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SUMMARY RECORD OF THE 5th MEETING

Chairman: Mr. HADID (Algeria)

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

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The meeting was called to order at 3.10 p.m.

ORGANIZATION OF WORK

1. Mr. OSELLA (Argentina) said that, on the basis of the informal consultations he had conducted as Vice-Chairman, he wished to recommend that the Committee should take up item 17 on Monday, 15 November.

2. The CHAIRMAN said that if he heard no objection, he would take it that the Committee agreed to that recommendation.

3. He noted that the General Assembly had added an item entitled "Personnel questions" to the agenda of the Committee at the current session to enable the Chairman of the Fifth Committee to report on the work of the open-ended Working Group on the question of the formula for the determination of equitable geographical representation of Member States in the Secretariat, pursuant to General Assembly resolution 47/226. The Committee might wish to take up that item at the end of the session. Moreover, owing to the unavailability of documentation, the Committee would be obliged to take up items 121 and 124 two weeks later than planned. If he hard no objection, he would take it that the Committee wished to amend its tentative programme of work accordingly.

4. It was so decided.

STATEMENT BY THE UNDER-SECRETARY-GENERAL FOR ADMINISTRATION AND MANAGEMENT

5. Mrs. WELLS (Under-Secretary-General for Administration and Management) said that the Committee faced an extremely demanding agenda. Because of the time spent on measures to restructure the Secretariat in order to strengthen the Organization and enhance administrative efficiency, it had not been possible to adhere to the timetable for the submission and review of the budget. She recognized the exceptional constraints facing the Committee in what was a shortened time-frame.

6. The financial situation of the Organization remained critical. The analysis of the financial situation of the United Nations (A/48/503), which was to be considered by the Committee, indicated that, at the end of September, only 62 Member States had paid their assessed contributions to the regular budget in full. Fifty-nine Member States had made no payment at all in 1993. Outstanding contributions as of 30 September amounted to $2.3 billion. Contributions received in the first two weeks of October had reduced the total unpaid amount to close to $1.7 billion: $540 million for the regular budget and $1.1 billion for peace-keeping. An updated report on the status of contributions would be made available later in the session. In that connection, she drew attention to the report on financing an effective United Nations (A/48/460) which had been prepared by an independent advisory group sponsored by the Ford Foundation. The recommendations in that report merited careful review. The Secretary-General would also expand on his views on the financial situation of the Organization.

7. It was important for the Committee to make every effort to have the programme budget adopted by the end of the year. The proposed programme budget for the biennium 1994-1995, which had been prepared within the framework of the

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medium-term plan for the period 1992-1997, set out three broad policy objectives: enhancing the capacity of the Organization in the political and humanitarian areas; strengthening the role of the Organization in international, economic and social cooperation and, to that end, furthering the implementation of the restructuring of the Secretariat in the economic and social sectors; and increasing managerial responsibility and administrative efficiency.

8. The proposed programme budget amounted to $2,749,064,000, which represented an increase of $282 million compared to the revised appropriations for the biennium 1992-1993 and a net increase of $232 million when income was taken into account. There had been a genuine effort to meet additional staff requirements through redeployment of posts to sections which were experiencing major increases in their activities. If the Organization was to respond to the unprecedented demands made on it, however, a modest amount of growth was indispensable. A review of the number and distribution of high-level posts was under way, and a report would be submitted at the current session.

9. The proposed programme budget reflected the restructuring of the Secretariat in the political, peace-keeping, humanitarian, economic and social sectors, as well as in the common support services area. A summary was presented in the report on the restructuring and efficiency of the Secretariat (A/48/428). More information would be available once the impact of the reforms had been assessed over a longer period.

10. The Committee would also be considering the report on the accountability and responsibility of programme managers in the United Nations (A/48/452). Transparency, cooperation and accountability would remain the cardinal principles guiding the Secretary-General in the exercise of his management responsibilities, and it was in that context that the recent establishment of the Office for Inspections and Investigations should be seen.

11. A report on a possible new approach to programme planning (A/48/277) was submitted for the Committee's consideration, pursuant to the endorsement by the General Assembly of the recommendation of the Committee for Programme and Coordination (CPC) that a prototype of a possible new format of the medium-term plan should be prepared. It had been considered necessary to obtain the agreement of Member States on the principles before a prototype could be developed. The recommendations of CPC would be transmitted in due course.

12. Under agenda item 120, "Financial reports and audited financial statements, and reports of the Board of Auditors", the Committee would receive a series of reports from the Secretary-General in response to requests contained in General Assembly resolution 47/211.

