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FIFTH COMMITTEE  
12th meeting  
held on  
Thursday, 9 October 1980  
at 10.30 a.m.  
New York

UN/SA COLLECT

SUMMARY RECORD OF THE 12th MEETING

Chairman: Mr. BUJ-FLORES (Mexico)

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

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14 October 1980

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

AGENDA ITEM 91: PROGRAMME BUDGET FOR THE BIENNIUM 1980-1981 (continued)

Services provided by the United Nations to activities financed from extrabudgetary resources (continued) (A/C.5/34/21; A/35/7/Add.2)

1. The CHAIRMAN announced that he had held some informal consultations on the subject of the draft decision submitted orally by the Soviet delegation at the 11th meeting (A/C.5/35/SR.11).
2. Mr. PALAMARCHUK (Union of Soviet Socialist Republics) reminded the Committee that, at its previous meeting, the Assistant Secretary-General for Financial Services had raised the possibility of the Secretary-General's including information on services provided by the United Nations to activities financed from extrabudgetary resources in an annex to the proposed programme budget.
3. In the light of the consultations that had been held, his delegation could, in principle, agree to that procedure, although it went without saying that the separate report annexed to the proposed programme budget would have to contain all the material necessary for the Committee to study the question.
4. The CHAIRMAN suggested, in the light of the statement made by the representative of the Soviet Union that the Fifth Committee should recommend to the General Assembly that it take note of the report of the Secretary-General contained in document A/C.5/34/21 and of the report of the Advisory Committee on Administrative and Budgetary Questions contained in document A/35/7/Add.2, that it should endorse the recommendations contained in paragraph 24 of the report of the Advisory Committee, and that it should request the Secretary-General to submit as a separate annex to the proposed programme budget all necessary information on services provided by the United Nations to activities financed from extrabudgetary resources. He said that, if he heard no objection, he would take it that the Committee wished to adopt his suggestion.
5. It was so decided.

AGENDA ITEM 92: MEDIUM-TERM PLAN FOR THE PERIOD 1980-1983 (continued) (A/35/6 and Corr.1 and Add.1 and 2, A/35/7, A/35/38; A/C.5/35/1 and Corr.1 and Add.1 and Add.1/Corr.1 and 2, A/C.5/35/2, A/C.5/35/3 and Corr.1, A/C.5/35/4 and Corr.1; A/C.5/35/L.7)

AGENDA ITEM 12: REPORT OF THE ECONOMIC AND SOCIAL COUNCIL (continued) (chaps. XXVIII and XXXVI (A/35/3/Add.28 and Add.36))

6. Mr. AMNEUS (Sweden), speaking on behalf of the Nordic countries, observed that the highly complex, heterogeneous organizational structure of the United Nations meant that any significant changes to improve administrative quality and ensure the effective output and use of available resources required efforts by all parties concerned. In spite of commendable attempts, the improvements recommended, inter alia, in General Assembly resolution 32/197 did not seem to have materialized.

(Mr. Amneus, Sweden)

At its thirty-fourth session, the General Assembly had adopted resolution 34/224 in which it had endorsed the conclusions and recommendations of the Committee for Programme and Co-ordination (CPC) relating to the results and effects of the restructuring process and had decided to establish principles and guidelines clearly indicating the twofold function of the medium-term plan. Some of the complications of a plan which was intended not only to highlight the policy orientations of the system as a whole but also to serve as a tool for budget planning where apparent, and the Nordic countries believed that an experimental period would be required before a solution could be found to the problem of a budgetary straitjacket. Pragmatic applications based on the theoretical framework set out in that resolution would depend on the medium-term plan's serving as a real framework for the programme budget and for a better allocation of resources.

7. The model medium-term plans (A/C.5/35/3 and Corr.1) provided useful material for further discussion. Furthermore, the Nordic delegations agreed with the CPC proposal that the medium-term plan for the period 1984-1989 should be subject to prior review by the relevant sectoral, functional and regional intergovernmental bodies. Only through such a process could the plan translate resolutions into precise and obtainable objectives and play its intended role as the tool by which the major guidelines for United Nations activities were determined by the relevant intergovernmental bodies. It was hoped that the General Assembly would, in due course, adopt the CPC recommendation as the principal policy directive of the Organization.

