name of Mr. Adrien Teirlinck from the ballot. That still, however, left three candidates from the Group of Western and Other States for two vacancies and two candidates from the Group of Latin American and Caribbean States for one vacancy. The Committee would therefore hold a secret ballot for each Group.

29. At the invitation of the Chairman, Mr. Penev (Bulgaria), Mr. Elizmaity (Egypt) and Mr. Jadmani (Pakistan) acted as tellers.

Group of Latin American and Caribbean States

30. A vote was taken by secret ballot.

Number of ballot papers:	166
Number of invalid ballots:	19
Number of valid ballots:	147
Abstentions:	0
Number of members voting:	147
Required majority:	74
Number of votes obtained:	
Mr. Jorge José Duhalt (Mexico)	84
Mr. Carlos Casap (Bolivia)	63

31. Mr. Jorge José Duhalt (Mexico) having obtained the required majority, the Committee recommended his appointment to the Advisory Committee on Administrative and Budgetary Questions for a three-year term beginning on 1 January 1993.

Group of Western European and Other States

32. A vote was taken by secret ballot.

Number of ballot papers:	169
Number of invalid ballots:	11
Number of valid ballots:	158
Abstentions:	0

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<u>Number of members voting</u>: 158

<u>Required majority</u>: 80

<u>Number of votes obtained</u>:

Mr. Gérard Biraud (France) 117

Mr. Wolfgang Münch (Germany) 102

Mr. Russell Merifield (Canada) 87

33. <u>Mr. Gérard Biraud (France) and Mr. Wolfgang Münch (Germany) having obtained the required majority, the Committee recommended their appointment to the Advisory Committee on Administrative and Budgetary Questions for a three-year term beginning on 1 January 1993</u>.

<u>The meeting rose at 1.05 p.m</u>.