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Chairman: Mr. Ashe . . . . (Antigua and Barbuda)
Acting Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Saha

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05-55717 (E)

0555717

The meeting was called to order at 10.05 a.m.

Agenda item 128: Scale of assessments for the apportionment of the expenses of the United Nations (*continued*) (A/60/11, A/60/66, A/60/140 and A/C.5/60/2)

1. **Mr. Neil** (Jamaica), speaking on behalf of the Group of 77 and China, said that he agreed with the Committee on Contributions that the failure of the Central African Republic, the Comoros, Georgia, Guinea-Bissau, Somalia and Tajikistan to pay the full minimum amount necessary to avoid the application of Article 19 had been due to conditions beyond their control. Similarly, the requests for exemption submitted by Liberia, the Niger and Sao Tome and Principe warranted favourable consideration and those States should therefore be granted permission to exercise the right to vote until the beginning of the next session of the General Assembly. While reaffirming that Member States had a legal obligation to bear the expenses of the Organization, he acknowledged that some of them might temporarily be unable to fulfil their commitments on account of genuine economic difficulties.

2. He took note of the efforts made by Member States to adhere to their multi-year payment plans but observed that no new plans had been submitted since the Secretary-General's previous report on that issue. Member States with significant arrears should consider submitting such plans, which should remain a voluntary mechanism and should not be linked to the granting of exemptions under Article 19.

3. Turning to the report of the Committee on Contributions, he recalled that capacity to pay was the fundamental principle used to determine the scale of assessments for the apportionment of the expenses of the United Nations. However, the application of that principle had been affected by the introduction of a reduced ceiling of 22 per cent, which had been established to facilitate the payment of arrears with a view to improving the financial situation of the Organization. A review of that situation was overdue and the Secretariat should therefore provide the Fifth Committee with information about the application of the current scale methodology without the 22-per-cent ceiling. It was disturbing to note that, while some members of the Committee on Contributions had queried the rationale for the ceiling for the least developed countries because it benefited only two Member States and resulted in a very small adjustment, no such concerns had been expressed about the 22-per-cent ceiling, even though it gave rise to a much larger adjustment.

4. The Group of 77 and China was particularly concerned about the sudden sharp increases in developing countries' assessment rates from one scale period to the next. Accordingly, the Committee on Contributions, during its forthcoming deliberations and in the application of any methodology approved by the General Assembly, should endeavour to avoid such, exorbitant increases. The General Assembly, through the Fifth Committee, should also review possible measures to address cases of excessive increase, particularly in developing countries. In addition, efforts must be made to reduce as much as possible anomalies arising from the application of the existing methodology, especially in respect of the relative contributions of developing and developed countries.

5. Although the Committee on Contributions had mentioned the issue of the annual recalculation of the scale of assessments, the Group of 77 and China doubted that a discussion of that question would be fruitful at the current time. However, it stood ready to follow up on all the issues it had raised, with a view to providing the Committee on Contributions with clear guidelines to facilitate its technical review and the formulation of recommendations to be submitted to the Fifth Committee during the sixty-first session of the General Assembly.

6. **Ms. Galvez** (United Kingdom), speaking on behalf of the European Union; the acceding countries Bulgaria and Romania; the candidate country Croatia; the stabilization and association process countries Albania, Bosnia and Herzegovina, Serbia and Montenegro and the former Yugoslav Republic of Macedonia; and, in addition, Iceland, the Republic of Moldova and Ukraine, endorsed the observations and recommendations contained in the report of the Committee on Contributions (A/60/11) and the Secretary-General's report on multi-year payment plans (A/60/66). While the European Union supported Slovenia's request to defer consideration of the question of the unpaid assessed contributions of the former Yugoslavia until the first part of the resumed sixtieth session, it stressed that the issue should be definitively resolved at that time.

7. At the fifty-ninth session of the General Assembly, the Fifth Committee had taken an exceptional decision on requests for exemption under Article 19 of the Charter. In light of that incident, the European Union was concerned that the submission of information in support of such requests had become an automatic exercise and that, regardless of the nature or timing of such submissions, Member States had begun to expect that exemptions would be granted. While extenuating circumstances might sometimes prevent Member States from complying with their obligation to pay their assessed contributions in full, on time and without conditions, detailed explanations of those circumstances must be submitted to the Committee on Contributions within the specified time frame. However, to allow the Committee to give due consideration to requests for exemption under Article 19, the European Union saw merit in advancing the deadline for the submission of such requests from two to four weeks before the Committee's session, and expected it to make recommendations to that effect at its next session. With regard to the duration of exemptions granted under Article 19, the European Union was prepared to extend the period until the beginning of the following session of the General Assembly.

