

Distr.
LIMITED

A/C.5/XXVI/CRP.9
25 October 1971

ORIGINAL: ENGLISH

Twenty-sixth session
Agenda item 80

SCALE OF ASSESSMENTS FOR THE APPORTIONMENT
OF THE EXPENSES OF THE UNITED NATIONS

Draft report of the Fifth Committee

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1. At its 1427th, 1428th, 1429th and 1430th meetings, held on 6, 7, 8 and 13 October 1971, the Fifth Committee considered agenda item 80, entitled "Scale of assessments for the apportionment of the expenses of the United Nations: report of the Committee on Contributions". It had before it the report of the Committee on Contributions^{1/} containing the draft resolution recommended by the Committee.

2. The Chairman of the Committee on Contributions, introducing the Committee's report, referred to the assessments recommended for the new Member States, Fiji and Bhutan, and explained that the assessment of the other new Members, Bahrain, Oman and Qatar, which had not yet applied for membership when the Committee met in April, would be considered at its next annual session. He expressed the Committee's concern for the serious natural disasters that had occurred after the present scale had been drawn up and referred to the appeals with supporting data and other information submitted by Romania and Pakistan for changes in their assessments in the light of such disasters. The Committee had recognized the magnitude of the calamities suffered by the two States and the substantial emergency aid required by them for relief and reconstruction, in which connexion he draw attention to General Assembly resolution 2717 (XXV)

^{1/} Official Records of the General Assembly, Twenty-sixth Session, Supplement No. 11 (A/8411 and Add.1 and 2).

on assistance in cases of natural disaster. The Committee had also recognized that, in relation to the size of the disasters, any adjustment in the scale could only offer insignificant relief to the countries concerned. During the three-year period of a scale, many events might occur which would affect the relative capacities to pay of Member States. In the next review of the scale in 1973, to be based on statistics of national incomes for the years 1969-1971, the Committee would take such events into account and could also make special allowance, as in the past, for the serious economic effects of natural disasters which had occurred during the three-year interval. Given the magnitude of the disasters and their immediate effect on the capacity to pay of the countries concerned, the Committee had considered the possibility of making small downward adjustments in assessments in response to the appeals. Such adjustments could be offset by the contributions of new Members thereby avoiding the necessity of reopening the established scale. On the other hand, the advisability of making even token adjustments in the scale was questionable, since in future, in the absence of new Members, it might not be able to grant relief for the effects of natural disasters without reopening the scale. Reductions in the assessments of some Members would then mean increases in the assessments of others. Moreover, token adjustments would not provide any significant relief to the countries concerned and other sources of aid were available from within the United Nations system. In its concern for the calamities suffered, the Committee gave very detailed and sympathetic consideration to the two appeals before it, but, in the circumstances, it was not able in response to recommend a revision in the scale adopted by the General Assembly.

3. For its continued review of the methods for the establishment of the scale in the light of the discussion in the Fifth Committee, the Committee on Contributions, its Chairman explained, had requested the Secretariat to prepare documentation for its session next year. The subjects to which it would give special attention included (a) the implication of changes in price level and exchange rates in the determination of the relative capacities to pay of Member States, (b) the ability of Members to secure foreign currency and (c) the allowance formula for low per capita income. As to the status of Member States under Article 19 of the Charter of the United Nations, he drew attention to

addendum 1 to the report of the Committee on Contributions and to the Secretary-General's letters of 21 and 23 September 1971 to the President of the General Assembly (A/8397 and Add.1), as well as to the latter's statements at the 1934th and 1940th plenary meetings of the Assembly. In connexion with paragraph 24 of the report of the Committee on Contributions and the arrangements made by the Secretary-General for the payment of contributions in currencies other than United States dollars during 1971, he explained that, as recommended by the Fifth Committee^{2/} Member States had been given priority for payment in their own currencies, taking into account the needs of the Organization in such currencies.