8. It should be possible to reach a consensus on the criteria and methods for priority-setting, which should be related to the allocation of resources, if it was not to be a meaningless exercise. However, because there was no one-to-one relationship between the relative priority of a programme and its share of total resources, a way of linking budgetary allocations to priorities had to be developed. The delegations for which he spoke shared the doubts about the basis on which CPC had determined relative real growth rates and looked forward to the discussion of priority-setting criteria and methods at the twenty-first session of CPC.

9. They attached importance to the CPC proposal that the major programmes of the plan should continue to be based on sectors of activity rather than on organizational units, believing that the structural basis of programme plans was very important for medium-term planning. As CPC had concluded, the subprogramme structure should be based on objectives, to which administrative structures should be adapted as far as possible.

10. With respect to the difficulties in setting time-limited objectives, the distinction between intergovernmental objectives and those of the Secretariat required further reflection, as it was far from clear. CPC would not be considering that problem at its next session; that was a pity since its deliberations might have helped to improve the effectiveness of the 1984-1989 medium-term plan as a programming tool. The implementation of the CPC recommendation that all plans at the programme level should continue

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(Mr. Amneus, Sweden)

to be based on administrative units, and that the objective-based plan structure should apply to the set of subprogrammes in each programme should be closely monitored. In the coming years, it was hoped that the whole United Nations system would make further efforts to apply those basic planning concepts which had been decided. He emphasized that the planning process was ongoing.

11. The conclusions and recommendations of CPC on the evaluation study of the manufactures programme, if implemented, would surely strengthen work in that field. The Nordic delegations were pleased to note that the evaluation methodology had been further refined, and that CPC would be reviewing further projects.

12. While welcoming the report of the Secretary-General on programme performance of the United Nations for the biennium 1978-1979 (A/C.5/35/1 and Add.1), they had to agree with the conclusion contained in paragraph 378 of the CPC report (A/35/38).

13. The budgetary implications and consequences of various United Nations programmes should be studied on their merits. Member States should not adopt positions of principle which might seriously hamper the flexibility and dynamic character of the programmes. It was therefore of the utmost importance to pay due attention to the utilization of resources already allocated and to scrutinize the programmes with a view to obtaining maximum efficiency, putting greater emphasis on evaluating the present use of resources. In some cases, the desired results might be achieved through redeployment and rearrangement of programme resources.

14. Mr. CAMPO-SOTO (Colombia), referring to paragraph 4.47 of document A/35/6 and Corr.1 on the subprogramme relating to international marine political and security problems, placed on record his delegation's view that the Secretary-General had no mandate either from the General Assembly or from the Third United Nations Conference on the Law of the Sea to deal with the matters to which reference was made in that paragraph, and that the consideration of such matters fell outside the competence of the Fifth Committee.

15. Mr. GALLEGOS (Chile) said that at the second regular session of 1980 of the Economic and Social Council his delegation had commented on the content of paragraph 4.47 of document A/35/6 and Corr.1, expressing the view that it went far beyond the terms of reference given to the Secretariat by the General Assembly in that it determined matters which were the subject of delicate negotiations in the Third United Nations Conference on the Law of the Sea. In reiterating the statement that it had made in the Economic and Social Council, his delegation registered its formal reservation with respect to paragraph 4.47, should the Committee decide to adopt the document in its present form.

16. Mr. MARTORELL (Peru) stated his delegation's reservation on the wording of paragraphs 4.46 and 4.47 of document A/35/6 and Corr.1, since it could lead to erroneous interpretations on a subject on which the Secretariat should proceed with caution, taking account of its global nature. It was well known that the range of problems relating to the new law of the sea was highly complex and, for that reason, most countries had rejected a unilateral approach. Support activities

(Mr. Martorell, Peru)

within the Secretariat must therefore maintain a coherent, global, integrated approach in accordance with the wishes of the Third United Nations Conference on the Law of the Sea. In that connexion, the comments of the President of that Conference, contained in his letter of 29 September 1980 addressed to the President of the General Assembly, were pertinent. His delegation would have wished a more appropriate wording so that delegations, including his own would not have been obliged to express reservations.

