United Nations
GENERAL ASSEMBLY
THIRTY-FIFTH SESSION
Official Records *

FIFTH COMMITTEE
19th meeting
held on
Friday, 17 October 1980
at 10.30 a.m.
New York

SUMMARY RECORD OF THE 19th MEETING

Chairman: Mr. BUJ-FLORES (Mexico)

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

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Distr. GENERAL
A/C.5/35/SR.19
22 October 1980

ORIGINAL: ENGLISH

80-56782

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

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

1. Mr. GODFREY (New Zealand) observed that, notwithstanding the substantial and difficult task entrusted to the Committee on Contributions pursuant to General Assembly resolution 34/6 E, it had done good work in submitting a considered report of the various questions posed. Doubtless, there would be some disappointment that it had not been able to make specific recommendations for changes in the method of calculating the scale, but objective data were simply not available in respect of many of the factors the Committee had been asked to investigate. He was pleased to note that it intended to keep the various suggestions under review.

2. His delegation believed strongly in the concept of capacity to pay, the primary criterion of which should be present capacity to pay. It would not therefore wish to see the seven-year base period extended - if anything it should be shortened - as it gave adequate protection to Member States whose national i income rose sharply. There was no need to place a formal limit on the increase or decrease allowable between successive scales.

3. His country's fiscal year, like that of Australia, did not coincide with the calendar year, and it therefore welcomed the Committee's assurance in paragraph 85 (c) of its report that in future appropriate adjustments would be made to the statistics submitted. He associated himself with the request of the representative of Egypt that the calculation of the adjustment should be made available to the individual Member States affected.

4. Finally, it was not the scale of assessments alone which determined what Member States would pay each year; it was the scale as applied to the total budget. Not only was it in the interests of all Member States that the Committee on Contributions should continue trying to produce equitable scales, but also that the total resources available to the Organization should be utilized efficiently and economically.

5. Mr. FAUTEUX (Canada) said that the difficulties facing the Committee on Contributions as a result of the absence of recognized statistical methods for comparing different economies were reflected in the absence of firm conclusions in its report (A/35/11).

6. As his delegation had made clear at the thirty-fourth session, it did not believe that a further methodological study was necessary since the Committee had already concluded that national income statistics provided the only available indicator which could be uniformly applied to all Member States.

7. However, there should be no misunderstanding about his delegation's position; it was not deaf to the concerns of those Member States which were seeking to

(Mr. Fauteux, Canada)

alleviate the heavy financial burden that the world economic crisis had placed upon them. It also recognized that the national income criterion alone could not reflect the true economic situation of every Member State, particularly in respect of levels of development. His delegation could support the introduction of supplementary criteria to the extent that they could be generally and uniformly applied to all Member States. Regrettably however, as the report of the Committee on Contributions confirmed, the necessary statistical data were either incomplete or non-existent. That strengthened his delegation's belief that the additional criteria considered by the Committee could not be used in the determination of the scale of assessments for the foreseeable future.

8. The uniform application of criteria was essential if the door was not to be opened to bargaining and discrimination in the determination of the scale of assessments, and if the institutional and financial viability of the Organization and the collective responsibility of its Members was not to be jeopardized. Not only did justice have to be done, it had to be seen to be done. The assessment system of the United Nations had been compared to national taxation. Members would readily agree that if individuals could fix what they thought to be their own fair rate of tax, States would soon find themselves in a major financial crisis. The same went for the Organization. For that reason, failing any viable alternative, his delegation believed that the current system based on national income should be maintained, despite its recognized imperfections, which could certainly give rise to certain distortions. Indeed, the report of the Committee on Contributions was evidence of the need to continue monitoring research on the supplementary criteria with a view to studying them further if and when they became uniformly accessible and applicable. In order not to waste valuable time, the Committee should follow the suggestion made by the representative of the Netherlands and discard those social and economic indicators which in all probability could never be quantified.

9. Mr. PAL (India) said it was perhaps not suprising that the Committee on Contributions had not made much progress, because the mandate entrusted to it had pulled it in different directions. However, that situation provided the Fifth Committee with an opportunity to look at the problem again and, without necessarily giving the Committee on Contributions a new mandate, at least to give it some idea of what was expected.

