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

Draft report of the Fifth Committee

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INTRODUCTION

1. At its 4th plenary meeting on 18 September 1981 the General Assembly decided to allocate to the Fifth Committee agenda item 106, entitled "Scale of assessments for the apportionment of the expenses of the United Nations: report of the Committee on Contributions".

2. The Committee considered that item at its 5th, 6th, 7th, 9th, 10th, 11th and 13th meetings on 5, 6, 7, 9, 12, 13 and 16 October, respectively. It had before it the report of the Committee on Contributions 1/ containing a draft resolution recommended by that Committee.

3. In his statement introducing the report of the Committee on Contributions at the 5th meeting, held on 5 October 1981, the Chairman of that Committee stated that the Committee had continued to examine ways and means of increasing the fairness and equity of the scale of assessments specified in General Assembly resolution 34/6 B. In the course of its re-examination, it has taken into account the observations made by members of the Fifth Committee at the thirty-fifth session.

4. Recalling the provision of paragraph 2 (a) of General Assembly resolution 34/6 B, he stated that the Committee had considered the application of a

1/ Officials Records of the General Assembly, Thirty-sixth Session, Supplement No. 11 (A/36/11 and Add.1).

schedule of percentage limits or percentage points limits to the machine scale based on national income and related statistics for the period 1973-1979 as a method of avoiding excessive variations of individual rates of assessment between two successive scales. Two distinct schools of thought had emerged. One believed that the setting of a percentage limit was too mechanistic and arbitrary and would lead to a distortion of the capacity to pay. It had been recalled that in response to resolution 31/95 A of 14 December 1976, requesting the Committee to consider the "possibility of mitigating extreme variations in assessment between two successive scales", the statistical base period had been extended from three to seven years, a solution which it had been felt would best reduce the effects of short-term economic fluctuations. The second considered the introduction of limits to be a necessary means of dampening excessive variations and achieving greater fairness and equity in the scale of assessments. The setting of limits was considered all the more necessary as national income was still being used as the sole indicator of relative capacity to pay. Since the Committee had been unable to agree on the criteria for defining what was meant by excessive or extreme variations in rates of assessment between successive scales, it decided to review the question again at its next session.

5. Referring to the question of economic and social indicators, the Chairman said that the Committee had the opportunity to study seven leading economic and social indicators selected by the Committee for Development Planning to supplement _per capita_ national income for purposes of identifying the least developed countries. However, the Committee noted that certain indicators were not available for certain countries or, when they were available, they were not comparable between countries because of differing statistical systems, concepts and other reasons. While they could be useful to some extent in the review of individual cases, they could not be used systematically to measure capacity to pay.

6. The Committee considered the effects on the scale of different variants of the allowance formula for low _per capita_ income ranging from $1,800 to $2,500 and a maximum percentage reduction from 70 to 75 per cent. It also examined the impact of the application of those variants on selected countries and observed that a shift in the assessment burden would permit the middle-income countries to receive considerable relief if the ceiling was shifted upwards from $1,800 to $2,500, whereas the industrialized countries would have to absorb an increasing amount of the relief. Only countries currently assessed at or close to the 0.01 per cent rate would remain virtually unaffected. Some members pointed out that the low _per capita_ income allowance formula needed to be adjusted because the figure of $1,800 introduced in 1976 no longer reflected the current situation. As members were divided on the issue, the Committee concluded that a decision on the matter should be deferred to its 1982 session when it would have up-to-date national income data in connexion with its general review of the scale of assessments.

7. As for the question of price changes and their effects on the comparability of national income statistics, the Committee reaffirmed its previous conclusion that it was not possible to develop at present a systematic and precise method to take changes in price levels and exchange rates into account in determining the scale of assessments.

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8. With regard to national wealth, the Committee stated that a nation's accumulated wealth as well as its current annual income could be viewed as the influencing factors of its capacity to pay. However, a detailed analysis of data on national wealth covering 60 Member States revealed that sufficient progress had not been made at this stage in the areas of methodology and availability of national wealth statistics to warrant their use as a systematic element in determining a country's capacity to pay.

9. In evaluating the effects of altering the statistical base period in the scale of assessments, the Committee studied the variants with average national income data of 1 year, 3 years, 5 years, 7 years, 9 years and 11 years. On that issue, some members continued to believe that a shorter period would best reflect economic realities, while others maintained that a base period of 11 to 15 years would lead to greater fairness and equity in estimating capacity to pay. The Committee concluded that the evaluation of the effects of altering the statistical base period was useful and decided to undertake a further review at the next session.

