

UNITED NATIONS  
**General Assembly**  
FORTY-EIGHTH SESSION  
*Official Records*

FIFTH COMMITTEE  
6th meeting  
held on  
Tuesday, 26 October 1993  
at 10 a.m.  
New York

SUMMARY RECORD OF THE 6th MEETING

Chairman: Mr. HADID (Algeria)

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

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THE UNITED NATIONS (continued)

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Distr. GENERAL  
A/C.5/48/SR.6  
29 November 1993  
ENGLISH  
ORIGINAL: FRENCH

The meeting was called to order at 10.20 a.m.

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

1. Mr. CHUINKAM (Cameroon) said that the debates which had taken place in the Committee and in the Committee on Contributions at the forty-seventh session of the General Assembly had demonstrated once again how difficult it was to reach an agreement on the question of the scale of assessments. His delegation believed that establishing methodology for the scale of assessments that was acceptable to all would be an uphill task as long as each Member State continued to claim special treatment.

2. According to its report (A/48/11), the Committee on Contributions had conducted its work on the basis of the mandate contained in General Assembly resolution 46/221. His delegation had joined in the consensus on that resolution on the understanding that it was a package deal. It could therefore not accept that only parts of it should be used in the search for a new methodology.

3. With regard to the representations made to the Committee on Contributions, he said that, while his delegation sympathized with the concerns expressed by, inter alia, the States of the former Union of Soviet Socialist Republics, in particular Belarus and Ukraine, it agreed entirely with the Committee's conclusion in paragraph 29 of its report. For the reasons given by some members of the Committee on contributions, it rejected the idea that those 22 Member States which had made representations to the Committee, or at least a majority of them, could be regarded as new Members for the purposes of the next scale.

4. It was high time that the Fifth Committee realized that political considerations could never be dispensed within the search for an appropriate methodology. His delegation did not dispute the principle of capacity to pay but, in its opinion, another criterion had been neglected: that of ability to pay. Although several countries had been judged to have the capacity to pay, in fact they lacked the ability to do so. Any methodology that did not seek to combine those two principles would only increase the number of Member States falling under Article 19 of the Charter and aggravate the financial situation of the Organization.

5. With regard to conversion rates, Cameroon was in favour of using price-adjusted rates of exchange (PARE) in the future methodology to take account of the fact that the currencies of some countries were indexed to other stronger currencies. Market exchange rates (MERs) could continue to be used on condition that a solution was found to the problems faced by countries with economies in transition and those which had indexed currencies and fixed or controlled exchange rates.

6. His delegation continued to believe that a statistical base period of 10 years was no longer relevant. The argument that a long base period would make it possible to iron out fluctuations in national income could only be acceptable to those Member States whose economies were showing growth. Even for them, it would be logical for contributions to be assessed on the basis of their current economic situation.

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7. Mr. SWETIJA (Indonesia) said that, although his delegation sympathized with the concerns expressed by the 22 Member States, it fully concurred with the Committee's conclusion, as stated in paragraph 28 of its report, that "a determination of assessment rates for the 22 Member States that better reflect their current capacity to pay could only be achieved in the context of a new scale of assessments". It also shared the view, expressed in paragraph 29, that it would be better to modify the scale methodology rather than give those Member States preferential treatment.

8. With regard to the current methodology, his delegation wished to reiterate that the fundamental criterion for establishing the scale of assessments should continue to be the relative capacity of countries to pay, based on national income. It was imperative that the dynamic of national incomes should be accurately reflected in the scale of assessments. As the Committee on Contributions stated in its report, the national income concept was more sound than other income concepts for the purposes of the scale of assessments.

9. As for conversion rates, his delegation agreed with the Committee on Contributions that it was preferable to continue to apply market exchange rates (MERs) despite their shortcomings. The problem of the availability of data for countries which were not members of IMF should be resolved in the near future, given the prospect that all Members of the United Nations would become members of the IMF. The concept of purchasing power parities had not yet been adequately developed to serve for international income comparison.

10. A statistical base period of nine years would be preferable to the current 10-year period. The low per capita income formula should be an integral and automatic adjustment mechanism, as provided for in General Assembly resolution 46/221 B. It was to be hoped that the Assembly would be able to decide whether all the technical parameters set out in that resolution should be implemented. Moreover, the Committee on Contributions should continue to consider the debt adjustment factor. The scheme of limits could also be given further consideration.

11. The methodology for the scale of assessments was, indeed, not perfect and thus needed to be improved. Improvements should, however, be introduced gradually. Indonesia was therefore not in favour of the so-called "clean slate" approach. It was convinced that such an approach would not achieve the desired effect and would even have a negative impact on many developing countries.