17. Mr. BOUZARBIA (Algeria) said that, although the revision of the medium-term plan for the period 1980-1983 was partial, it nevertheless provided a preliminary indication and some ideas for the future, especially for the medium-term plan for the period 1984-1989.

18. It was essential to determine objectives before drawing up the plan, the major concern being to identify themes in the context of the current international situation and in the light of the results achieved over the past two decades, as well as in the recent negotiations at the eleventh special session of the General Assembly. The objectives should determine the programmes which, in turn, would determine the flow of resources for their implementation.

19. Any automatic fixing of growth rates in financial terms would place development in a state of inertia, which would be highly prejudicial to the economies of the developing countries. With respect to priority-setting, the question was whether the approach should be dynamic, or whether it should be confined within a budget that was static in real terms. His delegation supported the many who had rejected priority-setting on the basis of relative growth rates for the regular budget. The medium-term plan, which should precede the preparation of the programme budget, should be adjusted or readjusted in the light of the financial resources available, retaining a certain degree of flexibility in order to respond to the inherent changes in the ever-growing needs of the developing countries. Administrative structures should gradually be adapted to programmes.

20. If priority-setting was to remain the privilege of intergovernmental bodies, that should not exclude authorized bodies from giving advice or making constructive criticisms in the course of the planning process. Co-ordination could not be rejected outright a priori, but joint planning did not mean the substitution of one body for another on the pretext of duplication or because certain bodies traditionally handled certain matters. The key role and the initiative should rest with the General Assembly.

21. He observed that paragraph 330 of the report of CPC should be redrafted in the light of the fact that the international development strategy for the third development decade had not yet been adopted by the General Assembly. Likewise, referring to paragraph 357 of that report, he said that it would be premature to consider strengthening the activities of the United Nations system in the area of energy before the United Nations Conference on New and Renewable Sources of Energy and the launching of the global negotiations in 1981.

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22. Mr. MENDEZ-MONTILLA (Venezuela) supported the position taken by previous speakers regarding paragraph 4.47 of the proposed revisions to the medium-term plan for the period 1980-1983.
23. Mrs. DORSET (Trinidad and Tobago), referring to paragraph 4.46 of the same document, asked whether the Secretariat had received any specific mandate from the Third United Nations Conference on the Law of the Sea to deal with the peaceful settlement of disputes between Member States in ocean-related activities, bearing in mind that the topic was the subject of delicate negotiations.
24. Mr. OKEYO (Chairman of the Committee for Programme and Co-ordination), responding to points raised during the discussion, said CPC felt that the determination of priorities among the major programmes of the medium-term plan should be accomplished within the context of the planning process, and the Secretary-General should use the priorities recommended by CPC at its twentieth session as the basis for the proposed programme budget for the biennium 1982-1983. Although the priorities recommended by CPC had not been adopted by consensus, the Committee had felt that some guidelines, however imperfect, should be provided. CPC had requested the Secretariat to prepare a report outlining the major issues involved in setting priorities and the methods to be employed, and to suggest ways of reaching a decision on such matters; it hoped to give further thought to priority-setting at its twenty-first session, on the basis of that report.
25. The Committee had received information on activities that had been completed or were obsolete, of marginal usefulness or ineffective as a part of the programme performance report, rather than the separate report it had been expecting. It had accepted the criteria for identifying such activities proposed by the Secretariat on the understanding that they needed to be further refined and more strictly applied.
26. The concern expressed by delegations because many heads of the specialized agencies had not attended the most recent joint meetings of CPC and ACC was shared by CPC itself, which hoped that future joint meetings would be attended by the Secretary-General and the heads of all specialized agencies, so that the meetings could truly serve the purpose envisaged by the General Assembly.
27. The twentieth session of CPC had lasted six weeks. The twenty-first session was scheduled to be held over a period of four weeks, during which CPC would be required to review the proposed programme budget for the biennium 1982-1983 and many other important issues. It had therefore decided that some items, including the item on evaluation, must be postponed until the twenty-second session in order to ensure that time limitations did not oblige the Committee to carry out its work perfunctorily. The Committee had also decided that it would be desirable to conduct a more intensive review of UNIDO technical co-operation activities financed by UNDP in the field of manufactures, as a follow-up to the evaluation study conducted at its twentieth session.
28. He would welcome some indication from the Joint Inspection Unit as to how JIU perceived its own role in the implementation of the CPC recommendations concerning the application of General Assembly resolution 32/197.