10. His delegation's basic premise was that the scale of assessments should be made more fair and equitable and should correspond more closely with the capacity to pay of Member States. The possibility should be considered, where current economic realities warranted it, of giving further relief by dropping the floor below 0.01 per cent. Accordingly, maximum relief should be given to the least-developed and most seriously affected countries and to other categories defined by the United Nations itself as deserving special treatment.

11. The steady decline in the capacity to pay of most developing countries was exemplified by his own country, which up to the end of the 1950s had been the sixth largest contributor and as recently as 1973 had been among the 18 countries responsible for 85 per cent of the Organization's budget. It had neither complained

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(Mr. Pal, India)

at paying the high contribution nor claimed that that entitled it to special privileges. The current decrease in its contribution resulted from the increase in the number of Member States, the relief afforded by the introduction of the low per capita income allowance formula, and the much faster growth rates of the economies of the developed countries. While it understood the concern of some Member States about sudden fluctuations in their rates of assessment, if those fluctuations represented similar changes in their economies, then they should be acceptable.

12. In assessing real wealth, the comparison should not be restricted to gross national product (GNP), but should also be in relation to outlays on internal development, armaments and official development assistance (ODA). If the percentage of contributions proved to be only a small fraction of expenditure on internal development, then it would hardly be worth while pressing the case for a lower assessment. The same argument applied if a country's contribution to the United Nations was equal to the cost of a single tank or half a jet fighter.

13. Income from arms exports should also be taken into account. Indeed, the latest figures available, for the year 1978, showed that the value of arms exports had reached $19.9 billion, a figure far in excess of the biennial budget of the United Nations. In the case of ODA, it was well known that, with a few notable exceptions, no country had met its target. Some had attempted to link ODA levels to their scale of assessments but they could hardly claim that the relatively small payment they made to the United Nations was onerous when they had not met their ODA targets.

14. He noted with appreciation that the Committee on Contributions had taken into account the external public debt of Member States and, where possible, had given countries in particularly difficult circumstances some relief. He would be interested to know why external public debt could not be systematically taken into account in calculating the scale of assessments. The most optimistic projections of the World Bank estimated that the external debt of oil-importing developing countries would rise to $955 billion by 1990, representing $353 billion in constant 1977 dollars. The cost of servicing that debt would rise to 1.3 per cent of gross national product by 1990, representing a clear strain on the capacity to pay of developing countries. Consideration should be given to automatically allowing low-income and middle-income countries further relief in calculating their rates of assessment whenever their interest payments reached or exceeded say 0.5 or 1 per cent of GNP.

15. Where commodity exporters were concerned, the problem had been studied from the angle of the decline in commodity prices and its impact on capacity to pay. The dimensions of the problem were broader, however, and it might be possible to devise independent criteria for use in determining the scale of assessments. The recommendations of the Committee for Development Planning, the Programme of Action of the World Conference on Agrarian Reform and Rural Development, as well as the international development strategy adopted at the eleventh special session of the General Assembly could provide guidance in that respect. The Committee on Contributions could take as its yardstick for developing countries that were

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heavily dependent on one or a few products the 4-per-cent per annum increase in agricultural exports recommended by the Committee for Development Planning to reverse the decline in the developing countries' share of international commodities. In other words, if a country's exports did not rise by 4 per cent, its assessment should remain frozen at the current level.

16. As stated in paragraph 48 of its report, it was the Committee's practice to take into account the impact of inflation on domestic prices. He wondered how many countries had benefited in that respect and into which categories they fell. It would also be interesting to know how the Committee defined a "significant impact".

17. The Committee on Contributions had encountered difficulties in obtaining statistical and other data and quantifying such things as real wealth. While there was nothing it could do about the lack of data, it should make a major effort to work out a methodology with respect to the various indicators. His delegation believed that the resolutions, decisions and targets adopted by the United Nations system as a whole offered objective criteria for the future work of the Committee on Contributions and hoped that it would be able to make full use of them.