8. She acknowledged that agreement on incentive and disincentive measures to address arrears was unlikely at the current time and had taken note of the decision of the Committee on Contributions not to consider the issue further without guidance from the Assembly. Nevertheless, Member States should authorize the Secretariat to apply outstanding credits to outstanding assessed contributions. The European Union reserved the right to return to that issue to ensure that those Member States that paid their assessed contributions on time were not disregarded by those that could not or would not do likewise.

9. The willingness of Member States to consider multi-year payment plans should be a factor in the consideration of future requests for exemption under Article 19. Annual payments, even if they were merely symbolic, showed that Member States took their Charter obligations seriously. The European Union noted with appreciation that Iraq had paid all its arrears and that the Republic of Moldova no longer fell under the provisions of Article 19. Georgia, the Niger and Tajikistan had honoured their multi-year payment plans in 2004, and both Georgia and the Niger had made all their payments for 2005. Member States in arrears should make an effort to submit plans to the Committee on Contributions.

10. Collectively, the countries of the European Union paid 37 per cent of total assessed contributions, and therefore attached considerable importance to the methodology for determining future scales of assessments. During the current session of the Assembly, Member States would have the opportunity to explore options for a review of the methodology without prejudging the outcome of the following year's negotiations. However, the principal element of the methodology should continue to be capacity to pay, the most accurate reflection of which was gross national income (GNI). There could be no basis for exceptions to that principle.

11. **Mr. Torres Lépori** (Argentina), speaking on behalf of the Rio Group, acknowledged the importance of providing the United Nations with adequate financial resources for the implementation of its mandate. In view of the abrupt increases in the assessed contributions of many of its members and the ensuing imbalances in their national budgets, the Rio Group attached considerable significance to the question of the scale of assessments, particularly since the scale established by the United Nations affected the level of contributions payable to other international organizations.

12. In 2006, the General Assembly would have to take a decision on the new scale for 2007-2009. Assessment rates should be fixed according to Member States' capacity to pay, which should be determined on the basis of economic data that best reflected the performance of national economies. The Rio Group was pleased that the Committee on Contributions had agreed on criteria for deciding when market exchange rates (MERs) should be replaced with other exchange rates and that it had decided that relative price-adjusted rates of exchange (PAREs) were, in general, the most technically sound method of adjusting MERs. However, those criteria should be purely indicative and should in no way exclude the possibility of applying other conversion rates where necessary.

13. As a matter of priority, the Committee on Contributions should consider measures to lessen the impact on Member States of substantial increases in contribution levels and the General Assembly should give the Committee a clear mandate to that effect.

While the multi-year payment plans had yielded uneven results, they had helped some Member States to reduce their arrears and should therefore continue to be promoted as a voluntary mechanism.

14. Since existing measures to encourage the payment of arrears had proved useful, it was not necessary for the Committee on Contributions to pursue its consideration of that issue. However, before applying credits to outstanding amounts in order to reduce outstanding assessed contributions, the Secretariat must obtain the authorization of the Member States concerned, since their national legislation on budgetary and administrative matters might, in some cases, preclude that option.

15. He stressed that requests for exemption under Article 19 should be submitted to the Committee on Contributions in accordance with the provisions of General Assembly resolution 54/237 C. Lastly, further efforts must be made to find a solution to the question of the unpaid assessed contributions of the former Yugoslavia.

16. **Mr. Poojari** (India) endorsed the conclusions of the Committee on Contributions concerning the requests for exemption under Article 19 submitted by a number of countries, and felt that the requests submitted by Liberia, the Niger and Sao Tome and Principe deserved similar consideration. In order to ensure that Member States that were granted exemptions under Article 19 did not lose their vote before the General Assembly took action on the related recommendations of the Committee on Contributions, it seemed logical to extend the duration of such exemptions until the end of the corresponding session of the General Assembly.

17. He commended those Member States that had submitted multi-year payment plans and that were endeavouring to meet the obligations arising therefrom, but pointed out that not all Member States in arrears were in a position to submit such plans. Although the results of the multi-year payment plans had been mixed, they were the only tool available to Member States facing payment difficulties. He had taken note of the proposal of the Committee on Contributions to fix the deadline for timely payment from the date of issuance of assessment letters rather than from the date of their receipt. However, as Member States' ability to make timely payments was affected by the inordinate delay in the receipt of those letters, the Secretariat must take steps to rectify that situation.

