



SUMMARY RECORD OF THE 18th MEETING

Chairman: Mr. BUJ-FLORES (Mexico)

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

CONTENTS

AGENDA ITEM 94: ADMINISTRATIVE AND BUDGETARY CO-ORDINATION OF THE UNITED NATIONS WITH THE SPECIALIZED AGENCIES AND THE INTERNATIONAL ATOMIC ENERGY AGENCY

- (a) ADMINISTRATIVE BUDGETS OF THE SPECIALIZED AGENCIES AND OF THE INTERNATIONAL ATOMIC ENERGY AGENCY: REPORT OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS
- (b) IMPACT OF INFLATION ON THE BUDGETS OF THE ORGANIZATIONS OF THE UNITED NATIONS SYSTEM: REPORT OF THE SECRETARY-GENERAL

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

\* This record is subject to correction. Corrections should be sent under the signature of a member of the delegation concerned *within one week of the date of publication* to the Chief of the Official Records Editing Section, room A-3550, 866 United Nations Plaza (Alcoa Building), and incorporated in a copy of the record.

Corrections will be issued after the end of the session, in a separate fascicle for each Committee.

Distr. GENERAL  
A/C.5/35/SR.18  
21 October 1980

ORIGINAL: ENGLISH

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

AGENDA ITEM 94: ADMINISTRATIVE AND BUDGETARY CO-ORDINATION OF THE UNITED NATIONS WITH THE SPECIALIZED AGENCIES AND THE INTERNATIONAL ATOMIC ENERGY AGENCY:

(a) ADMINISTRATIVE BUDGETS OF THE SPECIALIZED AGENCIES AND OF THE INTERNATIONAL ATOMIC ENERGY AGENCY: REPORT OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS: (A/34/684; A/35/481)

(b) IMPACT OF INFLATION ON THE BUDGETS OF THE ORGANIZATIONS OF THE UNITED NATIONS SYSTEM: REPORT OF THE SECRETARY-GENERAL (A/C.5/33/47)

1. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that the report submitted to the General Assembly at its thirty-fourth session in document A/34/684 had been postponed to the thirty-fifth session. In addition to that report the ACABQ had submitted the 1980 report in document A/35/481. The two reports complemented each other and their format was more or less the same. Table F was not in document A/35/481. The Committee was still awaiting relevant information from some agencies, which, when received, would be issued as an addendum to the report. As could be seen from paragraph 6 of document A/34/684, 1980 was the first year of a new biennium for five organizations including the United Nations. In paragraph 39 of document A/35/481 the Committee reported that UNESCO had decided that from 1984 its biennial programmes and budgets would begin with an even year. In order to effect the transition between the two budgeting cycles, a single programme and budget would be implemented for 1981-1983.

2. In paragraph 3 of document A/34/684 the Advisory Committee had stated that pressure of work had made it impossible to submit a special report to the General Assembly at its thirty-fourth session. In paragraph 16 of the same report the Committee had stated that it had made a preliminary inquiry into procedures followed by various organizations to reclassify posts. The Committee had decided to follow up the question of reclassification of posts, as a special subject for discussion with the various organizations. The information the Committee obtained would be incorporated in the comments of the Committee on the report of the Secretary-General on the United Nations classification programme.

3. Paragraph 4 of document A/35/481 reflected the feeling of the Advisory Committee on the unsatisfactory timing of the submission to the Committee of the IFAD information. The Committee had requested IFAD to make every effort to submit its information in time to enable the Advisory Committee to include it in the report to be submitted to the General Assembly.

4. He drew to the attention of the Fifth Committee paragraphs 53 to 55 of document A/35/481, where members of the Committee would find a number of pertinent observations by the Director-General of UNESCO on UNESCO and the international community.