18. Mr. SOKOLOVSKY (Byelorussian Soviet Socialist Republic) commended the brevity and clarity of the report of the Committee on Contributions. His delegation shared the views set out in paragraphs 8 and 9, and had noted the Committee's intention of continuing to study factors adversely affecting States' capacity to pay. It agreed with the Committee that developing additional criteria for determining such capacity would be extremely difficult.

19. Reaffirming his Government's position on United Nations peace-keeping operations, he stressed that arrears in States' assessed contributions in respect of Chapter VII of the Charter lay outside the scope of Article 19, which applied only to the regular budget. Attempts to construe the matter otherwise were artificial and unjustified.

20. Mr. CHU Kuei-Yu (China) said that the recommendations made by the Committee on Contributions as a result of its in-depth study of ways and means of increasing the fairness and equity of the scale of assessments merited consideration, expecially since they had brought some new understanding of the problems.

21. It was the established principle of the United Nations that the contributions of Member States should be assessed on the basis of their capacity to pay. His delegation endorsed that principle, the question was, however, what indicators should be used to reflect that capacity accurately. In that respect, it agreed with the view of the Committee on Contributions that per capita income was the most equitable criterion, but the suggestion made by some States that that criterion should be supplemented by other economic and social indicators deserved further consideration. Dozens of other economic and social indicators had been studied but, as the Chairman of the Committee on Contributions had said, agreement had not been reached on a satisfactory indicator.

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(Mr. Chu Kuei-Yu, China)

22. Under those circumstances, the *per capita* income formula was still the most equitable criterion on which to determine capacity to pay; but that raised the question of the possibility of improving the method of calculation of the formula. Even if all Member States provided their national income statistics to the Secretariat, the information was not uniform, especially as the system used for computing *per capita* income in the centrally-planned economy countries differed from that employed elsewhere. His delegation suggested that the United Nations Statistical Office should process the statistics with a view to providing as uniform a basis as possible for meaningful comparisons. When a country experienced rapid development, its capacity to pay and its *per capita* income increased, and it should be assessed at a higher rate. On the other hand, when a country experienced economic difficulties which reduced its capacity to pay and its *per capita* income, it should pay a lower contribution. In other words, the *per capita* income formula was a relatively accurate criterion on which to determine the rate of assessment, making any upward or downward limit unnecessary.

23. In calculating a fairer and more equitable scale of assessments, consideration had to be given to the growing economic disparity between developed and developing countries. The Committee should also study further such questions as the determination of an appropriate base period, the low *per capita* income allowance formula, and the impact on a country's capacity to pay when its national income depended to a large extent on the export of non-renewable natural resources.

24. Mr. ALI (Bangladesh) expressed his delegation's belief that the capacity of Member States to contribute towards the budget of the United Nations was the fundamental criterion on which the scale of assessments should be based. It agreed with the finding of the Committee on Contributions that, in addition to national income, the determination of capacity to pay should take into account, *inter alia*, access to convertible currency.

25. It noted with satisfaction the information contained in paragraph 23 of the report (A/35/11) that a downward adjustment had been made in the individual assessments of those developing countries that had to devote a substantial portion of their foreign earnings to servicing external public debt. However, it noted that that exercise had not had any effect on Bangladesh's assessment. The conclusion of the Committee on Contributions that the question required further study was, however, encouraging.

26. In noting with satisfaction the Committee's statement in paragraph 27 that the increasing price of imports and the deteriorating terms of trade should be taken into account in the case of Member States whose earnings depended heavily on the export of one product or a few products, his delegation requested the Committee on Contributions to ensure that that factor was properly reflected in the next scale of assessments. The low *per capita* income allowance formula should continue to be applied in such a manner as to lessen the burden of low *per capita* income countries, in particular the least-developed countries.

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(Mr. Ali, Bangladesh)

27. In view of the recommendation contained in paragraph 94 of the report, he reiterated his delegation's desire that his country should be allowed to pay a portion of its contribution in national currency, which, it felt, could be easily utilized by the United Nations in implementing the many development projects under way in Bangladesh.