10. In conclusion, the Chairman of the Committee on Contributions stated that the Committee had recommended rates of assessment for new Member States admitted in 1980 and had considered the question of the application of Article 19 of the Charter in the case of one Member State.

I. DEBATE

11. During the general debate, a number of delegations expressed their disappointment at the inability of the Committee to reach conclusions and to come up with definitive recommendations on ways and means of increasing the fairness and equity of the scale of assessments. These delegations stated that national income alone did not reflect the Member States' real capacity to pay and should not be the sole criterion in the determination of the scale of assessments. The level of *per capita* income and various other economic and social indicators, including accumulated wealth, should be fully taken into account. The Committee on Contributions should also take into consideration special economic situations of developing countries, in particular their difficulties in obtaining convertible currency, their dependence on a small number of export commodities and imports for essential commodities, etc. According to these delegations, the methodology currently used in assessing capacity to pay tended to penalize developing countries for their efforts to achieve greater economic and social well-being. They were called upon to shoulder an even greater share of the expenses of the United Nations while the gap between the industrialized and the developing countries continued to widen.

12. In the absence of positive action by the Committee towards ensuring justice and equity in assessing the real capacity to pay of Member States, those delegations called upon the Fifth Committee to lay down precise criteria for drawing up the next scale of assessments so as to curb the growing distortions that were otherwise likely to continue to penalize developing countries. They contended that insufficient development of statistical science or the unavailability of data

to form a common statistical basis should not be used as a pretext to prevent the Committee on Contributions from taking more decisive action to correct the distortions that occurred in the scale to the detriment of developing countries.

13. Some other delegations, however, took an entirely different view of the subject. They considered the criticisms directed against the Committee on Contributions completely unjustified since the directives given to the Committee were not likely to be effective or even possible. The current framework was felt reasonably adequate for assessing contributions. They did not think it was appropriate or productive for the Fifth Committee to place technical limitations on the work of an expert group or to establish specific criteria for a new assessment formula. The Committee on Contributions should be encouraged to develop the scale of assessments for 1983-1985 objectively, sensibly and on the basis of the unquestionable professional skill, integrity and independence of its members.

14. If no further progress had been achieved by that Committee, it was simply because the mandate given by the General Assembly in its resolution 34/6 B involved extremely complex methodological issues which could not be quickly solved. Recognizing the current state of the art those delegations accepted the fact that the existing system for determining the scale of assessments was the only practicable one, at least for the time being, since it was a fair one, based as it was on capacity to pay. They nevertheless believed that efforts should continue to be made to find more accurate means of determining the real capacity to pay.

15. The contributions mechanism in itself was not designed to be a means of redistributing wealth but was a procedural means of determining Member States financial obligations to help meet the operating costs of the Organization. It was in the programme area - substantially funded by voluntary contributions, which had increased significantly in recent years - that assistance to the developing world became paramount. The developing countries, the market economies and socialist developed countries were already shouldering some 90 per cent of the budget of the Organization. The real issue was, therefore, whether part of the burden could be shifted among the developing countries. Some delegations questioned whether the continuous search for statistical refinement in defining "capacity to pay" was justified.

16. Many delegations felt that the establishment of a percentage or percentage points limits and the lengthening of the statistical base period as a means of avoiding excessive variations of individual rates of assessment between two successive scales would distort the principle of capacity to pay. This mechanistic device would undermine the objectivity of the scale by ignoring the dynamic nature of national income, and would lead to the over-assessment of some States while others pay less than the fair share. It would initially benefit nations that had experienced economic growth and would do little to alleviate the burden of those Members States that had been affected by economic decline.

17. Other delegations, however, favoured the idea of setting some restrictions on increases in assessed contributions, both by percentage limits and percentage points limits. They regretted that the Committee on Contributions had failed to

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reach agreement on recommendations to avoid excessive variations between two successive scales and stated that the argument that setting a limit would be arbitrary and would distort the capacity to pay was invalid. They pointed out that in this case the setting of minimum and maximum rates was equally arbitrary. They felt that percentage limits and ceilings would have merit as a means to avoid excessive variations between two successive scales.