29. Mr. GARRIDO (Philippines) asked whether the format of joint ACC/CPC meetings had changed substantially in recent years.

30. Mr. PAL (India) asked for a further explanation of what CPC meant by relative real growth rates, and how it believed they should be used in assigning priority among the major programmes of the medium-term plan.

31. Mr. HANSEN (Assistant Secretary-General for Programme Planning and Co-ordination) said that the questions raised during the discussions touched upon five broad areas: the nature of the revised medium-term plan; programme priority and related problems; co-ordination; the programme performance report; and evaluation. He would present his replies on that basis. The whole planning format of the medium-term plan had been changed, and the emphasis had moved from a fairly rigid, indicative approach towards the strategic aspects of planning. It was intended that the plan should serve as an instrument for programme implementation, and it had therefore been given a more substantive and programmatic orientation. The plan was not immutable, and could certainly be adapted to any new legislative mandates; but it was to be hoped that, in the future, the new procedure would make it easier to keep any new mandate broadly consistent with the objectives established by the plan.

32. The assignment of priorities among different programmes of the Organization had long been a problem, and various approaches had been tried to deal with it. In his view, the Secretariat had a role to play in proposing relative priorities to intergovernmental organs, which should, in turn, react to those proposals so that the problem could be tackled by both sides working together. A difficulty posed by the very structure of the Organization was that centrally established priorities and the regional priorities established by each regional policy-making body were frequently incompatible. In future, he hoped, intergovernmental bodies would turn their attention to recommending priorities for subprogrammes rather than for major programmes, and in that connexion he referred members to paragraph 40 of the annex to General Assembly resolution 32/197. It was difficult for CPC to make its own judgement on subprogramme priorities, but if the regional bodies would not determine such priorities themselves, that was what would have to be done.

33. A distinction had to be drawn between two aspects of co-ordination. The first was intraorganizational co-ordination, which was concerned with using medium-term planning and programming to co-ordinate activities within the United Nations proper; while the second, which could be called interorganizational, was concerned with co-ordinating the plans of the United Nations and the specialized agencies. Intraorganizational co-ordination emphasized the weight to be given to the objectives and programme orientation of the medium-term plan and programme budget rather than the sanctity of existing administrative structures; the Secretariat was aware of the issues involved, and would take them into account in its future work. A similar approach could also be applied to evaluation and, indeed, the field of manufactures had been chosen for the evaluation study conducted at the twentieth session of CPC to demonstrate to UNCTAD and UNIDO that intraorganizational co-ordination was a subject worth looking into.

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34. Interorganizational co-ordination was required because, while the bodies of the United Nations proper were subject to the central authority of the General Assembly, other organizations in the system established their own plans and programmes without direct reference to such authority. In recent years, CPC, with the Fifth Committee's endorsement, had decided to use cross-organizational programme analysis as a means of bringing about such co-ordination, seeking to identify fields in which several organizations in the system were active, such as rural development, energy, youth programmes and public administration, on the ground that when the organizations had an overview of such activities they could plan more effectively. Eventually the process might be taken further, through the development of joint plans with specialized agencies of the system. At the very least, it could no longer be said that the specialized agencies were insufficiently informed of each other's activities.

35. Resolution 32/197 had laid emphasis on the need for prior consultations between the United Nations and the specialized agencies. Proposals were now exchanged among the different organizations at the preparation stage, so that each knew what the others were doing. The system could not yet be said to be working well, but the Secretariat intended to make the most of the fact that in 1984-1989 all the individual planning periods of the different agencies would be synchronized for the first time, to help to bring about greater co-ordination.

36. The format of joint ACC/CPC meetings remained fundamentally unaltered except that the agenda now generally consisted of only one or two items and there had been a trend away from institutional issues and towards questions of programming. The meetings had originally been intended to provide a forum in which to discuss the international development strategy and, he believed, they could do so again when a third United Nations development strategy was finally adopted.