13. Issues relating to the financing of peace-keeping operations would have to be addressed in the very near future if the United Nations, with increasingly inadequate financial resources, was to continue to discharge the many responsibilities entrusted to it by Member States. During its consideration of the reports on the financing of a total of 15 peace-keeping operations, the Committee would have to examine carefully the basic budgeting process for

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peace-keeping operations, in an endeavour to simplify the formulation of the budgets, shorten the time needed to obtain financial authorization and reduce the frequency with which Member States were assessed. Simplified and more standardized budgets would also shorten the interval between the establishment of new missions by the Security Council and the presentation of cost estimates to the General Assembly by the Secretary-General. Such changes would, however, be effective only if adequate financial resources were available when required. In order to permit the Organization to meet its obligations, assessments must be paid in full and on time, and it was essential that the Organization should be provided with sufficient cash flow to meet its obligations at all times. The recurrent cash flow problems had caused delays in reimbursements to troop-contributing countries. She expressed the Secretary-General's appreciation for the support given by those countries.

14. In its consideration of the report of the Committee on Contributions (A/48/11), the Committee would need to consider possible adjustments to the scale methodology and the assessment rates of five new Member States.

15. The calendar of conferences for the biennium 1994-1995, contained in the report of the Committee on Conferences (A/48/32), reflected increased meetings activity owing to the creation of eight new bodies in 1992 and a growing number of requests for special sessions and parallel meetings for negotiations. Those factors, combined with the continuing increase in the activities of the Security Council, translated into unrelenting growth in the meetings and documentation requirements of the United Nations. The Committee on Conferences had put forward recommendations requesting intergovernmental bodies to review agenda items with a view to reducing requests for documentation, as well as the need for written meeting records. In that connection, the Secretariat was developing proposals aimed at reducing documentation.

16. With regard to the economy measures announced by the Secretary-General on 26 August 1993, the Secretariat was making every effort to provide the services required by Member States, and the measures had been adjusted in the light of the concerns expressed by delegations. For example, documents were being distributed to permanent missions in accordance with their revised requests and reviews of their needs by Member States had so far resulted in a reduction of some 17 per cent in the number of copies requested in English. Moreover, to assist the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and the Fifth Committee in their consideration of the proposed programme budget for the biennium 1994-1995, as well as to accommodate formal and informal meetings of the other Main Committees, the capacity of the Office of Conference Services to service meetings would be increased to a level of 70 meetings a week for the last week of October and to a level of 79 meetings a week for the period 1 November to 10 December through the recruitment of temporary staff.

17. The application of new technologies to conference services was proceeding. In that connection, the availability of the optical disk system, a storage and retrieval system for parliamentary documentation, had been announced to permanent missions in New York in September and the first installation had taken place in October.

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18. With regard to personnel questions, the Staff-Management Coordination Committee (SMCC) had met in September in New York. There had been agreement on a draft amendment to the 300 series of Staff Rules, in response to the need for recruitment arrangements for appointments of limited duration that would be compatible with the changing requirements of peace-keeping, technical cooperation, humanitarian and emergency operations. The revised Staff Rules would improve efficiency in the handling of the new types of personnel needed by the Organization. SMCC had also agreed on a new draft administrative instruction on placement and promotion. The Organization ought to give all staff throughout the system the opportunity to compete for every available post, whether laterally or at a higher level, within the same duty station for local staff and across duty stations for international staff. SMCC had also discussed the performance evaluation system and she believed there was a consensus that the current system was of limited use and did not serve the Organization well. Changes in the three areas she had mentioned - the 300 series Staff Rules, the placement and promotion system and the performance evaluation system - would have a positive effect on efficiency.

19. Under personnel questions, the Fifth Committee would also consider the report on the work of the open-ended Working Group on the question of the formula for the determination of equitable geographical representation of Member States in the Secretariat, submitted in accordance with General Assembly resolution 47/226.

20. The Organization was expanding its training programme and the first comprehensive management development programme had just been launched with the aim of improving managerial capacity. Training programmes for operational activities in the field had also begun. The first release of the Integrated Management Information System, mainly relating to human resources management, had been implemented in September. Other releases, involving other areas of administration, would come later. Once the system was in place it would greatly improve administrative controls and audit trails.

21. Of the issues raised in the report of the International Civil Service Commission (ICSC), the question of the pensionable remuneration and consequent entitlements of staff in the General Service and related categories was of paramount importance. It was gratifying that a consensus on the matter had been reached between the parties concerned. A decision would also be needed at the current session regarding the adjustment of the basefloor salary scale for staff in the Professional and higher categories. ICSC had also made recommendations regarding staff assessment and the Tax Equalization Fund. It was important for the General Assembly to act in a timely manner on those issues relating to the common system.