18. On the question of the application of the low per capita income allowance formula, some delegations expressed the view that the present dollar limit of $1,800 per capita income established in 1976 was no longer valid. The Committee on Contributions should take into account the substantial decrease in the value of the United States dollar and an upward revision should be made, at least to cover the amount of depreciation in its purchasing power. At the time the allowance was established, only two countries had per capita income above the upper limit of the formula of $1,000. Although the upper limit and the gradient of the allowance formula had been revised a number of times, the revisions were too modest and did not keep pace with the rate of inflation. Currently, 38 countries did not qualify for the allowance and a number of developing countries might become ineligible if the formula were not brought up to date. One delegation mentioned that the figure of $1,800 fixed as the upper limit in 1976 would be equivalent to $2,800 in terms of current United States prices.

19. Still commenting on the low per capita income allowance formula, some delegations held the view that the low per capita income formula should seek to reduce the burden of low income, rather than middle income, countries., Those delegations considered it undesirable to raise the per capita income limit so as to benefit large industrialized countries, and accordingly favoured the modified formula granting further relief to countries with per capita incomes below $900 by increasing the gradient of maximum relief from 75 to 90 per cent. Some countries suggested that one way to reduce the financial obligations of Member States was not to shift the burden from one group of States to another, but to pursue sound budgetary policies, reduce excessive expenditure growth rates and improve the efficiency of the Organization.

20. With regard to other economic and social indicators to supplement national income estimates as a measure of the capacity to pay, it was pointed out that while it was not currently possible to use such indicators in a systematic way to measure the capacity to pay, the Committee should, with the assistance of the Secretariat, produce and update data on selected economic and social indicators, including external public debt, foreign exchange reserves and export earnings. So far, the Committee had not given enough weight to the factor of access to convertible currencies when determining the capacity to pay of a Member State. The Committee should look closer into this matter, since the national currencies of a vast majority of Member States were not freely convertible. The Committee should find a way to take account of the payments difficulties in the determination of contributions of Member States. Thus, the Committee should give more attention to the subject of external indebtedness and its impact on the availability of convertible currencies. It was hoped that in its review of the scale in 1982, the Committee on Contributions would give due regard to countries which had to devote a

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substantial portion of their foreign earnings to the servicing of external public debt.

21. It was further said that the seven indices used by the Committee for Development Planning were originally selected for the purpose of identifying the least developed countries; they were good indicators of the level of development but they were not selected as additional criteria for measuring capacity to pay. As there was clearly a need to find such criteria, the Committee on Contributions should examine this need so that progress could be made toward a better and more equitable method of measuring capacity to pay.

22. On the subject of price changes and their effect on national income statistics, some delegations stated that any adjustment in national income statistics to take account of price movements and changes in the exchange rates would be a departure from the established practice of calculating national income in current prices on the basis of operational rates of exchange. It was further added that changes in prices and exchange rates were a matter of national policy in some countries.

23. Turning to the concept of national wealth, some delegations proposed that the scale of assessments should be based on the comprehensive capacity of a nation to pay which took into account not only national income but also other economic factors, such as accumulated wealth and social indicators. For countries whose economies had grown rapidly, over a short period of time, the increase in national income had resulted in an extremely sharp rise in their assessments. The "newly developed" countries tended to have insufficient accumulated wealth and had to allocate a larger portion of their national income to social capital formation, improvement of infrastructure and other areas, than did the "more established developed" countries.

24. Dissatisfaction was expressed about the argument advanced in the report that, owing to insufficient comparative data on accumulated national wealth covering all Member States, no systematic measurement of comprehensive capacity to pay was possible. It was pointed out that if the data were comprehensive enough to establish the comparability of the accumulated wealth for a substantial number of Member States, it would be proper to introduce that indicator as a supplement in order to rectify the present unfair system.

25. One delegation suggested that since there was a lack of data on accumulated national wealth, the Committee should consider using accumulated national poverty, on which the data were plentiful. It should also consider such factors as a country's balance of payments over a decade, the current deficit as a percentage of gross domestic product, long-term external debt and debt service payments, the ratio of a country's debt to its exports of goods and services and its domestic output, and changes in terms of trade. Within that range of useful indicators it should be possible to arrive at a synthesis of the financial data available and to agree on measures of relief for accumulated poverty. A system which took into account these indictors could more accurately reflect the true capacity to pay of Member States.

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26. With reference to the statistical base period, some delegations believed that a three-year or five-year base period produced a more realistic and equitable reflection of capacity to pay. It was pointed out that the General Assembly's decision, at its thirty-second session, to extend the statistical base period to seven years had resulted in a distortion of a country's contributions as assessed in accordance with the capacity to pay, since the alleviation in the burden for those countries whose capacity to pay had improved had been achieved at the expense of other countries whose capacity had diminished. Those delegations considered that the seven-year base period used to calculate average national income should be sufficient warranty against sharp changes in individual rates of assessment. Doubt was also expressed whether a further lengthening of the base period would be in the long-term interest of certain countries whose assessed capacity to pay would remain high when their actual income, from the export of certain non-renewable commodities, was falling.