37. ESCAP did not have a body specifically concerned with energy, but it did have a committee on natural resources for which energy was one subject of discussion.

38. The Secretariat had noted delegations' approval of the orientations of the programme performance report and the methodology used for its preparation. While the undertaking had been fruitful as a first attempt, the Secretariat was aware that there were still imperfections in the narratives in the report which should be made good. The following performance report was already under preparation, and delegations' comments would be taken into account during its formulation.

39. With regard to the need to secure intergovernmental approval before terminating or postponing activities, he pointed out that legislative mandates always related to the programme or subprogramme level. Responsibility for formulating programme activities at the programme element or output level was left to programme managers. Often, changes in circumstances made reprogramming at the programme element or output level necessary in order to ensure that the objectives of a programme or subprogramme could be achieved. Of course, the programme objectives set by intergovernmental bodies could not be changed by the Secretariat. However, in order to respond quickly to changing mandates, programme



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managers often had to reorient their activities. That did not mean that they were not fully accountable to the intergovernmental bodies. Full accountability was essential. However, if there was a possibility of phasing out or modifying an activity, and saving resources thereby, it would hardly be sensible to require programme managers to wait for formal approval by the Fifth Committee or CPC of any reprogramming.

40. It had been asked in connexion with the programme performance report whether it was valid to distinguish between "delays" and "reformulations" with regard to programmes and how those terms related to the column headings "completed with deviations" or "in progress with deviations" used in the tables. As had been noted, there was no indication in the narratives as to which of the two columns programme elements that were "delayed" or "reformulated" were placed under. That could be done in future programme performance reports, but only at the expense of further subdividing the tables or the narratives. He suggested that, in considering the format of the next programme performance report, the Committee should hold informal consultations to determine whether the clarity to be gained would justify the greater complexity in presentation.

41. The definitions suggested by the representative of Japan for the terms "delayed" and "postponed" were apt and corresponded to those used in preparing the report. The meaning of those terms could be spelt out more explicitly in the next report.

42. Several representatives had asked what the expression "lack of resources" in the programme performance report meant. That expression covered three different types of situation. First, it designated a gap between the resources originally requested by programme managers in the programme budget proposals and the actual appropriations approved by the General Assembly; in such cases, "lack of resources" was not an appropriate description. Second, it covered cases in which programme managers had programmed activities to be financed from extrabudgetary resources which were reasonably expected at the time of programming but did not materialize; in such cases, the circumstances should be spelt out. Third, it was used to describe situations resulting from the excessive optimism of programme managers who had either underbudgeted or overprogrammed; such situations should not recur in future.

43. Another representative had asked whether any attempt had been made to assess the impact which the termination or postponement of programme elements had had on intergovernmental objectives. It was extremely difficult to determine the impact of programmes that had been implemented; it was even more difficult to determine the impact of a programme that had not been implemented. There were many more factors involved in the problems addressed by United Nations programmes than the United Nations input alone. He did not believe that the expense of making such an assessment would be justified in all cases. Efforts might be made, however, in specific evaluation exercises to assess the impact of postponements or terminations.

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44. In reply to the question why meetings of experts were not regarded as a final output, while meetings of intergovernmental bodies were, he said that the purpose of convening an expert meeting was to seek counsel and advice, which would be an input used in producing some final output.

45. One delegation seemed to be under the impression that the recently established evaluation unit had done nothing in its first year of existence. On the contrary, the evaluation unit was working at full capacity, carrying out activities in the two main areas of its work programme, namely, evaluating selected programme areas and establishing a comprehensive system of internal evaluation in the United Nations Secretariat. Such a system was particularly important in that it would ensure that programmes were constantly evaluated and monitored so as to be able to adjust activities of the organization on a continuing basis and make them more relevant to the needs of Member States. With regard to the specific evaluation studies, CPC had considered it necessary to follow up the study of the UNIDO programme in manufactures with a more intensive study of technical co-operation projects in manufactures. That study was under way with the co-operation of UNDP and UNIDO, and would attempt to measure the socio-economic impact of selected field projects in industrial development, examine several programme strategy issues relating to industrial development, and assess the relationship between UNIDO and UNDP technical co-operation standards and practices in the field. No study of that kind had ever been undertaken before, and it represented an additional burden on the limited resources of the small evaluation unit. He might find it necessary to refer at a later stage to the question of the resources needed to carry out that study with the thoroughness that CPC envisaged.