22. As United Nations Security Coordinator for the Secretary-General, she was responsible for the coordination of the activities of the United Nations system as they related to the safety and security of staff in the field. She regretted that, since January 1993, an additional 19 civilian staff members had lost their lives, bringing the total for the previous 22 months to 30. It was a matter for concern that, as the United Nations system became more involved in operations world wide and was increasingly required to provide humanitarian assistance in hostile terrain amidst conditions of insecurity and, often, anarchy, the

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Organization was no longer in a position to ensure minimum standards of security for its staff. The Secretary-General, in his report on the security of United Nations operations (A/48/349-S/26358), had outlined a number of measures required to ensure the security of staff. The United Nations could not, however, act alone; adequate measures to protect personnel could be taken only with the help of Member States.

AGENDA ITEM 127: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (A/48/11)

23. Mr. ALI (Chairman of the Committee on Contributions), introducing the report of the Committee on Contributions (A/48/11), said that the Committee had considered at length the representations of the Member States which had been part of the former Czechoslovakia, the former Union of Soviet Socialist Republics and the former Yugoslavia, referred to for convenience in the report as the 22 Member States (para. 21). Those States had drawn attention to the political, legal, economic and technical issues underlying their concerns about their current rates of assessment and the scale methodology. The Committee had studied their representations in conjunction with information from the Statistical Division on the latest available data for the 22 Member States and on the efforts of several international organizations to improve data quality and reorient the statistical system in transition economies. While the Committee sympathized with many of the concerns expressed, it did not feel competent in terms of its mandate to deal with the political and legal issues raised. It had concluded that a determination of assessment rates for those States would be best addressed in the context of a new scale of assessments, and notwithstanding rule 160 of the rules of procedure of the General Assembly, had noted that it did not have a specific mandate to prepare one in 1993.

24. In preparation for the calculation of the next scale of assessments, the Committee had reviewed all of the components of the scale methodology with a view to fulfilling the mandate set out in General Assembly resolution 46/221 B and addressing the concerns of the 22 Member States.

25. In its discussions, it had arrived at the conclusion that the national income concept was still the soundest income concept for the purposes of the scale. As for the most appropriate conversion rate, that question was ultimately reduced to a choice between market exchange rates (MERs) and price-adjusted rates of exchange (PAREs). For the immediate future, preference had been given to the continued use of MERs, despite the temporary problems of countries whose economies were in transition and the periodic problems of countries whose exchange rates were fixed or controlled.

26. The discussion of the statistical base period had once again centred on the conflicting interests of stability (long base periods) and current capacity to pay (short base periods), and a gradual reduction in the length of the base period had been suggested.

27. In connection with the low per capita income allowance, Committee members had raised the issue of linking the world per capita income averages for automatic adjustments of the per capita income limit with the statistical base

(Mr. Ali)

period, but no conclusion had been reached. Similarly, opinion had remained divided on the appropriateness of a 100 per cent income gradient.

28. In discussing the scheme of limits, some Committee members had expressed the view that the General Assembly's intention to phase out the scheme of limits assumed increased significance in the light of Article 17 of the Charter, rule 160 of the rules of procedure of the General Assembly and the desire of the 22 Member States to have their assessments adjusted as quickly as possible. Members of the Committee had, however, also been concerned about the effects that eliminating the scheme of limits might have on other groups of Member States.

29. Following an inconclusive debate on the scale methodology, the Committee had attempted to arrive at a recommendation on how to modify the existing methodology to respond to both the mandate set out in General Assembly resolution 46/221 B and the need to align the rates of the 22 Member States more closely with their capacity to pay. The Committee felt that its long-standing goal of combining improvements in the methodology with maximum stability in the scale might be even harder to achieve in the future as a result of the changes in the world and in the United Nations. Since views on possible solutions diverged widely among the members, five alternatives for adjusting the methodology had been suggested and were illustrated in annexes I to V of the report.

30. The Committee's report also presented recommendations concerning the rates of assessment of the five new Member States. For the Czech Republic, Slovakia and the former Yugoslav Republic of Macedonia, it had followed the same approach that had been used in dividing up the rates of the former Soviet Union and the former Yugoslavia, in the interest of consistency and in full recognition of the limitations of that approach and the differences in the attending circumstances.

31. Soon after the end of the Committee's session, Andorra had joined the Organization under General Assembly resolution 47/232. The Secretariat had informed the Committee that, owing to the size of Andorra's national income and its population, its rate of assessment would not be higher than 0.01 per cent for 1994. The Fifth Committee might thus wish to take action on Andorra's rate as well, without waiting for a formal recommendation from the Committee on Contributions. In accordance with established practice, Andorra would be assessed at five twelfths of 0.01 per cent for 1993, and its actual assessment would be credited as miscellaneous income under regulation 5.2 (c) of the Financial Regulations and Rules of the United Nations. Its advance to the Working Capital Fund would be added to the Fund pending incorporation of its rate in a 100.00 per cent scale.