27. Other delegations contended that a further extension of the base period, up to 12 or 15 years, would reflect more accurately the level of economic and social development of Member States. Some contended that the seven-year statistical base period had originated at a time when the countries producing a particular natural resource had legitimately decided to increase its value. The selection of such a period rather than a longer base period seemed arbitrary and tended to penalize any country which sought to promote its economic development.

28. On the interpretation of the provision of Article 19 of the Charter, a number of delegations were of the view that Article 19 was not applicable to contributions for the financing of peace-keeping activities which were governed by Chapter 7 of the Charter. They felt that the attempts to present matters differently had no legal basis and were entirely unjustified.

29. Referring to the assessed contributions of the permanent members of the Security Council, some delegations felt that those countries derived great advantages from their status and should not be allowed any further reductions in their individual rates of assessment. Should the application of the agreed formula lead to a reduction in their individual rates of assessment, their individual rates should remain unchanged. Indeed, thought should be given to recommending a minimum assessment commensurate with their importance and responsibilities under the Charter.

30. With regard to the written representation of Poland submitted to the Committee on Contributions (paragraph 68 of its report), the representative of Poland confirmed his country's reservations on the calculation of its assessed contribution. He stressed that the rate of exchange which has been in use since 1972, the economically sound coefficient of 33.20 zloties to $US 1, should have been used from 1972 for the calculation of Poland's assessment to the United Nations. He pointed out also a number of socio-economic factors which had occurred in his country during the last couple of years and which greatly affected Poland's capacity to pay. The Chairman of the Committee on Contributions assured the representative of Poland that the Committee had agreed to bear in mind the points raised in his country's representation in the formulation of the next scale of

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assessments. A number of delegations voiced their support for the arguments advanced by Poland and hoped that they would be fully taken into consideration by the Committee on Contributions.

31. In his general response to questions raised by delegations, the Chairman of the Committee on Contributions stated that the Committee was mindful of the concerns expressed by Member States that national income alone did not truly reflect a country's capacity to pay, and that it should be supplemented by other economic and social indicators. In that connexion, he explained that the Committee had reviewed 18 economic and social indicators at its 1977 and 1980 sessions and, at its recent session, it had conducted another review of seven leading economic indicators and their relevance as additional measurements of capacity to pay. In line with the exercises carried out by the Committee at its previous session, it had also explored extensively the feasibility of combining some or all of those indicators into a single measure of the relative level of a country's development. However, owing to the complexities of the issues involved, the Committee had to conclude that it would not be possible to utilize those indicators in a systematic way to measure the capacity to pay at this time.

32. According to the Chairman, the Committee on Contributions had also studied national wealth as an indicator to replace or supplement national income in the establishment of a scale of assessments. However, since sufficient comparable data on national wealth for Member States were not yet available, no systematic measurement of a more comprehensive concept of capacity to pay was possible. On the other hand, if adequate data existed to establish the comparability of the accumulated wealth of a substantial number of Member States, it would be feasible to introduce those indicators as supplements in order to rectify the current system based solely on national income. In an attempt to dispel a possible confusion regarding the availability and comparability of national wealth estimates, the Committee on Contributions, at its recent session, had before it a study on national wealth covering 60 countries, and had taken note of the comprehensive definition of national wealth encompassing net tangible and intangible assets. For 22 of the 60 countries surveyed, the national wealth estimates covered all sectors of the economy but not all types of assets. In fact, the data for one country only included all assets, tangible and intangible, while the wealth concept of the others was restricted to fixed assets or a combination of fixed assets and inventories. National wealth data for the 38 remaining countries related to only one sector of the economy, and the asset coverage of that group was limited to fixed assets or a combination of fixed assets and inventories. In only five cases did the data also cover land. In addition to the lack of uniformity of sector and asset coverage, the estimates of the countries surveyed were based on different time periods and methods of valuation. The Committee on Contributions was very conscious of the wish of many Member States to take into account the concept of accumulated wealth as a factor in setting the scale of assessments but, at the current stage of statistical development, had no choice but to keep the matter under review.