28. As members were aware, his country, as a least-developed country, had put its case to the Committee for a downward revision of its assessment to bring it in line with the rate at which all other Member States at the same level of development were assessed, which was 0.01 per cent. He sincerely hoped that the Committee on Contributions would consider rectifying that anomalous situation when it drew up the next scale of assessments.

29. Mr. FALL (Mauritania) welcomed the account given in the report of the Committee on Contributions of the Committee's efforts to establish criteria by which to determine rates of assessment. His delegation urged the Committee to redouble its efforts in that direction. A new formula for calculating capacity to pay that would take socio-economic factors into account should be worked out. It was pleasing to note that data for social and economic indicators were available for many countries. The Committee should continue to devote particular attention to developing countries with economies that had not improved significantly in recent years, and the system of financial relief to countries with a low per capita income should be expanded. It was unfortunate that the discussions on limiting variations in rates of assessment between two successive scales had not yet borne fruit and must be continued at the following session of the Committee. His delegation supported the draft resolutions contained in paragraph 100 of the report.

30. Mr. BUNC (Yugoslavia) said that, until a method of establishing a composite indicator of capacity to pay had been worked out, the Committee on Contributions should continue to consider General Assembly resolution 34/6 B as a basis for its future work. He hoped that the study on the relative rankings of Member States in respect of selected leading economic and social indicators would be ready in time for the Committee to study the question further at its following session. In addition to the socio-economic indicators listed in annex II of the report (A/35/11), the study should cover: States' ability to secure convertible currency; the degree of their dependence on both exports and imports of one or a few commodities; the level of their international reserves; inflation rates and their effect on comparability of national statistical data and measurement of national wealth, including the question of expressing national income in constant rather than current prices; the level of foreign debts and States' capacity to pay them, current terms of trade; and the differences between the ways in which national income statistics were drawn up in developed market economies, centrally-planned economies and economies in neither of those two categories.

31. Owing to inadequate calculations, it had been estimated that Yugoslavia's income had increased by no less than 65 per cent between the statistical base periods 1969-1975 and 1971-1977. Evidently, such an increase could not be

(Mr. Bunc, Yugoslavia)

realistic, and in fact the data had been found to contain errors. Corrected data would be forwarded in due time, and his country expected the Committee on Contributions to be able to consider its case accordingly.

32. In view of the steep decline in the value of the dollar in the 1970s, the $2,500, 75-per-cent formula in paragraph 39, in table 3, of the Committee's report was the most appropriate. Since the exchange rates used for comparison purposes did not always match variations in domestic inflation, his delegation supported the views expressed in paragraphs 47 to 52 and believed that national income should be calculated in constant rather than current prices. The seven-year statistical base period was the most suitable, in that it reflected the economic realities of a State's capacity to pay.

33. Mrs. DORSET (Trinidad and Tobago) said that her delegation would have no difficulty in accepting some form of limits on variations in rates of assessment between two successive scales, provided that appropriate measures were taken to avoid distortions of capacity to pay. National income, as a determinant, should not be taken at face value but should be examined against the background of inflation and its effects. The Committee's agreement that, in principle, national income as a measure of capacity to pay should be supplemented by other economic and social indicators was welcome; she asked which indicators would be used in the study referred to in paragraph 20 of the report.

34. The projections of the International Monetary Fund referred to in paragraph 28 of the report should be treated with great caution, in view of the continuing effects on oil-exporting developing countries of inflation imported from the industrialized countries and the fluctuations in the major currencies. What appeared to be a boom for some developing countries should not be taken as a signal for increasing their assessed contributions. The profits that developing countries derived from oil were already earmarked for necessary development projects. Moreover, the cost of the technology made available to them was very high, and the sharp increase in foreign exchange from export commodities could affect domestic money supply, leading to high domestic inflation. It was unreasonable to talk about favourable terms of trade in respect of oil while ignoring deteriorating terms of trade in other commodities which were adversely affected by such factors as protectionist measures.

35. Her delegation recommended no change in the statistical base period used for calculating assessments until such time as the seven-year formula had been thoroughly tested. It believed that States would continue to find the Committee's recommendations controversial and unsatisfactory until the international community had agreed on a more equitable sharing of the world's wealth. By and large, however, it agreed with the report of the Committee on Contributions and would support it.