4. In the course of the discussion in the Fifth Committee, several delegations expressed their appreciation of the report of the Committee on Contributions and their support of its recommendations and conclusions.

5. In connexion with the appeals for changes in assessments submitted by the Governments of Pakistan and Romania, based on the natural disasters suffered by their countries, several delegations expressed regret and disappointment that the Committee on Contributions had not found it possible to make a positive response to the two appeals. Because of the magnitude of the disasters and their immediate effect on the capacity to pay of the two States, they supported the view that downward adjustments in the assessments of the countries concerned could have been made at this stage, rather than wait for those disasters to be reflected in the triennial review of the scale in 1973. Moreover, downward adjustments could have been offset by contributions from new Member States and would not have necessitated the reopening of the approved scale. Although token adjustments might not provide any significant relief compared to the size of the calamities, they would still have helped to mitigate the serious economic effects of the catastrophes and would have reflected the concern of the international community. Furthermore, such adjustments would have served

^{2/} Ibid., Twenty-fifth Session, Annexes, agenda item 77, document A/8183, para. 8.

to reaffirm the principle of capacity to pay as the main factor in determining a country's contribution to the United Nations. Natural disasters of this magnitude seriously impair a country's capacity to pay and it was suggested that the Committee on Contributions should consider the possibility of devising a method by which automatic reductions could be given in such cases. On the other hand, some delegations had doubts about the advisability of making immediate reductions in the assessments of countries that had suffered natural disasters. They felt that the scale of assessments was not the appropriate means for providing emergency relief, and that it was important to preserve the stability of the scale. In the next triennial review of the scale, additional consideration should be given to the special circumstances of countries affected by natural disasters, and it was hoped that the magnitude of the disasters now under consideration would be taken fully into account.

6. In connexion with appeals for changes in assessments based on economic and financial considerations, it was stressed that, in arriving at assessments, the Committee on Contributions should consider all the special circumstances and economic problems of a country.

7. Several delegations welcomed the intention of the Committee on Contributions to keep under review the methods for the establishment of the scale. As the ability of Member States to obtain foreign currency was one of the main factors in determining Member States relative capacities to pay, it was regretted that the Committee on Contributions had not found it possible to devise a systematic way of making allowance for this factor. Countries struck by major natural disasters with the consequent disruption of their economies had special difficulties in earning foreign exchange and in servicing foreign loans. This was particularly serious for developing countries which required such loans for the necessary development of their economies. The Committee on Contributions should endeavour to make allowance for such difficulties, and it was suggested that it might adopt the procedure of giving automatic relief to countries that had to devote, for instance, one fifth of their foreign earnings to the servicing of foreign debts. Recognizing the difficulties inherent in devising a systematic and reliable method of making allowance for the ability of Members to secure foreign currency, support was also expressed for the continued utilization by the Committee of available data on the external debts of Member States for making downward adjustments in individual assessments.

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8. In connexion with the review of the methods for the establishment of the scale, it was emphasized that, in order to establish a scale equitable to all Member States, it was essential to ensure that the methods of assessment were realistically adjusted to the changing world economic situation. Reference was made to the statements of delegations during the Fifth Committee's debate last year in which they had advocated revision of the different elements of the allowance formula for low per capita income so as to adjust it to the changing world economic situation. Several delegations welcomed the study, which the Committee on Contributions intended to make at its next session, of the possible effects on the scale of the suggested changes in the allowance formula. The changing world economic situation made it imperative, it was stated, to bring the allowance formula up to date. The use of an outmoded formula could only lead to an inequitable apportionment of the expenses of the Organization among its Members and would fail to take account of the special economic and financial problems of the developing countries. Confidence was expressed that the Committee's study of the suggested revisions of the different elements of the low per capita allowance formula would result in a formula more in keeping with the economic reality of the world. The documentation requested from the Secretariat should prove useful for this purpose and also for review of the implications of changes in price levels and exchange rates for the determination of the relative capacities to pay of Member States. The Committee's intention to give particular attention to the effect of noticeable differential changes in price levels which were not reflected in exchange rates was appreciated, and interest was expressed in the outcome of its study.