33. With regard to some concern expressed by a number of delegations on the comparability of national income estimates based on different systems of national

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accounts, the Chairman emphasized that the scale of assessments was established on the basis of comparable national income estimates. The national income concept used was that defined in the System of National Accounts (SNA). Countries with centrally-planned economies that used for their own national accounting purposes the alternative concept of Net Material Product (NMP) continued to provide the United Nations Statistical Office with national income estimates redefined in accordance with SNA concepts or with detailed information facilitating the conversion of data based on the NMP system to the SNA concept. Such conversion, either by the countries themselves or by the Statistical Office, had been made possible by the considerable progress which had taken place in linking the concepts of the two national accounting systems. The resulting national income data were fairly comparable and the differences which existed were not greater than those which existed among countries using the same system of accounting but differing in their income-generating processes.

34. In response to General Assembly directives set out in resolution 34/6 B, the Committee on Contributions had at its 1981 session studied in detail ways and means of increasing the fairness and equity of the scale of assessments. It had not been able to agree on an alternative to the present per capita income allowance formula, a method to avoid excessive variations in individual rates of assessments or a change of the statistical base period. If that was a failure on the part of the Committee, he could only state that on all those questions, members had had different opinions and attitudes. The very debate in the Fifth Committee had served to highlight the different points of view which existed.

35. With regard to the concerns expressed over the distribution of the burden of assessments between developed and developing countries, he said that a country's rate of assessment was not based on the absolute level of its national income but rather on the relative level of its "taxable income" - defined as the difference between national income and the amount of relief received under the per capita income allowance formula - in proportion to the total taxable income of all Member States taken together. Thus, absolute increases or decreases in national income of an individual country did not directly affect the rate of assessment. That explained why in certain individual cases the assessments of some developed countries had gone down and those of some developing countries had gone up, although both groups of countries had experienced absolute increases in national income. The countries belonging to the Group of 77 had contributed 11.06 per cent of the budgets for the years 1971-1973, 8.26 per cent for the years 1974-1976, 8.56 per cent in 1977, 7.91 per cent for 1978-1979, and 8.98 per cent for 1980-1982. Thus, between 1971 and 1982, the rate of assessment of the Group of 77 had decreased by 2.08 percentage points. It should also be noted that the membership of the Group had changed over the years from 98 in 1970 to 114 Members at present.

36. Regarding the concern expressed on the relatively high external public debt servicing of some countries and the abnormally high inflation rates experienced by others, the Chairman said that the Committee on Contributions had taken such factors into account in the mitigating process.

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37. Finally, the Chairman assured all Members of the Fifth Committee that the Committee on Contributions would give due consideration to the views they had expressed during the debate on the Committee's report at its future deliberations.

[38. New text to be inserted relates to the draft resolution in document A/C.5/36/L.33.]

II. ACTION BY THE COMMITTEE

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:

1. The rates of assessment for the following States, admitted to membership in the United Nations on 25 August and 16 September 1980, respectively, shall be as follows:

Member States	Per cent
Zimbabwe	0.02
Saint Vincent and the Grenadines	0.01

For 1982, these rates shall be added to the scale of assessments established under General Assembly resolution 34/6 of 25 October 1979;

2. For 1980, Zimbabwe and Saint Vincent and the Grenadines shall contribute at the rate of one ninth of 0.02 and 0.01 per cent, respectively, such contributions to be taken into account as miscellaneous income under regulation 5.2 (c) of the Financial Regulations of the United Nations;

3. For 1981, Zimbabwe and Saint Vincent and the Grenadines shall contribute at the rate of 0.02 and 0.01 per cent, respectively, such contributions also to be taken into account as miscellaneous income under regulation 5.2 (c) of the Financial Regulations of the United Nations;

4. The contributions of these new Members for 1980 and 1981 shall be applied to the same basis of assessment as for other Member States, except that in the case of appropriations or apportionments approved under General Assembly resolution 34/7 C of 3 December 1979 and 35/45 A of 1 December 1980 for the financing of the United Nations Disengagement Observer Force, and resolution 35/115 A of 10 December 1980 for the financing of the United Nations Interim Force in Lebanon, the contributions

of these States, as determined by the group of contributors to which they may be assigned by the Assembly, shall be calculated in proportion to the calendar year;

5. The advances to the Working Capital Fund of Zimbabwe and Saint Vincent and the Grenadines under regulation 5.8 of the Financial Regulations of the United Nations shall be calculated by the application of the rates of assessment of 0.02 and 0.01, respectively, to the authorized level of the Fund, such advances to be added to the Fund pending the incorporation of the new Members' rates of assessment in a 100 per cent scale.