32. Mr. NOTERDAEME (Belgium), speaking on behalf of the European Community and its member States, expressed warm support for the proposal that the current Chairman of the Committee on Contributions should be appointed member emeritus of the Committee on his retirement from that position.

33. The European Community and its members, which together paid more than 30 per cent of the contributions to the regular budget and to peace-keeping

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operations - and, moreover, paid those contributions promptly and in full - were convinced that the fundamental basis for establishing the scale of assessments should remain capacity to pay. The scale could not be regarded as an instrument for income redistribution among States.

34. The only fair basis for determining capacity to pay was national income, defined as a country's GDP plus net factor income from the rest of the world and minus consumption of fixed capital. That was the only concept which met the three conditions required for a transparent system, based on reliable, verifiable, comparable and recent data.

35. Other income concepts, such as monetary income, disposable income, income adjusted for changes in national wealth and sustainable income, were difficult to apply, as the Committee on Contributions indicated in paragraphs 35 to 40 of its report. Some of those concepts were not sufficiently developed, while others were not included in standardized international statistics and reliable statistics were often lacking. In the past, at the urging of Member States which wished to see their contributions reduced, the General Assembly had on many occasions used elements other than national income to determine assessments. Such adjustments had given rise to endless and fruitless discussions, year after year. Instead of arriving at a simple and lasting solution, they had led to a situation where the scale had to be explained and interpreted by professional statisticians. The result had been a distortion of the real capacity of Member States to pay.

36. At the forty-seventh session of the General Assembly, the difficulties encountered had been so great that they had led to the withdrawal of the resolution whereby the General Assembly would have given the Committee on Contributions a mandate to study a new methodology for the 1995-1997 scale. That, together with the growing number of representations to the Committee by Member States requesting that their assessments be reviewed and their current economic situation taken into account, had led the members of the European Community to conclude that the system needed to be radically changed.

37. The European Community and its member States believed that the current methodology should be completely revised, in favour of a system under which the contributions of Member States would be based solely on national income, a statistical base period would be adopted which, being based on more reliable and more recent data, would better reflect the capacity of Member States to pay, the scheme of limits would be abandoned, and the current floor rate for the least developed countries would remain at 0.01 per cent.

38. A shorter statistical base period would, at one fell swoop, solve the problem of the Member States which had been part of the former Czechoslovakia, the former Union of Soviet Socialist Republics and the former Yugoslavia, for most of which comparable national income statistics would be available.

39. As for the rates of exchange to be used in future scales to convert national income expressed in local currency to United States dollars, the European Community and its member States endorsed the use of market exchange rates (MERs), as recommended by the Committee on Contributions, with

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price-adjusted rates of exchange (PAREs) being applied, if necessary, to countries where exchange rates and domestic prices developed differently.

40. As in the past, the members of the European Community were ready to engage in negotiations on the difficult points at issue in a spirit of cooperation and consensus, in order to achieve a lasting solution as quickly as possible.

41. Mr. FRANCIS (Australia), speaking on behalf also of Canada and New Zealand, said that, as indicated in its report, in 1993 the Committee on Contributions had received representations from a number of States which had been part of the former Soviet Union and the former Czechoslovakia, asking for a review of their current rates of assessment and had concluded that a determination of rates of assessment for those States that better reflected their current capacity to pay could only be achieved in the context of a new scale of assessments for the period 1995-1997. It was understandable that the Committee should have felt that to be the only conclusion it could draw, but the General Assembly would need to consider those representations. He therefore requested that the data made available to the Committee on Contributions at its fifty-third session should be provided to the Fifth Committee.

42. The task of the General Assembly at the current session should be to provide the Committee on Contributions with guidelines that would allow it to build a credible scale methodology whereby the expenses of the Organization would be more equitably distributed among the entire membership. The "clean slate" approach described in annex V of the Committee's report provided the best basis for establishing those guidelines. The delegations on behalf of which he was speaking had noted at the forty-seventh session of the General Assembly that the only element in the existing scale methodology that could reasonably be considered both an equitable and a transparent measure of capacity to pay was national income. It was for that reason that they were attracted to the "clean slate" approach.

43. Prior to 1952, one-year statistical base periods had been employed in calculating the scale of assessments. From 1953 on, the base period had been progressively increased, initially in order to iron out excessive variations between successive scales. By the mid-1970s, however, the lengthening of the base period had been employed simply as a mechanism to avoid quite justifiable increases in assessments for countries whose national incomes were increasing. His delegation and those of Canada and New Zealand therefore shared the view of the Committee on Contributions that the current 10-year base period was indicative of past rather than present capacity to pay. They would therefore be in favour of employing a shorter base period in future.