18. In order to guide the Committee on Contributions in its deliberations on the scale methodology, India wished to highlight a number of elements. First, the scale for 2007-2009 should be based on the most current available GNI data. However, the pursuit of current figures should not have a negative impact on the equally important considerations of comprehensiveness and comparability. Second, conversion rates based on MERs should be used for the 2007-2009 scale, except where excessive fluctuations justified the use of PAREs or other appropriate rates. Third, since the current scale was based on the average of the results of machine scales using base periods of three and six years, it failed to smooth out the impact of short-term fluctuations in GNI. To ensure maximum simplicity and technical soundness, India favoured the use of a six-year base period. Fourth, owing to changes in the coverage of World Bank and Organization for Economic Cooperation and Development (OECD) data, debt figures had not been available for several countries after 2002. The Secretariat should make every effort to obtain relevant data in time for the Fifth Committee's consideration of the scale of assessments at the sixty-first session, at which time the appropriateness of applying the debt-burden adjustment to higher-income countries should be examined.

19. Fifth, the amount of the low per capita income adjustment should continue to be distributed only among Member States above the threshold. Sixth, India urged the Committee on Contributions to consider, at its next session, whether the minimum level of assessment (floor), which currently stood at 0.001 per cent, still imposed an excessive burden on smaller Member States, in particular small island developing States. Lastly, he expressed surprise that the Committee had not discussed the issue of the imposition of a 22-per-cent ceiling on the contributions of one Member State. Given that the ceiling distorted the scale and affected the application of the principle of capacity to pay, and, in particular, that the gap between the ceiling rate and that Member State's share of total world GNI had widened since the introduction of the rate in 2000, the Committee should discuss the matter in detail when finalizing its report on the scale of assessments for 2007-2009 and should consider, in

particular, whether the intended objective of the ceiling had been achieved.

20. **Mr. Al-Muntasser** (Libyan Arab Jamahiriya) said that, while he appreciated the efforts of the Committee on Contributions to consider the special circumstances of some Member States when preparing the scale of assessments, he was concerned that the relevant methodology did not take into account the economic difficulties experienced by his country over the last decade on account of the sanctions imposed against it. The Committee should therefore re-examine the Libyan Arab Jamahiriya’s rate of assessment in light of its real capacity to pay and, in broader terms, should take steps to address the negative effects of the current scale methodology on all developing countries.

21. Multi-year payment plans should continue to be used to help Member States to pay their arrears, provided that they were implemented on a voluntary basis and were not linked to the granting of exemptions under Article 19. Measures to facilitate the payment of arrears should also take account of the special circumstances of developing countries.

22. **Mr. Alarcón** (Costa Rica) said that the methodology for determining the scale of assessments was far from perfect and should be improved. Therefore, and in view of the fact that Costa Rica’s assessed contributions had increased by 95 per cent following the 2003 recalculation, the Committee on Contributions should develop options or models incorporating measures to minimize the impact of abrupt and disproportionate increases in assessment rates.

23. **Mr. Diab** (Syrian Arab Republic) said that his delegation supported the recommendations of the Committee on Contributions concerning the application of Article 19 of the Charter in respect of certain countries. In that connection, it believed that Liberia, the Niger and Sao Tome and Principe should also be granted exemptions under Article 19 owing to the difficult economic circumstances in those countries.

24. The scale of assessments must be fair and equitable. Accordingly, in considering the methodology for calculating future scales of assessments, the Fifth Committee must focus on determining the best way to reflect Member States’ true capacity to pay. His delegation appreciated the efforts of the Committee on Contributions and trusted that it would continue to provide the General Assembly with guidance so as to facilitate decisions on the scale methodology.

25. Member States must pay their assessed contributions in full and on time. He hoped that the multi-year payment plans submitted by some Member States would help them to reduce their arrears and honour their financial obligations to the United Nations. However, the establishment of such plans must remain voluntary and must not be linked to the granting of exemptions under Article 19.

26. Lastly, regarding the unpaid assessed contributions of the former Yugoslavia, the five successor States should have an opportunity to discuss the issue further with a view to reaching agreement thereon. His delegation therefore supported the request made by the representative of Slovenia on behalf of those States that the Committee’s consideration of the relevant report of the Secretary-General (A/60/140) should be deferred until the resumed sixtieth session of the General Assembly.