12. Mr. MIHAI (Romania) said that his delegation shared the opinion expressed at a previous meeting by the representative of Belgium, that the scale of assessments could not be regarded as a means of redistributing national income from one country to another. The task of the Fifth Committee was to provide clear guidelines which would allow the Committee on Contributions to build a credible, simple and transparent scale methodology whereby the expenses of the Organization would be borne more equitably by the entire membership.

13. With regard to the statistical base period, his delegation shared the view that the 10-year period currently used reflected past and not present capacity to pay. In the case of the 22 States which had made written representations to the Committee on Contributions, it was hard to believe that statistical data from 10 years earlier provided an accurate and objective picture of their

present situation, particularly when those data had been completely distorted for political purposes.

14. His delegation believed that the General Assembly should, at its current session, adopt a resolution giving a clear mandate to the Committee on Contributions to establish a new methodology based on the following factors: national income for determining capacity to pay; a shorter statistical base period, based on recent and verifiable data; the rapid phasing out of the scheme of limits; and a floor rate of 0.01 per cent for the least developed countries.

15. Mr. KOVANDA (Czech Republic) said that he endorsed much of what the representative of Romania had just said.

16. In determining the Czech Republic's financial contribution to the regular budget of the United Nations, the Committee on Contributions had based its calculations on the contribution paid by the former Czech and Slovak Federal Republic (Czechoslovakia). That contribution had been arithmetically divided between the two successor States - the Czech Republic and Slovakia - without any direct account having been taken of their real gross domestic products. On 19 January 1993, the Czech Republic had been admitted to membership in the United Nations in accordance with the provisions of the relevant texts. From a legal standpoint, that admission process implied that there was no continuity between the membership of the former Czechoslovakia and that of the Czech Republic. The competent authorities of the Czech Republic believed, therefore, that the State's contribution should be based solely on the official statistics provided by it for the base period, as verified by the international financial institutions and made available to the United Nations Statistical Office.

17. He drew the attention of the Fifth Committee to certain concerns raised by his country in written and verbal representations to the Committee on Contributions. The first related to the statistical base period. Given the political, economic and social transformations taking place in all parts of the world, a 10-year period could not reflect the current capacity to pay of countries, especially new Member States.

18. The question of the exchange rates used in the former communist countries had been raised repeatedly. In the opinion of his delegation, future assessment rates for those countries should not be distorted by exchange rates that reflected earlier economic realities. In the light of the comments which had been made, it advocated a review of the scheme of limits.

19. His delegation was receptive to any suggestions for improving the existing methodology. In its opinion, capacity to pay, based on reliable national income statistics, should remain the fundamental criterion for establishing the scale of assessments. The Czech Republic had been following with concern the deteriorating financial situation of the United Nations. It fully supported the proposals aimed at solving the current problems. Czechoslovakia had been one of the few countries which had paid its contributions to the regular budget of the United Nations on time and in full. The Czech Republic was ready to fulfil its obligations in the same way.

20. Mr. DIMOV (Bulgaria) said that his delegation shared many of the concerns expressed by the representatives of States which had been part of the former Czechoslovakia, the former Soviet Union and the former Yugoslavia. For a number

of countries such as Bulgaria, those concerns - described in paragraphs 6 to 26 of the report of the Committee on Contributions (A/48/11) - were compounded by difficulties resulting from the Security Council sanctions against Yugoslavia. The Fifth Committee should consider those questions as soon as possible.

21. It was also important to minimize the distortions occasioned by the break-up of the former Soviet Union so that the next scale of assessments would better reflect the capacity to pay of the countries concerned. As to the methods used to achieve that goal, the report of the Committee on Contributions rightly indicated, in paragraph 32 of its report, that a clearer distinction should be made between components based on technical concepts and components based largely on non-technical considerations that were deemed important in the United Nations context. The Fifth Committee should encourage the Committee on Contributions to assume its responsibilities by moving in that direction.

22. Since, during the current session, the General Assembly was required to provide the Committee on Contributions with guidelines for its work on the next scale of assessments, it was important to determine what changes should be made in the current methodology in order to take account of the problems of States which had recently obtained independence or whose economies were in transition.

23. His delegation regretted that the Committee on Contributions had not followed its examination of the various elements involved in the establishment of the scale of assessments with any specific recommendations. One component of the methodology that warranted review as a matter of priority was the statistical base period. The existing 10-year period ensured consistency of data, but it reflected an earlier era in the countries in transition and not their current situation. A considerable reduction in the period was thus needed, whether or not the scheme of limits was to be phased out. His delegation had serious doubts as to the usefulness of continuing that scheme, which it believed should be eliminated. Lastly, it thought that national income, calculated on the basis of objective information for the purpose of determining capacity to pay, should continue to be the fundamental criterion for the establishment of the scale of assessments.