36. Mr. BOUZARBIA (Algeria) said that the Committee's inability to perform all the tasks asked of it by the General Assembly in resolution 34/6 B was a natural consequence of such a far-reaching mandate and of the difficulties of gathering

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(Mr. Bouzarbia, Algeria)

and co-ordinating statistical information from more than 150 countries. The Committee should not, however, be discouraged from seeking to restore a greater measure of justice and equality to the next scale of assessments.

37. The question of capacity to pay was both vital and delicate: it involved the prior selection and use of a number of criteria which might seem as biased to some as they were meaningful to others. It was obvious that capacity to pay could not be measured in terms of national or per capita income alone: the indicators must include accumulated wealth with its multiplier effects, daily widening the gulf between the industrialized countries and those at the dawn of their development or trapped in economic dependence. Allegedly objective criteria likewise could not apply to groups of States at different levels of development, even if they were weighted to compensate for the prevailing imbalance. Accordingly, his delegation would like the basis for determining capacity to pay to be enlarged, as suggested in paragraph 16 of its report.

38. Similarly, his delegation endorsed paragraphs 29 and 30 of the report. The expanding development needs of developing countries swallowed up the major portion of their increased income from raw materials. In Algeria's case, the commodities exported were non-renewable, while more than two thirds of export earnings were spent on equipment and semi-manufactures, and nearly a fifth was used to purchase consumer goods. Inflation and unstable exchange rates eroded its export earnings and a substantial part of such earnings went to pay off external debt. All such factors must be taken into account when calculating the scale of assessments; the "oil bonanza" must be viewed in its proper perspective. Developing countries' accomplishments should not be penalized, rather they should serve to alleviate their assessed contributions to the Organization.

39. Some speakers had quite rightly stressed the development assistance provided by the OPEC countries, which far exceeded the target of 0.7 per cent of GNP established in the Second Development Strategy. His delegation believed there was a strong case for taking that target into account in determining the scale of assessments. It urged the Committee to continue with its work, and would support the draft resolutions appearing in paragraph 100 of the report.

40. Mr. GUBCSI (Hungary) said that capacity to pay, with national income as the principal criterion, should continue to govern the establishment of the scale of assessments. His delegation endorsed the findings of the Committee on Contributions set out in paragraphs 8 and 9 of its report. Due consideration should continue to be given to the least developed countries through the maintenance of the low per capita income formula allowance; the $2,000, 75-per-cent or the $2,500, 75-per-cent formula would soon be in keeping with the state of the world economy. The Committee's aim should be to lessen the least developed countries' burden not by creating artificial indicators and limits but by affording them relief on the basis of their capacity to pay.

41. He was glad that the comparison of national income data calculated by different methods had not caused the Committee difficulties. The system used by the centrally-planned economies could not be considered "special". The Committee

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(Mr. Gubsci, Hungary)

should give due consideration to States' ability to secure convertible currency and to changes in their terms of trade.

42. His delegation supported the Committee in its determination to continue its work under General Assembly resolution 34/6 B. It considered that the financial burden of Member States should be eased, not by arbitrarily changing the existing principles for determining the scale of assessments, but by strict budgetary control and by increasing the effectiveness of the United Nations in accordance with the Charter.

43. Mr. MENDEZ-MONTILLA (Venezuela) said that his delegation regarded the scale of assessments established in resolution 34/6 A as unfair, in that it was based on formulae that took no account of the distinctions between developed and developing countries. The use of calculations based solely on econometric variables was inconsistent with the requirements of resolutions 31/95 B and 34/6 B. High *per capita* income in developing countries did not necessarily imply high personal incomes for their inhabitants. The scale of assessments should take into account the accumulated wealth of the developed countries, and the Committee should re-evaluate the position of developing countries so as to grant them further relief. In recent years the contributions of the industrialized countries had been progressively reduced, while the current assessment system penalized unduly developing States whose raw materials had recently increased in price.

44. His delegation endorsed the view that the criteria used in determining the scale should be revised, and had no objection to the draft resolutions put forward by the Committee in paragraph 100 of its report.

The meeting rose at noon