44. The current scale methodology contained a number of elements which distorted the principle of capacity to pay, including the low per capita income allowance. They agreed with those members of the Committee on Contributions who had concluded that an increase in the low per capita income allowance to 100 per cent would introduce additional distortions, would benefit only a small number of countries, and would unfairly penalize developing countries with small populations and small economies. Moreover, the cumulative effect of the scheme

(Mr. Francis, Australia)

of limits had seriously distorted the principle of capacity to pay; it should be phased out sooner rather than later. He hoped that, in preparing future scales, the Committee on Contributions would eliminate those elements.

45. Mr. BLUKIS (Latvia), speaking also on behalf of Estonia and Lithuania, said that two reasons for the diminishing confidence in the United Nations were, first, decision 47/456, which amended the rates of assessment established in General Assembly resolution 46/221 A for the 15 States located in the territory of the former Soviet Union, on the basis of an ad hoc methodology which did not reflect their capacity to pay, violated the principle of the sovereign equality of all Members laid down in the Charter and failed to respect the position of the Baltic States that they were not successors to the former Soviet Union; and, second, the distortions in the current methodology.

46. The ad hoc methodology, which had been used to determine the rates of assessment of the 22 Member States referred to in paragraph 21 of the Committee’s report resulted in rates of assessment that were much higher than those obtained with the standard methodology - over four times higher, for example, in some cases. Advances to the Working Capital Fund, being based on the rate of assessment, were similarly distorted. Had the standard methodology been applied, the results would have been fairer.

47. The assessment rates calculated on that ad hoc basis should therefore be recalculated using the standard methodology. Any adjustments required as a result should be made without any change in the current assessment rates of the other Member States. The difference could be offset in the context of the next scale of assessments and with the guidance of precedents found in previous decisions of the General Assembly and previous recommendations of the Committee on Contributions.

48. The current methodology for calculating rates of assessment distorted the apportionment of expenses according to capacity to pay, a principle laid down in rule 160 of the rules of procedure of the General Assembly. A fair assessment rate could be determined only from data that reflected the economic condition of the State and should therefore be taken from a statistical base period that was as close as possible to the corresponding assessment period. Long base periods were designed to smooth short-term fluctuations. However, for countries that were undergoing long-term changes (whether positive or negative), only a short base period could accurately reflect their capacity to pay. Because continued application of the scheme of limits had the effect of increasing a country’s base period, it should be eliminated as soon as possible. Any rapid changes in a country’s assessment rate could be alleviated by arranging payment schedules that took the resulting payment difficulties into account.

49. Finally, he wished to refer to the Fifth Committee’s approach to decision-making and to its failure to reach a consensus on the scale of assessments during the forty-seventh session of the General Assembly. As stated in its report (para. 28), the Committee on Contributions did not feel competent in terms of its mandate to deal with the legal issues raised. The Fifth Committee, however, took decisions in the absence of systematic legal advice. It could perhaps benefit from expert advice that emphasized technical, rather than political, aspects.

(Mr. Blukis, Latvia)

50. The Baltic States hoped that it would be possible to find consensus solutions through seeking to build confidence in the United Nations rather to gain transient advantage. Despite the unsettled situation with respect to assessments and the special price which the Baltic States were currently being asked to pay, they were showing their good will by making long-range plans for the regular payment of their contributions.

51. Mr. VARELA (Chile), speaking on behalf also of Argentina, Bolivia, Brazil, Colombia, Ecuador, El Salvador, Mexico, Paraguay, Peru, Uruguay and Venezuela, the members of the Rio Group, said that the Group welcomed the recommendation of the Committee on Contributions that the Chairman of the Committee on Contributions should be appointed as member emeritus of the Committee on his retirement from that post.

52. The question of the scale of assessments was a complex one. Unfortunately, at the forty-seventh session of the General Assembly, the previous consensus that had enabled progress to be made in improving the methodology and eliminating subjective criteria had not been respected. The Committee on Contributions was, however, to be commended on its efforts to accommodate the views of a group of new Member States and on having proceeded with its work despite the absence of a mandate from the General Assembly.

53. After examining the representations of the Member States which had previously been part of the former Czechoslovakia, the former Union of Soviet Socialist Republics and the former Yugoslavia, the Committee on Contributions had concluded that the most balanced result for the largest number of Member States would be achieved not through preferential treatment of the 22 States concerned but rather through modification of the methodology for the preparation of the next scale of assessments (para. 29). At the current session of the General Assembly, the Fifth Committee would have to instruct the Committee on Contributions regarding the criteria to be employed in drawing up the scale for the three-year period 1995-1997. The members of the Rio Group fully endorsed the criteria laid down in General Assembly resolution 46/221 B, paragraph 3, which had been part of a compromise designed to improve the methodology and achieve greater transparency. That package remained the most equitable and transparent solution for the international community as a whole.