9. The view was also expressed that, in the efforts to improve the present methods for the establishment of the, it was important to ensure that any changes in criteria would, in fact, result in a more equitable method of assessment than the present one.

10. As to the collection of contributions in currencies other than United States dollars, the Controller, in reply to questions raised, explained the arrangements made by the Secretary-General for payment of contributions in such currencies during 1971. The currencies in which payments of contributions could be accepted were those in which United Nations regular budget expenditures were foreseen. In the arrangements for payment by Member States, the

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Secretary-General, taking into account the recommendation of the Fifth Committee^{3/}, had given absolute priority for payments in non-United States currencies to the countries whose currencies they might be. The divergent views expressed in paragraph 24 of the report of the Committee on Contributions regarding the interpretation of the Fifth Committee's recommendation were also discussed.

DECISIONS OF THE COMMITTEE

11. In this connexion, the Fifth Committee decided unanimously to include in its report the following paragraph:

"The Fifth Committee took note of the fact that, in making arrangements for payments by Member States of 1971 contributions in currencies other than United States dollars, the Secretary-General had taken into account the recommendation of the Fifth Committee set forth in paragraph 8 of its report to the General Assembly at its twenty-fifth session. ^{4/} In that connexion, the Fifth Committee approved the interpretation given by the Secretary-General to the meaning of the word 'priority' mentioned in that directive, which he had correctly taken to mean absolute priority, and it recommended that the Secretary-General should continue to implement that directive in the same manner in the future."

12. In the course of the debate, the question of the selection of the currencies in which Member States were allowed to pay part of their annual contributions was also raised, and the Fifth Committee decided unanimously to include in its report the following paragraph.

Having considered paragraph 24 of the report of the Committee on Contributions, the Fifth Committee recommends that the Committee on Contributions review the criteria of selection of currencies other than the United States dollar for payment of contributions to the regular budget and report to the General Assembly at its twenty-seventh session."

13. At its 1430th meeting, the Fifth Committee voted on the draft resolution recommended by the Committee on Contributions in paragraph 29 of its report. The draft resolution was adopted by 69 votes to none (see paragraph 14 below).

^{3/} Ibid.

^{4/} Ibid.

RECOMMENDATION OF THE FIFTH COMMITTEE

14. The Fifth Committee recommends to the General Assembly the adoption of the following draft resolution:

Scale of assessments for the apportionment of the expenses of
the United Nations

The General Assembly

Resolves that:

(a) The rates of assessment for the following States, which were admitted to membership in the United Nations at the twenty-fifth and twenty-sixth session of the General Assembly, shall be as follows:

	<u>Per cent</u>
Bhutan	0.04
Fiji	0.04

These rates shall be added to the scale of assessments for 1972 and 1973 contained in subparagraph(a) of General Assembly resolution 2654 (XXV) of 4 December 1970;

(b) For the financial year 1970, Fiji which became a Member of the United Nations on 13 October 1970, shall contribute an amount equal to one ninth of 0.04 per cent applied to the same basis of assessment for 1970 as for other Member States;

(c) For the financial year 1971, Fiji shall contribute at the rate of 0.04 per cent and Bhutan, which became a Member of the United Nations on 21 September 1971, at the rate of one ninth of 0.04 per cent, these rates to be applied to the same basis of assessment for 1971 as for other Member States;

(d) The contributions payable by Fiji for 1970 and 1971 and by Bhutan for 1971 shall be used for the financing of the budget for 1972 under regulation 5.2 (c) of the Financial Regulations of the United Nations;

(e) The advances to the Working Capital Fund by Bhutan and Fiji under regulation 5.8 of the Financial Regulations of the United Nations shall for each of these States be 0.04 per cent of the total amount of the Fund, and these advances shall be carried as additional to the authorized level of the Fund.