(Mr. Mselle, ACABQ)

5. In conclusion, he pointed out that in the second sentence of paragraph 54 (i) of document A/35/481 "Secretary-General" should be replaced by "General Assembly".
6. Mr. BEGIN (Director, Budget Division), introducing the report of the Secretary-General (A/C.5/33/47), said that the impact of inflation on rates of exchange between different currencies and on the purchasing power of a given currency caused the Secretariat various problems. The first was how to distinguish between growth in the budget due to inflation and growth due to programme expansion, which the Secretariat dealt with by presenting the information in budget documents twice, first in constant dollars and then adjusted for the effects of inflation. The second problem was to harmonize the methods used in the United Nations system to calculate the effects of inflation. Most of the work in that respect was being done in Geneva, where the matter was now well in hand. The third problem was the methods themselves.
7. It was difficult to establish exact equivalencies between different currencies. Parities varied and, over the long-term, the purchasing power of any given currency could be subject to erratic variations. One means of dealing with the problem was to calculate the purchasing power and the international parity of each currency separately. Another, and simpler, method was to assume a correlation between the dollar value of a given currency and the local rate of inflation. That was acceptable as a method because the duty stations to which it was applied accounted for only a small part of the Organization's budget. Difficulties could arise even so, as in the case of Santiago, Chile, where, as a result of the Chilean Government's decision not to devalue the national currency in 1980 as it had in recent years, the effects of the country's continuing inflation in 1980 had not been compensated for by a corresponding fall in the currency's dollar parity; the effects on the ECLA budget were beginning to show.
8. As for the impact of inflation on the local purchasing power of a currency, the Secretariat practice was to calculate staff costs at all duty stations by reference to the consumer price index at Headquarters, which meant that there was a fairly close correlation between movements in the consumer price index and increases in post adjustments. In the case of all other expenditure items, the effects of inflation were calculated on the basis of prices at the duty station in question, which, while not ideal as a system, helped to avoid some important distortions. For example, in New York in recent years, the cost of energy, which was a significant component of the over-all budget, had risen far faster than prices in general. It could be seen, therefore, that if allowance for inflation were made purely on the basis of variations in the consumer price index, the result in New York would be a severe underestimate of the effects of inflation on the budget as a whole. The subject was a complex one and required further study.
9. The CHAIRMAN said that the list of speakers on agenda item 94 would be closed on Monday, 20 October 1980, at 6 p.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)

10. Mr. ABRASZEWSKI (Poland) observed that the Committee on Contributions, in response to the General Assembly's request in resolution 34/6 B, had made a substantial effort to study a number of difficult topics with the aim of increasing the fairness and equity of the scale of assessments. The Committee was to be commended for its efforts, even though it had failed to reach conclusions on several of those topics. His delegation hoped that, on the basis of the statistical data and other information the Secretariat had been asked to collect, the Committee would be able to make sensible and practical recommendations on improving the fairness of the scale of assessments before it was next reviewed in 1982; that task was, in his delegation's view, a permanent part of the Committee's mandate.

11. The Committee had been unable to agree on what was meant by excessive or extreme variations in the rates of assessment between two successive scales. The idea, put forward in paragraph 11 of the Committee's report (A/35/11), of introducing a scale in terms of up to four decimal digits might partly fulfil the need to dampen excessive movement in countries' assessments between two successive scales.

12. The Committee stated quite correctly, in paragraph 16 of its report, that national income as a measure of capacity to pay should be supplemented by other economic and social indicators. Much, however, remained to be done before a reasonably meaningful and acceptable set of such indicators was arrived at. The Committee had also noted that States wanted access to convertible currencies, in addition to national income, to be taken into consideration in determining their capacity to pay. It was a hard fact of life that the national currencies of the vast majority of Members were not freely convertible. Yet, despite its study of the material prepared by the Secretariat, the Committee had not changed its position on the matter. Its inability to ascertain the impact on the availability of convertible currency of such factors as the relationship of external public debt to the current account of the balance of payments, or the relationship between external public debt and debt servicing to earnings from the export of goods and services, was a very grave short-coming. There were a number of States other than those referred to in paragraph 23 of the report whose contributions should be adjusted downwards owing to the fact that they had to devote a substantial portion of their foreign earnings to servicing external public debt. The Committee's determination to study the matter further was not enough: his delegation required an assurance that, irrespective of progress made in studying the matter further, the Committee on Contributions would give due regard, during its review of the scale of assessments in 1982, to all countries devoting a substantial portion of their foreign earnings to servicing external public debt. It trusted, moreover, that the Committee would give further consideration to the establishment of a link between a country's access to convertible currency and its rate of assessment. On that subject, and on the

(Mr. Abraszewski, Poland)

questions of accumulated wealth and some States' heavy dependence on exports of one or a few products, the Committee had barely done more than repeat the findings it had reported in 1977.