54. The Group was in favour of maintaining the 10-year statistical base period, which afforded a minimum of predictability and stability. Any change in it would have unjustified effects on many countries which had been paying on the basis of that period. The Group had, however, noted the comment by the Committee on Contributions that multiple three-year periods would be technically superior, and it would be prepared to consider a statistical base period of nine years. The statistical base period was, however, linked to any decision regarding the scheme of limits.

55. The Group shared the conclusion reached by the Committee on Contributions that, from a technical standpoint, the national income concept was sounder than other income concepts for the purposes of the scale of assessments. Accordingly, national income continued to be one of the basic elements in the principle of capacity to pay, although on its own, it was imperfect and incomplete. The Group supported the low per capita income allowance formula as

(Mr. Varela, Chile)

an integrated and automatic adjustment mechanism, to be applied with a per capita income limit of the average world per capita income with a gradient of 100 per cent. That would eliminate the need for political negotiations or adjustments in the Fifth Committee or in the Committee on Contributions.

56. The Group also supported the debt-adjusted income formula. Debt-servicing undoubtedly limited the capacity of developing countries to pay. The formula included in resolution 46/221 B, paragraph 3 (c), recognized real debt payments only.

57. It was obvious that the scheme of limits, which was intended to avoid excessive fluctuations between successive scales, caused a cumulative distortion over time. It also favoured countries with growing economies, which did not need it, and penalized those with declining economies, which were in greater need of some type of gradient. The Rio Group was therefore in favour of phasing it out, while avoiding allocating additional points to developing countries.

58. The application of uniform exchange rates, based on the criteria laid down in paragraph 3 (b) of resolution 46/221 B, was the most appropriate approach for converting income expressed in local currency into United States dollars. The Group supported the conclusion of the Committee on Contributions that market exchange rates (MERs) should continue to be used.

59. Annex V to the Committee’s report set out a model scale derived from a total change in the methodology, or the "clean slate" approach. While he noted that the Committee had not been instructed to prepare such a scale, he said it was noteworthy that the only element which the scale took into account was total national income, as compared to total world income. If a simplified methodology was desired, the Group would support that model scale since it took into account both the size of the economy and the relative wealth of States, and thus better reflected their capacity to pay; it was based on a simplified methodology and it used a 10-year statistical base period, average national income weighted by per capita national income, and a floor and ceiling. In that connection, he noted that the Fifth Committee needed greater access to the information supplied to the Committee on Contributions, in particular the statistical data, national income figures and conversion rates used.

60. The members of the Rio Group were convinced that the criteria agreed upon in General Assembly resolution 46/221 B, which had been adopted by consensus, constituted the sole viable solution which was politically acceptable to the majority of Member States. They were committed to working in accordance with the terms of that resolution in order to arrive once again at a consensus on the subject.

61. Mr. HAMZAH (Malaysia) supported the conclusion of the Committee on Contributions that a determination of assessment rates for the 22 Member States which had been part of the former Czechoslovakia, the former Soviet Union and the former Yugoslavia that better reflected their current capacity to pay could only be achieved in the context of a new scale of assessments. He further agreed that the most balanced result for the largest number of Member States would not be achieved through preferential treatment of the 22 Member States

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(Mr. Hamzah, Malaysia)

concerned but rather through modification of the scale methodology for the preparation of the following scale of assessments.

62. With regard to the various income concepts mentioned in paragraphs 34 to 40 of the Committee's report, his delegation shared the Committee's view that the application of the national income concept was a sound and predictable basis for measuring the income level of a country. It would have no objection, however, if the Committee on Contributions were to examine alternative income concepts.

63. As for the application of the conversion rate, market exchange rates (MERs) were a better choice despite the temporary problems associated with their use. The data limitation difficulties for the non-IMF members were likely to be resolved in the near future, since all Members of the Organization, especially the members of the Commonwealth of Independent States (CIS) would inevitably join IMF.

64. On the subject of the statistical base period, his delegation believed that the 10-year base period would be the best option for ensuring fairness and equity in the scale for most Member States. Although the shorter statistical base period better reflected the capacity to pay of Member States at the time of payment, the longer base period represented a more realistic approach, given the cyclical and unpredictable nature of the economic situation of countries, particularly the developing and the least developed countries. A longer base period would also avoid excessive fluctuations in the scale. As annex III to the report clearly illustrated, any change in the base period would benefit some countries and be disadvantageous to others in an entirely random fashion.