27. **Mr. Ferreira** (Sao Tome and Principe) said that Sao Tome and Principe was not in a position to pay its assessed contributions. The decline in world cocoa prices, combined with increased prices for imports, had depressed incomes and living standards in the country, which also had a high per capita debt and a high rate of extreme poverty. Sao Tome and Principe would honour its financial obligations to the United Nations as soon as the economic situation improved. In the meantime, it trusted that the General Assembly would accede to its request for exemption under Article 19 of the Charter.

28. **Ms. Wang** Xinxia (China) said that the current scale methodology had been agreed after long hours of difficult negotiations. It was a compromise that took account of the positions of all Member States. Maintaining a stable and predictable scale of assessments was vital in order to ensure the normal operation of the United Nations. The Committee’s deliberations on the matter should be guided by the principle of capacity to pay. Any adjustments to the scale must be agreed by consensus.

29. All Member States must pay their assessed contributions in full, on time and without conditions. Certain Member States had expressed concern about excessive increases in their rates of assessment. Indeed, China’s own share of total contributions had increased by more than 35 per cent since the previous

scale period. So long as the contributions were calculated using the current methodology, her Government would willingly accept the results. However, it had sympathy for those Member States, particularly developing countries, for which such increases represented a burden. In order to address that problem, special adjustments might be considered, such as the mitigation measures adopted two years earlier. In that connection, her delegation wished to receive further information concerning the proposed introduction of a systematic measure to phase in large scale-to-scale increases over the scale period (A/60/11, para. 49). It wished to stress, however, that adjustments for excessive increases made in addition to the measures already provided for in the scale methodology must be regarded as exceptional. Annual recalculation of the scale would lead to an annual renegotiation of the scale, undermining its stability and predictability, and the proposal in that regard should be treated with caution.

30. **Mr. Tal** (Jordan) said that capacity to pay must be the guiding principle in calculating the scale of assessments. In considering the methodology for preparing the scale of assessments for 2007-2009, the Committee must make every effort to produce a formula that was flexible enough to reflect changes in Member States' economic conditions, yet stable enough to prevent fluctuations in the rates of assessment over the scale period. Jordan had experienced a large and disproportionate increase in its rate of assessment in the past two years and, while it had continued to pay its assessed contributions in a timely manner, the Jordanian delegation and others were finding it increasingly difficult to justify such increases to their capitals. In that connection, his delegation had taken note of the proposal to introduce a systematic measure to phase in large scale-to-scale increases over the scale period, and would appreciate further information in that regard.

31. Concerning the elements of the scale methodology, the income measure must give a clear and unbiased picture of overall economic performance. The report of the Committee on Contributions indicated that there was a two-year time lag in data availability, yet current realities could not be ignored. That was especially true in the case of developing and least developed countries, whose economic performance could be unduly affected by regional conflicts or natural disasters. Indebtedness must also be properly incorporated into the scale methodology. Debt not only caused an outflow of capital to pay the principal and interest on external debt, but also hindered efforts to attract foreign direct investment and promote economic activity, a fact not reflected in the debt-flow approach.

32. With regard to the proposed new approach to deciding which market exchange rates (MERs) should be replaced in preparing the scale of assessments (A/60/11, paras. 17-26), it was not clear to his delegation how the Committee on Contributions had determined the threshold figures and MER valuation index to be used in its initial review.

33. Member States must pay their assessed contributions in full, on time and without conditions. His delegation understood, however, that some Member States, particularly developing countries, might be prevented from doing so by conditions beyond their control. Multi-year payment plans remained the most useful tool for helping countries with economic hardships to meet their financial obligations to the United Nations. While such plans must remain voluntary, his delegation called on all Member States that had submitted payment plans to do their utmost to implement them.

34. **Mr. Kapoma** (Zambia) said that the United Nations must have a strong and dependable financial base. In accordance with the principle of capacity to pay, those countries that were able to pay their contributions as assessed must do so in full, on time and without conditions. Although Zambia had reached the completion point under the Heavily Indebted Poor Countries (HIPC) Initiative, it continued to struggle with debt, which hindered its economic development. His delegation therefore supported the application of the debt-burden adjustment based on the debt-stock approach. It favoured a six-year base period for the scale of assessments, since it would help to smooth out the impact of short-term fluctuations in GNI and promote stability in the scale. Given the situation of the majority of least developed countries (LDCs), it would be logical to maintain the floor of 0.001 per cent for future scales of assessments, while the maximum rate of assessment for LDCs should be maintained at 0.010 per cent. His delegation did not agree that the maintenance of the LDC ceiling should depend on the number of beneficiaries.