24. Mr. KUKAN (Slovakia) said that, at its current session, the General Assembly would adopt the assessment rate for the Slovak Republic, which had been admitted to membership in the United Nations on 19 January 1993. In reaching a decision on that matter, his delegation expected that the Fifth Committee and the General Assembly would take into account the country's economic situation and its capacity to pay. After thorough consideration of the question, and on the basis of statistical data provided by his delegation, the Committee on Contributions had concluded that the Slovak Republic should be assessed at a rate of 0.13 per cent of the regular budget. However, its economic situation had declined sharply since 4 June 1993, when the statistical data had been submitted to the Committee. First, the devaluation of the Slovak koruna had reduced the country's gross domestic product by 10 per cent. Second, the unemployment rate, which had already risen from 2.37 per cent at the beginning of 1992 to 12.01 per cent in March 1993, was expected to reach nearly 20 per cent by the end of 1993.

25. The Fifth Committee should also take into consideration the specific difficulties which the Slovak Republic was experiencing as a result of its transition from a planned economy to a market economy, the continuing recession

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in Central and Eastern Europe, and the Security Council sanctions against the Federal Republic of Yugoslavia.

26. Mr. YAP (Philippines) fully supported the decision of the Committee on Contributions to continue using the national income concept, which was in his view sounder than other income concepts, despite its limitations. Nevertheless, he hoped that that Committee would be able to develop a concept that would better reflect the capacity to pay of Member States.

27. With regard to conversion rates, the Committee on Contributions had no choice but to continue to recommend the use of market exchange rates because of their international comparability and because they had the added advantage that only one rate need be used to calculate the scale of assessments and the contributions paid. Once the price-adjusted rates of exchange had been thoroughly refined, they might provide a more ideal conversion rate.

28. The proposal to reduce the statistical base period to nine years seemed a good compromise. His delegation preferred longer periods, which provided more stability and gave a better picture of the capacity to pay of States because the smoothed out volatile fluctuations in the data.

29. With regard to the low per capita income allowance and the gradient, the many proposals designed to change them revealed a wide divergence of opinion among States. In the view of his delegation, the allowance should continue to be based on average world per capita income and to function as an integral and automatic adjustment mechanism as long as the present methodology was used. A gradient of 100 per cent seemed a good solution because it was simple and would benefit several countries with very low per capita incomes.

30. The scheme of limits was another source of conflicting opinions in the Committee on Contributions. Agreement seemed to be emerging in favour of phasing the scheme out, but there was no agreement on the way in which that should be done. Two solutions had been proposed which, if applied separately, did not produce any significant changes in assessments, whereas their combined application had a more pronounced effect. It would therefore be better to study further the effect of the combined application of the two solutions when other variables such as the base period were altered.

31. The "clean slate" approach, under which a country's rate of assessment would be based only on its national income as a proportion of total world income, certainly had the merit of being the simplest and most transparent. However, it was doubtful whether it was the best means of gauging a country's capacity to pay since it did not take into account many factors affecting that capacity. Furthermore, it might bring about abrupt negative changes in the assessments of many developing countries.

32. The Philippine delegation refused to accept that past efforts to improve the scale had been futile. It would be more constructive to concentrate on correcting the deficiencies in the present scale rather than to start again from square one. In any event, the scale of assessments must better reflect the capacity of States to pay if the aim was to ensure that they paid their contributions promptly and in full.

33. Mr. DEINEKO (Russian Federation) said that the scale of assessments was the instrument which guaranteed the financial health of the United Nations. The relative capacity of Member States to pay must remain the fundamental criterion for the apportionment of the expenses of the Organization, but the scale methodology must be revised to reflect more accurately the capacity to pay. It was therefore regrettable that at its resumed forty-seventh session the General Assembly had been unable to reach a consensus on the changes to be made in the methodology in order to eliminate the elements which distorted the measurement of the true capacity to pay.

34. Correction of such defects was particularly important for the 22 Member States - the Russian Federation and the States of the former USSR - whose assessments had had to be calculated since the adoption of the latest scale. It was clear that General Assembly decision 47/456, which set the rates of assessment for those States, was a transitional measure and that, as the Committee on Contributions had acknowledged in its report (A/47/11), their rates might eventually undergo considerable change. It was therefore necessary for the Committee on Contributions, if it was to solve the problem of the countries in question, to have specific instructions from the Assembly. However, it did seem that the Committee was aware of the need for a global and long-term solution since it had concluded in paragraph 29 of its report that it was not by giving preferential treatment to the 22 Member States that the most balanced result would be achieved for the largest number of States but rather by modifying the methodology for the next scale.