13. On the other hand, his delegation was pleased to note substantial progress in the Committee towards reconciling the two major systems of national accounting and the compilation of national income statistics in market prices for countries with centrally planned economies. Poland intended to continue its traditional collaboration in that regard.

14. In connexion with the difficulties of providing constant price data for all the Member States, and the distorted picture of national income that could result from the exchange rates used for comparison purposes when establishing the scale of assessments, he stressed the undisputed right of Member States to indicate the proper rate of exchange to be applied in expressing its national income in United States dollars.

15. His delegation was most disappointed that, on the questions of the low-income allowance formula and of changing the statistical base period for the scale of assessments, the Committee had been able to forward to the General Assembly neither agreed conclusions nor even specific problems requiring further clarification or a political solution. The Committee had not taken the opportunity to examine the purpose of the low-income allowance formula in depth. But even the incomplete and fragmented information it provided could not conceal the fact that the current limits on per capita income were no longer valid. The substantial decrease in the value of the dollar since the establishment of the current limit meant that there was an irrefutable case for revising that limit upwards. The limit should be raised above \$US 2,000, and preferably to \$US 2,500, if the fundamental purpose of the low-income allowance formula, i.e. to mitigate the proportion of the expenses of the United Nations paid by low-income and middle-income countries, was to be preserved.

16. The Committee had refused to take any firm stand on the desirable statistical base period for establishing a scale of assessments, or even to express preferences on the basis of logic, equity and practicability. In its previous report it had rightly stressed the need to strike a balance between the need for stability and continuity in the statistical base and the importance of remaining close to current economic realities. His delegation favoured a five-year base period, as it would more appropriately balance two factors - avoidance of sharp variations in States' assessments, and the reflection of current economic realities - then the seven-year period.

17. Turning to the specific case of his own country, he reminded members that Poland had repeatedly objected to the methods used by the Committee on Contributions to convert data on Poland's national income from zlotys into United States dollars. The exchange rate used in Poland's financial operations with other countries since January 1972 - 33.20 zlotys to one United States dollar - should have been used to calculate Poland's assessment, a view Poland had expressed in four separate letters to the Committee on Contributions between

/...

(Mr. Abraszewski, Poland)

May 1976 and May 1979. In 1980, the Committee on Contributions had manifested its willingness to correct the method by which it calculated Poland's assessment, but had then applied the official Polish exchange rate only to data covering the years 1976 and 1977. The existing scale of assessments for the years 1980-1982 reflected a laborious compromise, of which Poland's assessment formed a part. Poland had taken note both of the difficulties encountered and the goodwill manifested by the Committee on Contributions, and had accepted its recommendation relating to the Polish assessment on the understanding that, when the next scale was worked out in 1982, full justice would be done with regard to the method used to calculate Poland's assessment. He wished to re-emphasize that position.

18. His delegation had concluded from its reading of the report of the Committee on Contributions that the existing principles used to measure capacity to pay were sound, despite their imperfections and lacunae, and should consequently be maintained. It was prepared to support the draft resolutions contained in paragraph 100 of the report.

19. Mr. SERBANESCU (Romania) said that the concern that the scale of assessments should be calculated in as fair and equitable manner possible had been reiterated in virtually every resolution adopted on the subject by the General Assembly. An objective analysis of the recommendations made in recent years by the Committee on Contributions revealed that some progress had been made towards that end. Mention should be made in that connexion of the changes introduced in the low per capita income allowance formula and in the statistical base period and adjustments to take account of special circumstances. Such reforms attested to the Committee's spirit of accommodation and receptiveness. Nevertheless, much more could be done, and the General Assembly had, at the preceding session, requested the Committee to continue to seek ways and means of improving and refining its procedures with a view to arriving at more equitable formulae.

20. He noted in the report of the Committee signs of a possible split in its membership and of excessively partisan attitudes; that was particularly unfortunate in a body whose past successes had been due to its capacity to adapt and overcome obstacles. He was confident that the Chairman of the Committee and the Committee itself were aware of that state of affairs and would not allow it to deteriorate.