46. Mr. ABRASZEWSKI (Poland) pointed out that the Committee had not yet received the Secretary-General's report on the implementation of General Assembly resolution 34/225 concerning the identification of activities that were obsolete, of marginal usefulness or ineffective. He asked the Chairman whether the Committee could complete item 92 before it had dealt with that report.

47. The CHAIRMAN said that he would hold consultations to determine what the best procedure for dealing with the Secretary-General's report would be.

AGENDA ITEM 97: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS: REPORT OF THE COMMITTEE ON CONTRIBUTIONS (A/35/11)

48. Mr. AMJAD ALI (Chairman of the Committee on Contributions) recalled that the General Assembly, in resolution 34/6 B, had requested the Committee on Contributions to report to the General Assembly at its thirty-fifth session on ways and means of increasing the fairness and equity of the scale of assessments, bearing in mind the debate in the Fifth Committee at the thirty-fourth session. In the same resolution, the General Assembly had also set out certain guidelines for use by the Committee on Contributions.

49. The Committee had recognized the need for improving its existing methodology and at its fortieth session had devoted much of its time to exploring ways of increasing the fairness and equity of the scale of assessments.

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50. With regard to paragraph 2 (a) of resolution 34/6 B on methods for avoiding excessive variations of individual rates of assessment between two successive scales, the Committee had examined numerous alternative calculations on the basis of the latest available national income data. In the absence of an appropriate definition, the Committee had failed to agree on what was meant by "excessive" or "extreme" variations. In that connexion, the Committee had been reminded that since increases or decreases were brought about by changes in national income, which was the principal measure of capacity to pay, the introduction of upward or downward limits would lead to a distortion of the true measurement of the capacity to pay. Moreover, for countries experiencing continual growth or continual decline in their national incomes, the consequence of applying any limits to a series of successive scales would be to worsen that distortion over a period of years. In the past, mitigations had been possible to moderate upward or downward movements resulting from changes in national incomes. The introduction of any system of limiting percentage rates of assessment would lessen such flexibility, thereby diminishing the chances for Member States in special circumstances to obtain additional relief. On the other hand, some members had felt that the introduction of some form of limits would not essentially represent a departure from the principle of capacity to pay since the current measurement based on national income but not other economic and social indicators could not reflect adequately a Member State's capacity to pay.

51. The possibility of introducing a scale of up to four decimal digits had also been examined by the Committee. However, it had been pointed out that a scale with extended decimal digits might convey an erroneous impression of the degree of precision in the underlying statistics.

52. The Committee had thus concluded that the questions relating to the possibility of avoiding excessive or extreme variations between two successive scales should be kept under constant review.

53. With reference to paragraph 2 (b) of resolution 34/6 B concerning capacity to pay, the Committee had agreed that: (1) the single aggregate of national income, expressed in monetary terms, might not fully reflect economic realities; (2) the difficulty experienced by certain Member States in securing convertible currency might adversely affect their capacity to pay; (3) the capacity to pay of countries with commodity-oriented economies whose earnings depended heavily on one or a few products might be affected adversely by sharp declines in export prices and by increasing price of imports; and (4) the element of inflation might distort the statistical measurement of a country's national income and therefore its capacity to pay.

54. With regard to the first condition, the Committee had agreed that, in principle, national income as a measure of capacity to pay should be supplemented by other economic and social indicators. The Committee had, in 1977, explored the feasibility of combining some selected indicators into one which would measure the relative level of socio-economic development. However, it had found that it was virtually impossible to arrive at a composite indicator which would reflect the

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widely different patterns of socio-economic development and of ethical and cultural considerations of the United Nations membership as a whole. In addition, the absence of a full conceptual agreement on the content of given indicators and the lack of actual statistics from Member States for a given year had presented further difficulties. The Committee had taken cognizance of the fact that reasonable progress had been made in the methodological work on economic and social indicators. Nevertheless, it had realized that acceptable supplementary indicators would not be available for many years to come. The Committee had therefore decided to take up the question again at its next session and requested the Statistical Office to prepare a study on the relative ranking of Member States in respect of selected leading economic and social indicators.