65. The low per capita income allowance should be an integral and automatic adjustment mechanism for determining the scale in a manner consistent with paragraphs 2 and 3 (d) of General Assembly resolution 46/221 B.

66. The principle of capacity to pay should continue to serve as the fundamental criterion for determining the scale of assessments. Although the current methodology was cumbersome and complicated, the scales of assessment adopted so far were premised on that foundation. In the absence of a transparent methodology based on reliable, verifiable and comparable data, his delegation was content with the existing one, since no formula would be fully satisfactory to all Member States.

67. Despite his delegation's preference for a simple methodology, it did not support the "clean slate" approach mentioned in paragraph 66 of the report, since a rate of assessment based only on total national income as compared to total world income would not truly reflect the capacity of Member States to pay. Nevertheless, the formula contained in annex V to the report of the Committee on Contributions deserved serious consideration. The scale of assessments derived by distributing average national income weighted by per capita income, followed by the application of the existing floor and ceiling rate and using a 10-year statistical base period would make the methodology easier to understand and would lead to fairer and more technically sound results.

(Mr. Hamzah, Malaysia)

68. In conclusion, his delegation supported in principle the recommendations of the Committee on Contributions with regard to the rate of assessments for the newly admitted Members of the Organization, as set out in paragraphs 77 to 89 of its report.

69. Mr. THAKUR (India) regretted that at the previous session, the Committee had departed from its established practice of seeking agreement without a vote on the question of the scale of assessments and hoped that it would revert to its previous practice of striving for mutual accommodation.

70. He also hoped that the General Assembly's instructions to the Committee on Contributions with regard to its work on the scale of assessments for the following triennial period would be unambiguous and fair to all countries. It was important to build incrementally on the solid foundations of the past. While the current methodology was not perfect, it had stood the test of time and should not be jettisoned. For those reasons, he did not support the "clean slate" approach described in paragraphs 66 to 72 of the report of the Committee on Contributions.

71. Any dramatic change in methodology could have undesirable and unforeseen consequences for Member States. The Committee on Contributions should therefore seek to refine the methodology in a step-by-step manner, as set out in General Assembly resolution 46/221 B, rather than propose fundamental changes. The phased approach set out in that resolution represented a carefully balanced compromise between opposing viewpoints. He regretted the failure to build upon that agreement during the past year and he hoped that, at its current session, the General Assembly would issue directives to the Committee on Contributions on each of the technical parameters set out in resolution 46/221 B. In his delegation's view, the coefficient for determining the extent of low per capita income allowances should be increased from 85 per cent to 100 per cent; the low per capita income limit should coincide with average world per capita income; the debt adjustment procedure should be rationalized; and the scheme of limits should be phased out.

72. His delegation supported the recommendations of the Committee on Contributions relating to the use of the national income concept as the basis for calculating the scale of assessments. It also agreed that market exchange rates were the appropriate rates for comparing the national incomes of different countries. The purchasing power parity concept, on the other hand, had not been accepted, even by IMF, and it would therefore be inappropriate to apply that concept in the context of the United Nations.

73. On the question of the statistical base period for calculating the scale of assessments, his delegation believed that a shorter base period would be more appropriate. It was nevertheless prepared to go along with the recommendation of the Committee on Contributions that the base period should be reduced from ten to nine years, in view of the substantive arguments presented in paragraph 53 of the report. As for the scheme of limits, his delegation agreed with the decision taken by the General Assembly at its forty-sixth session on that subject.

(Mr. Thakur, India)

74. India was sympathetic to the problems faced by the countries of the former Soviet Union and by several countries of eastern Europe and hoped that the Committee on Contributions would be able to address those problems before the recommendations for the next triennial scale. The scale methodology should be logical and technically consistent and should be applied in a uniform and non-discriminatory manner. Finally, the appropriate rate of exchange for conversion of the national income of a country in any given year should be the rate of exchange prevailing in that year.

75. Mr. GOUDYMA (Ukraine) regretted that the long-existing balance in the scale of assessments had been broken, thereby aggravating the Organization's budgetary constraints. The current assessment rates of many countries, including Ukraine, exceeded their capacity to pay, while countries with a relatively good economic performance managed to preserve rates that were substantially lower than their capacity to pay.