21. The conclusions put forward by the Committee in its report were, on the whole, acceptable. The general conclusion to be drawn from the report was that the Committee would have to continue with patience and perseverance along the difficult road of innovation and statistical refinement.

22. The Committee should immediately tackle the problem of improving the low per capita income allowance formula. It should devote increased attention to the difficulties faced by some countries in obtaining strong currencies and to the possibility of using a new indicator reflecting level of expenditure on development expressed as a percentage of national income. It did not seem fair to penalize a developing country which was striving at great sacrifice to promote its

(Mr. Serbanescu, Romania)

own development by automatically equating annual growth rates with increased capacity to pay. His delegation was aware that its concerns had implicitly been taken into account in the low per capita income allowance formula, but that was not sufficient. The problem required appropriate study in the Committee on Contributions.

23. A seven-year base period for the calculation of the scale of assessments represented a compromise which accommodated the concerns of most, including those who wished the statistical data used to be as up to date as possible. The Committee could continue to use the seven-year period, unless, of course, it found some other formula that was even more suitable.

24. With regard to excessive variations in assessments between scales, his delegation felt that, in the absence of objective criteria approved by the General Assembly, the Committee must use its discretion in making such adjustments as were necessary and that it should exercise its powers in that regard with rather more understanding, flexibility and tact, so as to preserve the consensus within the Committee itself and in the General Assembly.

25. There was no need for the Fifth Committee to adopt yet another resolution on the item, as there were really no new elements that would assist in solving the existing problems. The Committee on Contributions must, however, take into account the observations and conclusions in its report which had been endorsed by the Fifth Committee and the observations and suggestions made by members in the course of the discussion.

26. Mr. SAGRERA (Spain) said that the ultimate objective of the Committee on Contributions was to devise and put into practice general and objective methods for calculating an equitable scale of assessments. The fact that the methods currently utilized had a substantial objective grounding did not mean that that aim had been obtained. That was the reason for the Committee's constant concern to refine its procedures and working methods. His delegation was aware of the difficulty and, in some cases, the impossibility of satisfactorily carrying out the tasks set for the Committee in paragraph 2 of resolution 34/6 B. It was necessary, none the less, for the Committee to persevere in its efforts.

27. His delegation concurred in the conclusion set forth in paragraph 12 of the Committee's report on methods for avoiding excessive variations in assessments between two successive scales. It was not convinced of the validity of the argument used against the adoption of a scale calculated to four decimal digits, since such a system would, in fact, mitigate variations in the assessments of States paying small contributions. Thus, for example, under the current system the minimum increase which could occur in the contribution of a State assessed at 0.01 per cent was an additional 0.01 per cent, which would result in an increase of 100 per cent in the amount of its contribution. If a system of computing assessments to at least three decimal digits was used, however, the assessment of such a Member State could increase to 0.011, 0.012 and so forth resulting in *increases of only 10 and 20 per cent* in its contribution. As to the argument that a scale computed to more decimal digits than currently used might convey the

/...

(Mr. Sagrera, Spain)

impression of a higher degree of precision in the underlying statistics than was actually the case, his delegation considered that it was invalid, since the fault lay with the statistics used by the Committee and not the precision of the percentage coefficients. It was desirable that all Member States should provide the Committee with the most precise statistics possible.

28. The Committee should continue to study the question of social and economic indicators, since they would help to measure with greater precision the real capacity to pay of each Member State.

29. The question of the low per capita income allowance formula was of considerable importance owing to the substantial shift in financial burdens between income groups, as illustrated in tables 1 to 4 in paragraph 39 of the report. It might be useful to study the effects on the scale of defining various income brackets and applying specific relief formulae to each bracket, instead of setting a single dollar limit between high and low income groups. The merit of such a system would be to accentuate the impact of per capita income in the calculation of assessments.

30. In view of the world-wide impact of inflation, the Committee should develop criteria for evaluating objectively that economic factor, which distorted the figures for national wealth in a way entirely unrelated to the actual economic development of States. In order to increase the comparability of income data, the Statistical Office of the United Nations could issue guidelines for the compilation of data in constant prices for use by Member States which currently submitted data in current prices. A major structural problem affecting the scale of assessments, which should be kept under constant review, was the existence of ceiling and floor rates of assessment, which, owing to their rigidity, might be incompatible with the unassailable principle of capacity to pay. Moreover, those Members which enjoyed a privileged position vis-à-vis other Members under Article 23 of the Charter should be treated differently in the matter of assessments.