55. The second condition, had been studied in depth by the Committee at a number of its past sessions. In 1977, the Committee had examined statistical data on external public debt in relation to export of goods and services, to international reserves and to national income of individual countries. But, it had not found an appropriate formula for taking payment difficulties systematically into account. In formulating its recommendations for a scale of assessments for 1978 and 1979 as well as for 1980, 1981 and 1982, the Committee had examined closely the situation of those developing countries that had to devote a substantial portion of their foreign earnings to the servicing of external public debt and had made adjustments in some valid cases. The Committee had re-examined the question at its last session and had concluded that the question required further study. It had therefore requested the Secretariat to collect appropriate information for its future work.

56. The third situation was directly related to the guidelines given in paragraph 2 (c) of General Assembly resolution 34/6 B, relating to Member States which depended heavily on one or a few products. The Committee had identified three separate categories of such countries: (1) countries whose export commodities had undergone significant price increases in recent years; (2) countries with commodity-oriented economies whose capacity to pay might have been affected by sharp declines in export prices; and (3) countries whose export earnings were subject to sharp fluctuations. For some time, the Committee had been mindful of the fact that, for countries in those three categories, the increasing price of their imports and the unfavourable terms of their trade should be considered as an essential factor in their capacity to pay. The Committee had noted that, in the case of the first category, the significant price increases had resulted in significant increases in national income estimates in current prices. However, it had been mentioned by some members that such countries did not have well-developed infrastructures and were, of necessity, obliged to refrain for some time to come from devoting large portions of their national income to consumption. In its study, the Committee had studied the range of statistical data referred to in paragraph 32 of its report. The Committee had also taken cognizance of the need to consider the particular situation of developing countries whose national income depended to a large extent on the export of non-renewable natural resources. In the case of countries with commodity-oriented economies recently confronted with steep declines in export prices and increasing prices of imports, as well as those

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countries whose export earnings were subject to sharp fluctuations, the Committee had realized that there might be an impairment of their relative capacity to pay as a result of a reduction in their international reserves of convertible currencies.

57. The fourth situation was related to the relevant portion of the guidelines given in paragraph 2 (e) of resolution 34/6 B. For some time, the Committee had been concerned over the problem of inflation rates and their effects on the comparability of national income statistics. It had observed that for countries heavily dependent on one or a few products, a sudden steep rise in earnings from the sale of export commodities at rapidly increasing world prices could have an impact on domestic money supply, thereby creating domestic inflation. If the prices of a State's essential imports showed a drastic increase, domestic inflation could result and distort the statistical measurement of national income and, therefore, of capacity to pay.

58. The Committee had long been aware that the exchange rates used for comparison purposes did not always respond adequately to variations in the relative rates of domestic inflation. Accordingly, it had been seeking some means of taking into account excessive rates of inflation. The Committee had observed that as long as exchange rates remained uncorrected for inflation by the interaction of market forces or by the intervention of Governments, national incomes were correspondingly inflated. The Committee had recognized that the use of either current or constant prices was not significant when variations in a country's exchange rate were in line with variations in its price level, and that it had to give special attention where changes in price levels were not proportionately reflected in exchange rates.

59. Although the Committee's normal practice was to base computations on national income statistics in current prices converted into United States dollars, it had made appropriate allowances for the inflation factor whenever inflation had a significant impact on the level of assessment.

60. At its recent session, the Committee had again studied the possibility of using national income in constant rather than current prices. It had found that such calculations could present serious conceptual and practical difficulties, as described in paragraph 51 of its report. Furthermore, for many Member States, constant price data were not available and were not expected to be available from all Member States for at least another decade. Finally, the statistical techniques themselves had not been sufficiently developed to assist the Committee in its work even if such data were available. In spite of those difficulties, the Committee had decided to keep the subject under constant review at its future sessions.