35. The scale methodology must be made simpler and more transparent so that it reflected the capacity to pay of Member States in the light of their current economic situation. In particular, the General Assembly should give the Committee on Contributions clear instructions to eliminate from the next scale the scheme of limits, which had no economic justification. The selection of a statistical base period significantly shorter than 10 years would make it possible to take into account the current rather than the past capacity of Member States to pay. The question of the low per capita income allowance and the modification of the gradient required further study; any automatic adjustment which was adopted should be based on technical criteria and not produce any new distortions in the measurement of the capacity to pay.

36. In view of the complexity of the factors at play in the preparation of the scale of assessments it was particularly important for the Fifth Committee to adopt its decisions on the whole of the item by consensus.

37. Mr. OWADE (Kenya) said that the Committee on Contributions, having examined in accordance with the General Assembly's request various approaches to the establishment of the scale of assessments, might well conclude that the existing formula remained the most objective means of measuring the capacity of Member States to pay - which was still the fundamental criterion. But the methodology must be able to reflect the changes in all the factors which determined the national income of Member States, in particular the developing States, for some changes might have an abrupt effect on their capacity to pay. Although ad hoc adjustments to the scale might meet the short-term concerns of a number of States, they must be avoided because of the distortions which could result in the calculation of the contributions of other countries, in particular the developing ones.

38. Where income concepts were concerned, the notion of sustainable income described in paragraph 40 of the report should be examined further because it might offer a means of reflecting the social and economic development needs of Member States. The importance of periodic review of the alternative income concepts in the light of the changes in the world economic situation could not be overemphasized.

39. The conversion rate used in the preparation of the scale of assessments was another important aspect of the correct measurement of a country's national income. Market exchange rates offered a satisfactory instrument to be used in conjunction with price-adjusted rates of exchange which smoothed out the effects of inflation over the base period. The Kenyan delegation was in favour of a shorter base period of nine years which would average out the fluctuations in national income. The partial or complete elimination of the scale of limits would penalize unduly the developing countries whose economies had stagnated, i.e. the majority of them.

40. Mr. BAHADIAN (Brazil) said that the United Nations scale of assessments was the source of the financing of the Organization's regular budget and also served as the basis for apportionment of the costs of peace-keeping operations and as a benchmark for the scale of assessments of the other agencies in the system: clearly, it was vital for the decisions on the item to be taken by consensus.

41. At the current session the General Assembly had to approve the criteria to be used by the Committee on Contributions in the elaboration of the next scale. As the Assembly had stated in resolution 46/221 B, the capacity to pay remained the basic criterion. However, it was worth recalling that at the time of the founding of the Organization the Preparatory Commission of the United Nations had acknowledged the need not to be guided by mere statistics on national income and to take into account other factors in order to arrive at a more accurate assessment of the capacity to pay. That was indeed why the General Assembly had included in the scale methodology elements such as the low per capita allowance - the gradient now stood at 100 per cent - and adjustment for debt. The establishment of floor and ceiling rates for contributions stemmed from the same approach, which recognized that the apportionment of the expenses of the Organization could not be based on exclusively technical or economic criteria.

42. In that respect the "clean slate" approach advocated by some members of the Committee on Contributions to meet the need for simplicity and transparency did not help to improve the methodology. It was a pity that at its latest session the Committee had not tried, on the basis of the parameters currently used, to devise a model scale which would meet that need.

43. While the Brazilian delegation fully understood the reasons why 22 Member States had made representations under rule 160 of the rules of procedure of the General Assembly, it nevertheless endorsed the comments made on the subject by the Committee on Contributions in paragraphs 28 and 29 of its report and thought that it would be possible to respond to the concerns of those States in the preparation of the next scale.

44. With regard to the different aspects of the scale methodology the Brazilian delegation thought that the concept of national income remained the most sound from the technical standpoint but agreed with the Committee on Contributions that the other income concepts should be kept under review. It was clear from

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the discussion in the Committee on Contributions that market exchange rates were at present the best means of conversion and that price-adjusted exchange rates were another tool which, subject to some improvement, could be used in some specific situations. Purchasing power parities were of interest mainly for purposes of analysis and research. It was essential that the low per capita allowance should be an integral and automatic adjustment mechanism, as envisaged in principle in resolution 46/221 B.

45. The selection of a statistical base period which would be a multiple of three years would prevent the distortions due to the fact that some years had a greater impact on the scale. There was also an interaction between the statistical base period and the scheme of limits, as demonstrated by the illustrative machine scales contained in the annexes to the report. Two solutions might therefore be envisaged: to retain a relatively long statistical base period, of nine years for example, while phasing out the scheme of limits; or to reduce the statistical base period and retain the current scheme of limits. Both solutions would take into account changes in the economic and political situation in countries while avoiding excessive disparities between the current and next scales.

The meeting rose at 11.50 a.m.