31. With regard to the format of the report, his delegation noted that the table showing the assessments of all Member States since 1946 was missing; it trusted that an updated table would be included in the next report.

32. Lastly, his delegation would support the draft resolutions recommended in paragraph 100.

33. Mr. DE BURGOS-CABAL (Brazil) said he wished to analyse the progress achieved in refining the methodology used to calculate the scale of assessments in order to ascertain how adequately the scales recommended corresponded to the principles of justice and fairness. Those principles dictated that three fundamental considerations had to be taken into account, namely, capacity to pay, the disparity between developed and developing economies, and the ability to obtain convertible currency.



(Mr. De Burgos-Cabal, Brazil)

34. From the outset, national income had been regarded as an adequate basis for measuring capacity to pay. In order to take into account the economic inequality of Member States, the low per capita income formula had been devised. The short-comings of that formula had become apparent over the years; dissatisfaction with it had arisen initially because of the faulty methods of measuring national income and later as a result of the devaluation of the dollar, which had rendered the ceiling and floor rates and the size of the relief factor outdated. A number of ad hoc adjustments had been adopted to provide relief for States whose situation cried out for special measures, but such adjustments had proved to be unsatisfactory in measuring individual capacity to pay and taking economic inequality into account. The inadequacy of those adjustments was borne out by the changes in the rates of assessment of four groups of countries between 1970 and 1980. Excluding the increased contribution of Japan, the percentage contribution of group I, comprising eight developed countries, was lower in 1980 than it had been in 1970; yet it was patently clear that those countries had a greater capacity to pay than other members. Groups III and IV, comprising 16 and 120 countries respectively, had had their contributions reduced from 9.37 per cent and 8.04 per cent to 8.95 per cent and 5.55 per cent respectively. In contrast, the contribution of group II alone - comprising nine medium contributors, including Brazil - had increased from 12.31 per cent to 13.21 per cent. Had the former level of China's contribution been maintained, the contribution of group II would have risen to 17.09 per cent. In any event, the contribution of group II had climbed from 12.31 per cent in 1970 to 16.07 per cent in 1979. The countries of group II had, in their efforts to develop, been most hurt by circumstances which affected their capacity to pay but were not reflected in their national income statistics. Those States were thus unjustly penalized in the calculation of the scale of assessments.

35. Such anomalies were the result of limitations and flaws in national income data and the various methods by which they were obtained. Those considerations had prompted the General Assembly to propose in the past that various factors should be taken into account besides national income.

36. With regard to the General Assembly's request that the Committee on Contributions should report on ways of curbing excessive variations in assessments from one scale to the next, the Committee had indicated that it was impossible to quantify the concept of "excessive", given its subjective nature. That should not, however, be an obstacle since all the elements of the assessment formula, with the exception perhaps of per capita national income, were also subjective. The element of subjectivity could be reduced by setting reasonable limits which would not distort the capacity to pay of Member States any more than the establishment of an equally arbitrary ceiling, floor and gradient had done. The introduction of a system of calculating rates to up to four decimal digits could complement other measures to reduce excessive variations in assessments.

37. With reference to conditions or circumstances adversely affecting capacity to pay, it should be borne in mind that social and economic indicators, taken in isolation, tended to reflect not capacity to pay but rather a country's level of well-being, which might be related to income distribution but not necessarily to

/...

(Mr. De Burgos-Cabal, Brazil)

the generation of income. Indices of national wealth, however, did have a direct relationship to capacity to pay, and thus the quantification of national wealth was of paramount importance in accurately determining the capacity of Member States to pay. It was not possible, for example, to compare two countries with the same per capita income when one had a social and economic infrastructure developed over a period of centuries and was thus able to earmark its entire income for the well-being and quality of life of its people, while the other, faced with the need to improve the living standards of its rapidly growing population, was forced to allocate a substantial proportion of its income - 25 per cent in the case of Brazil - to structural investment designed to broaden the basis of its productive capacity. As no deductions were allowed in respect of such investment, Brazil's contribution to the organizations of the United Nations system was \$28 million. Unfortunately, as the Committee on Contributions had observed, the majority of Member States had not yet developed the statistics needed to determine their national wealth and that precluded for the time being the adoption of an indicator.