61. With regard to the application of the low per capita income allowance formula cited under paragraph 2 (d) of resolution 34/6 B, the Committee had examined numerous alternative formulae and made comparisons from the calculations based on average national income statistics for the years 1972-1978. The consequences of the application of three formulae, and the number of percentage points and dollar amounts shifted from countries below the limit to countries above the limit had been fully illustrated in tables 1 to 4 of the report. The Committee, however, had

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expected that, in formulating the next scale of assessments, the calculations based on those formulae would not produce the same results, since additional statistical data for 1979 and 1980 would have to be added.

62. The Committee had been reminded by some members that the upward shifting of the low per capita income allowance formula would benefit middle-income countries more than the low-income countries since it would not reduce the financial burden of countries with low per capita income. On the other hand, some other members had been of the opinion that such a procedure would be in conformity with the principle of taking into consideration, in the assessment of the capacity to pay, the ever-widening gap between the economies of the developing and developed countries and the need of the developing countries to increase resource allocation for their economic development and the development of their economic and social infrastructures. The Committee had concluded that the matter should be thoroughly examined in connexion with the general review of the scale at its 1982 session when data for the years 1979 and 1980 would be available.

63. Paragraph 2 (e) of resolution 34/6 B also referred to ways of taking into account the different methods of national accounting. The Committee noted the progress achieved in reconciling the two main systems of national accounting and the compilation of statistics of national income in market prices for countries with centrally planned economies. It had been pleased to learn that a number of countries with centrally planned economies were in a position to supply data of national income in market prices according to the System of National Accounts (SNA), as required for the purpose of the Committee. In those cases where countries with centrally planned economies did not submit estimates according to the System of National Accounts, they had been able to provide detailed economic statistics to enable the Secretariat to make the necessary adjustments in order to estimate national income in market prices. The Committee was confident that more countries with centrally planned economies would be able to supply their statistics in accordance with the SNA concept for the 1982 general review.

64. In pursuance of paragraph 2 (f) of resolution 34/6 B, the Committee had again studied the subject of national wealth. The Committee had recalled the argument that a nation's accumulated wealth as well as its current annual income could be jointly considered as the factors influencing its capacity to pay. The Committee believed that data on national wealth and net national welfare would eventually broaden not only the base of capacity to pay but also the measurement of a country's infrastructure. The Committee had been pleased to learn that the Statistical Office had carried out in mid-1979 a survey of national practices in compiling balance-sheet statistics. In the light of the findings of the survey, the Committee continued to feel that at the current stage of development, sufficient progress had not been made in the areas of methodology and availability of national wealth statistics to warrant their systematic use in the determination of countries' relative capacity to pay.

65. Under paragraph 2 (g) of resolution 34/6 B, the Committee had been requested to devise methods to ensure that all countries were assessed on the basis of

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comparable data covering the same period. In order to ensure full compliance with that request, and after an intensive review of the situation, the Committee had asked the Statistical Office to request, in explicit language, calendar year data from all Members. In cases where calendar year data were not supplied, it had authorized the Statistical Office to adjust the data submitted to a calendar year basis for the use of the Committee; and it had decided to take appropriate action in the next review in 1982 to adjust the fiscal year statistics to a calendar year basis in an equitable manner.

66. Finally, under paragraph 2 (h) of resolution 34/6 B, the Committee had been requested to study the effects of altering the statistical base period in the formulation of the scale of assessments. The Committee had studied statistics based on base periods of three, five, seven and nine years. Some members had favoured retaining a seven-year statistical base, while others had maintained that that base period would not reflect a Member State's current economic situation and had expressed the hope that the Committee would eventually return to the use of a three-year base period. Still other members had expressed the opinion that, in view of the lack of the necessary data on national wealth, an average national income for a period of nine years would be an acceptable approximation, although they would prefer an even longer base period of 15 years in order to obtain a wider reflection of economic realities. Doubtless, the data that would be available at its 1982 session would alter the picture. In any event, given the limited time available at the fortieth session, the Committee had not been able to examine in depth all the aspects of this question and it therefore had decided to continue its study of the important question of the base period at future sessions.

The meeting rose at 1.20 p.m.