76. There were two main reasons for the current situation. First, the methodology used by the Committee on Contributions for the determination of the scale of assessments was imperfect and out of date, and, second, Member States lacked the political will to ensure an equitable distribution of the financial burden of the Organization. That lack of political will had led the Committee on Contributions to make erroneous recommendations concerning the distribution of the contribution of the former Soviet Union to the regular budget. A large number of countries had refused to support General Assembly decision 47/456 which had been adopted contrary to rule 160 of the rules of the procedure of the General Assembly, General Assembly resolution 46/221 B, and the objective conceptual and methodological principles and criteria which were currently used to assess the contribution of countries to the regular budget. Ukraine and Belarus had been treated as new Member States and subjected to a correspondingly higher scale of assessment, despite the fact that, together with the other original Members of the United Nations, they had signed the Charter of the Organization as early as 1945. He noted that, in his opinion on the matter, the Legal Counsel had contested the erroneous conclusions of the Committee on Contributions on each and every count and had recommended that no action should be taken which was inconsistent with the rules of procedure of the General Assembly.

77. Decision 47/456, which had done serious damage not only to Ukraine and the other countries concerned but also to the cherished principle of consensus, had not only failed to resolve the problem of the orderly redistribution of the contribution of the former Soviet Union to the United Nations, but had, in fact, multiplied the problems. The Government of Ukraine had responded to that unjust decision by informing the Secretary-General that it would effect its next payments to the regular budget on the basis of the financial commitments as provided earlier in the scale of assessments for the period 1992-1994.

78. In a number of resolutions, the General Assembly had proclaimed capacity to pay as the main criterion for determining assessments. It was therefore unreasonable to rank a country with a 1992 per capita gross national product of less than US$ 1,700 in tenth place among the major contributors to the regular budget. Even the payment of the previously established share presented

(Mr. Goudyma, Ukraine)

tremendous difficulties for his country. The further indebtedness of Ukraine to the United Nations would only aggravate the Organizations's financial crisis.

79. The Committee on Contributions had recognized that the assessment rates of Ukraine and the other countries which had been part of the former Czechoslovakia, the former Soviet Union and the former Yugoslavia needed considerable adjustment and had rightly concluded that the determination of assessment rates for those States that better reflected their current capacity to pay could only be achieved in the context of a new scale of assessments. Unfortunately, the Committee on Contributions had lacked the courage to provide for a general revision of the scale during the current year.

80. A practical solution to the problem of the scale of assessment would not be simple. In that connection, the report entitled "Financing an Effective United Nations", which had been prepared by the Independent Advisory Group on United Nations Financing, sponsored by the Ford Foundation (A/48/460), contained a number of good ideas.

81. There were at least three elements in the methodology of the scale of assessments which must be reconsidered or improved in order to achieve a more effective application of the criterion of a country's capacity to pay. First, the distorting effect of the scheme of limits on the scale must be eliminated. His delegation hoped that the Committee would make clear recommendations at its current session for phasing out the scheme of limits in the next scale of assessments, since that was the only way to restore justice in the sharing of the Organization's financial burden. Second, the market exchange rates provided by IMF should be uniformly applied to the calculation of the rates of assessments of all Member States. Ukraine had inherited the problem of its excessive assessment to the regular budget because it had been part of the former Soviet Union and from the outset, the Committee on Contributions had determined the assessment of the Soviet Union using statistical data on national income which had been calculated on the basis of an inflated exchange rate for the rouble against the dollar. Ukraine had never had any real influence on monetary policy and therefore should not suffer further losses on account of such policies. Third, Ukraine supported the conclusion of the Committee on Contributions that the current length of the statistical base period was indicative of the past rather than current capacity to pay of Member States. It also endorsed the recommendation of the Independent Advisory Group on United Nations Financing that the regular budget assessment scale should be based on a three-year rather than a 10-year average of the GDP of Member States (A/48/460, Recommendations). The Fifth Committee should therefore take the appropriate decision in that regard.

82. Mr. ALVAREZ (Uruguay) said that his country continued to attach great importance to the principle of capacity to pay, which should be determined on the basis of clear, objective parameters, including debt-adjusted income and adjustment for low per capita income and least developed country status.

83. With respect to the statistical base period, Uruguay favoured keeping the current 10-year base period, although it recognized that a nine-year period might ease the process of phasing out the scale of limits and it would not

(Mr. Alvarez, Uruguay)

object to considering a period of that length. It would not, however, agree to a shorter period.

84. The national income concept, including a downward adjustment to reflect large amounts of external debt, should be maintained. Although debt-adjusted income was not among the technical income concepts defined in international standards, it still provided a useful means of adjusting national economic indicators in accordance with capacity to pay. Uruguay also supported the gradual elimination of the scheme of limits and the use of the market-exchange rates provided by IMF.

85. Lastly, with respect to the representations made by the 22 Member States referred to in paragraph 21 of the Committee's report, his delegation hoped that their rates of assessment could be corrected within the context of the next scale of assessments. It was, however, willing to cooperate in seeking solutions which might attenuate the distortions produced by their current economic difficulties.

The meeting rose at 5.25 p.m.