38. Dependence on one or a few commodities exposed a country to sudden rises and declines in export earnings. Such factors were, as the Committee had pointed out in its report, reflected in national income figures. Inflation caused by a sudden rise in income was not taken into account, however, if the national currency was devaluated at a rate less than the rate of inflation. That usually occurred when exchange rates did not float freely as a result of an anti-inflationary policy. In such cases, the national income of the country concerned showed an exaggerated increase and its effective capacity to pay was overestimated. The Committee on Contributions had acknowledged that the solution to the problem would be the use of constant prices, but considered it to be unfeasible because statistics in constant prices were available for only 98 Member States. There were, as the Committee had argued, conceptual and practical risks involved in using constant prices, but they were surpassed in magnitude and seriousness by the possibility of overestimating the national income of those countries whose rate of inflation was higher than the rate of devaluation. Moreover, countries reporting national income in current prices were at a disadvantage vis-à-vis those which submitted statistics in constant prices, and the adjustments made by the Committee did not appear to have corrected that disparity. What was needed was a standardized methodology for calculating national income in comparable prices and for taking inflation into account. Otherwise, market-economy developing countries would continue to be unreasonably penalized.

39. The choice of a revised low per capita income allowance formula must not be an arbitrary one, for the aim was to update the real value of the dollar limit to take into account the devaluation of the dollar. Allegations that such a measure would favour the middle-income countries were not valid, since the dollar limit would not be increased in real terms.

40. The principle of capacity to pay was applied to all Member States but one. That exception to the rule must be taken into account by the Fifth Committee, the Committee on Contributions and the Member State concerned.

41. Mr. BRODININGRAT (Indonesia) said that although the report of the Committee on Contributions (A/35/11) was of its usual high quality, understandably, because of the technical difficulty and politically sensitive nature of the work, it remained inconclusive in many areas. In view of that Committee's expressed intention to continue its study, his comments would be of a preliminary nature.

42. His delegation was among those supporting the idea of avoiding excessive variations in individual rates of assessment between two successive scales; such excessive variations might not accurately reflect economic realities. As far as he was aware, there had never been a case where the economic conditions of a country changed so spectacularly over the normal three-year period between two scales as to spectacularly increase or decrease its capacity to pay. However, he was fully aware of the technical difficulties faced by the Committee on Contributions in defining what constituted an excessive variation and in striking an appropriate balance between percentage limit and percentage points limit if fairness and equity were to be ensured. Those difficulties should not, however, give rise to despair or be taken as proof that the concept of excessive variation was unsound; he encouraged the Committee in its intention to pursue efforts to find a suitable solution.

43. It was heartening to note the agreement recorded in paragraph 16 of the report that national income as a measure of capacity to pay should be supplemented by other economic and social indicators. The statement in paragraph 13 to the effect that the single aggregate of national income expressed in monetary terms might not fully reflect economic realities was one with which his delegation could fully concur. However, it was puzzled by the mention of per capita national income in the next sentence. There seemed to be a confusion between gross national income as the principal measure of capacity to pay and per capita national income, which was not, in his delegation's view, sufficiently taken into account in determining that capacity. That sentence should instead have expressed the view that a new general index of development covering economic and social, as well as value and structural, aspects of development including per capita national income, might provide a more comprehensive indicator of a country's over-all level of development than did gross national income.

44. The findings of some members of the Committee on Contributions reflected in paragraph 40 of its report gave cause for concern. Further clarification was needed of the effect of an upward shift of the low per capita income formula. While sharing the justifiable concerns of the middle-income developing countries, he did not believe that it was their intention to impose a new formula which might secure their interest at the expense of the low-income countries. He counted on the Committee on Contributions to find an innovative, sophisticated formula which would meet the concerns of both groups of countries.

45. His delegation continued to believe that the application of the national income criterion without taking account of national wealth was a handicap in establishing a fair and equitable scale. The technical difficulties should not be used as a pretext for abandoning the quest for fairness and justice; the Committee should continue its study of the question.

(Mr. Brotodiningrat, Indonesia)

46. His delegation was confident that before the process of establishing the next scale of assessments began, the Committee on Contributions would be able to make strong recommendations to increase the fairness and equity of the scale, as repeatedly requested by the General Assembly.

47. Mr. CROM (Netherlands) expressed the view of his delegation that the Committee on Contributions had done its best to comply with the requests made in General Assembly resolution 34/6 B.

48. On the subject of the base period for the calculation of the scale, it seemed to his delegation that further study of the question might not really be necessary since the seven-year base period appeared to be practical and to ensure reasonable stability, without ignoring economic realities, as well as successfully avoiding excessive fluctuations in national assessments between successive scales.

49. The in-depth studies undertaken by the Committee demonstrated the complexity of finding a methodology which would take account of all the relevant influences on capacity to pay. The Committee should not hesitate to discard those socio-economic indicators which, because they could not be quantified, were of no use in achieving a fairer scale. Although the report allowed a clearer perception of some of the tools used in establishing the scale of assessments, the lack of convincing arguments and information which had led his delegation to abstain at the thirty-fourth session remained. To establish a scale which was both understandable and acceptable to all Member States, he suggested that the Committee should select the factors and indicators to be studied on the basis of whether or not they were quantifiable and would ensure world-wide comparability. His delegation shared the view of the representative of Australia that the Committee should make public as much as possible of the statistical data used as a basis for its decision.

50. Mr. BAHAR (Afghanistan) said that a number of the problems studied by the Committee on Contributions at its fortieth session were of great importance to the developing countries, particularly the use of economic and social indicators of capacity to pay, the ability of Member States to secure convertible currency, and the special problems of States that were heavily dependent on the export of one product or a few products. Those matters as well as the alternative formulae for the low per capita income allowance should remain under study. His delegation shared the opinion of the Committee on Contributions that the only internationally acceptable, objective and dependable statistical indicator of the relative capacity of Member States to pay was national income expressed in current prices. It was ready to approve the report.

51. Mr. KASRAWI (Jordan) said that ultimately the Committee on Contributions had to devise an approximate linear measure of the capacity to pay that would take account of most of the variables determining that capacity. The Committee had recognized as long ago as 1977 that it was virtually impossible to establish a composite indicator, and accordingly, even if all the necessary data were available, any solution could only be second-best. The primary cause of the difficulty was the lack of acceptable guidelines to make an international

/...

(Mr. Kasrawi, Jordan)

comparison of income and to determine a measure of the level of development. Though research was continuing, there was no scientific measure yet of the level of development and no agreed method of comparing different economies. The Committee's awareness of the dimensions of the problem and of the need for an objective analysis of the variables involved, particularly with respect to the measurement of national wealth, was evident from the report. Frankly, his delegation did not expect the Committee on Contributions to find adequate solutions. He could only hope that when next reviewing the scale of assessments the Committee would have at its disposal more objective statistical estimates of some of the socio-economic indicators that, together with national income, could provide a more accurate measurement of capacity to pay.

52. Certain temporary problems, such as inability to secure foreign currency and severe fluctuations of export prices in cases of dependence on the export of a single product also needed to be taken into account. He endorsed paragraphs 30 and 34 of the report; when a non-renewable resource was a country's only major export it did have a bearing on the determination of the level of development, but the rise in the price of a non-renewable resource did not necessarily imply a higher level of development. In a more general context, the Committee on Contributions, in reviewing the scale of assessments, might take into account an increase or decrease in national income. However, an increase in the gross national product of a poor country should not be assessed at the same rate as a similar increase in a richer country.

53. Mr. GOLOVKO (Ukrainian Soviet Socialist Republic) said that, on the whole, the Committee on Contributions had complied with the requests made in General Assembly resolution 34/6 B. His delegation welcomed the fact that in its report the Committee had laid stress on the importance of the principle of capacity to pay; any resolution adopted at the current session on the matter should also stress that important principle. His delegation had noted with satisfaction the analysis and conclusions of the Committee. The apportionment of the expenses of the Organization must be based on national income data calculated on the basis of a uniform methodology and expressed in current prices. Any rigid limitation with regard to maximum variations of assessments in calculating future scales would be inappropriate.

54. A number of Member States had expressed concern at the level of their assessments. Those concerns were understandable, and the Committee on Contributions should continue to take them into account.

55. His delegation reaffirmed its position with respect to the financing of peace-keeping operations of the United Nations pursuant to Chapter VII of the Charter. Such financing did not fall within the purview of Article 19, which dealt exclusively with contributions to the regular budget; attempts artificially to link the two were totally unjustified.

56. Mr. SLABÝ (Czechoslovakia) expressed appreciation for the sense of responsibility and complete objectivity shown by the Committee on Contributions

/...

(Mr. Slabý, Czechoslovakia)

in dealing with the ambitious tasks of a methodological and conceptual nature entrusted to it by General Assembly resolution 34/6 B. In all its deliberations the Committee had rightly kept in mind the economic disparities between the advanced and developing countries and had been guided by the desire to keep assessments for the least-developed countries as low as possible.

57. Although his delegation had favoured General Assembly resolution 34/6 B, it had had doubts about the logicity of reaffirming that the basic indicator for determining the scale of assessments was the capacity of Member States to pay while, at the same time, entrusting the Committee on Contributions with a number of tasks which could only be interpreted as a departure from that basic criterion.

58. Capacity to pay was the only just criterion for determining the scale of assessments, and the only reliable measure of a State's capacity to pay was its national income expressed in current prices. To supplement national income by other economic and social indicators was unfeasible because a composite index that would reflect the diverse nature of socio-economic development throughout the world with the necessary objectivity and precision could not be devised. The very selection and evaluation of data caused difficulties. The request that accumulated national wealth should be taken into account in computing the scale of assessments was equally questionable because inadequate data and methods made it impossible to use accumulated national wealth as a systematic indicator of capacity to pay.

59. Undoubtedly, it would be useful to keep some matters, such as the so-called low per capita allowance formula, the ability of Member States to secure convertible currency, and heavy dependence of some States on the export of one product or a few products, under consideration. However, he had serious doubts about the concept of the avoidance of excessive variations of individual rates of assessment between two successive scales because of the difficulty in finding a universal definition of the term "excessive". The introduction of any upward or downward limit would distort the basic indicator of capacity to pay, and variations in individual rates of assessment were already more than sufficiently mitigated by the seven-year statistical base period. Although that period did not reflect with sufficient precision changes in the economic and financial situation of individual countries, the existing procedure was flexible enough to enable the Committee on Contributions to make allowances, on a case-by-case basis, for States with particular difficulties.

60. His delegation endorsed the report of the Committee on Contributions and believed that the General Assembly should not request it to undertake tasks that either departed from the basic criterion or were unrealistic. The current methods of calculating assessments were adequate.

61. Mr. SPETSIOS (Greece) expressed the view that the initial achievements of the Committee on Contributions in analysing the topics enumerated in paragraph 2 of General Assembly resolution 34/6 B were valuable. It had wisely concluded that further study was required in many cases. His delegation believed that at its next

/...

(Mr. Spetsios, Greece)

session the Committee on Contributions should make every effort to devise methods to avoid excessive variations of individual rates of assessment between two successive scales. A generally acceptable formula in that respect would eliminate a serious difficulty in establishing future scales. He expressed the belief that "accumulated wealth" as an indicator of a country's capacity to pay, could not be used as a rigorous criterion but that it should be taken into account as far as was feasible. That was a delicate matter deserving further cautious study, including an examination of certain limits to avoid financially overburdening those States which had long been major contributors. It should also be made clear that the notion of accumulated wealth could not be interpreted to include national "assets" of a cultural character or pertaining to the natural environment.

62. Mr. TANC (Turkey) commended the Committee on Contributions on its report and on its efforts to determine equitable principles on which to base the contributions of Member States, a matter to which his delegation attached the utmost importance.

63. Considerable progress had been made in the determination of the economic factors which influenced the capacity to pay of a Member State. However, as the report pointed out, further technical data and other relevant information would be required to finalize the work. Progress might well be faster in some areas than in others. For example, objective data on the balance of payments and ability to secure convertible currency were available.

64. He hoped that the Committee on Contributions would be provided with all the information and data it required to enable it to produce results in the near future.

The meeting rose at 1.05 p.m.