35. Lastly, he emphasized that, while Zambia was a least developed country with a weak economy and a huge debt burden, it remained current with the payment of its regular budget assessments. That reflected his Government's commitment to the purposes and principles of the Charter, which were indispensable foundations for a more peaceful, prosperous and just world.

36. **Mr. Yáñez** (Bolivarian Republic of Venezuela) said that, on account of the economic instability experienced by many Latin American countries, his Government took a keen interest in the issue of the scale of assessments and was rather concerned about the current methodology, which contained a number of elements that undermined the principle of capacity to pay. One of those elements was the imposition of a ceiling on contributions, which had had an adverse effect on the assessment rates of developing countries and was an arbitrary measure that did not reflect any technical considerations.

37. Mechanisms to prevent abrupt changes in the scale should also be integrated into the methodology. However, those mechanisms should not reflect political or discretionary considerations. Governments could not provide the Organization with a stable and predictable flow of financial resources unless they were certain that their assessed contributions would also be stable and predictable. In that connection, the Committee on Contributions should carefully consider possible scenarios and provide Member States with clear and comprehensible information that would allow them to decide whether or not to modify the current methodology in order to better reflect States' genuine capacity to pay. In conclusion, he agreed with previous speakers that multi-year payment plans should remain voluntary and should not be linked to the granting of exemptions under Article 19.

38. **Mr. Debabeche** (Algeria) said that the General Assembly's decision to review the scale of assessments on a triennial basis and its decision regarding the base period were reasonable compromises which should not be disturbed. With regard to the scale methodology, his delegation wished to underline the importance of the criteria of equity, stability and predictability. It had no objection to the use of GNI data covering periods up to 2004 in preparing the scale of assessments for 2007-2009. The debt-burden adjustment must continue to be applied as a mark of the international community's solidarity with countries burdened by debt, particularly LDCs.

39. Multi-year payment plans represented a commendable effort by countries experiencing economic hardship to meet their financial obligations to the United Nations. His delegation recognized that, in some countries, the State budget was subject to approval by the legislature, which was accountable to taxpayers. However, it was not acceptable for any Member State to cite such arrangements as an excuse for running up enormous arrears that jeopardized the normal operation of the Organization. Moreover, those Member States that championed United Nations reform must honour their commitments to the Organization, including by paying their assessed contributions in full, on time and without conditions.

40. Lastly, with regard to the unpaid assessed contributions of the former Yugoslavia, the Committee should give sympathetic consideration to the request made by the representative of Slovenia, on behalf of the five successor States to that country, that consideration of the matter should be deferred until the resumed sixtieth session of the General Assembly. There must, however, be a commitment on the part of those States to find a definitive solution to that problem, which had persisted for too long.

41. **Mr. Mirmohammad** (Islamic Republic of Iran) said that the Committee on Contributions had been requested to continue to review the methodology of future scales of assessments based on the principle that the expenses of the Organization should be apportioned broadly according to capacity to pay. The Committee had looked at the pattern of major scale-to-scale changes in Member States' recent rates of assessment and had concluded that changes in scale methodology were a significant factor in many cases. Regrettably, it had failed to mention the single most important change in the methodology in terms of its impact on Member States' rates of assessment: the reduction of the ceiling. While his delegation was opposed to arbitrary adjustments to the scale methodology, it would support the restoration of the ceiling to its previous level as a means of correcting the resulting distortions.

42. The debt-burden adjustment should be retained as an element of the scale methodology because external debt had a substantial impact on Member States' capacity to pay. The low per capita income adjustment was also an integral part of the methodology. His

delegation noted with satisfaction that the Committee on Contributions had recognized the problem of large scale-to-scale increases in rates of assessment and had considered steps to address it. While his delegation supported mitigation measures, it wished to underscore that such adjustments must not lead to increases in the rates of assessment of developing countries, as had happened with the scheme of limits.

43. For calculating national incomes in United States dollars, conversion rates should be based on MERs, except where that would cause excessive fluctuations and distortions in the income of some Member States, in which case PAREs or other appropriate conversion rates should be employed. He trusted that the Committee on Contributions would, in its calculations, take account of the fact that the Islamic Republic of Iran had used multiple exchange rates prior to 2002 and a unified exchange rate since then.

44. With regard to the multi-layered proposal for a more systematic approach to deciding which MERs should be replaced in preparing the next scale of assessments, his delegation would appreciate clarification concerning the predetermined threshold levels to be used to identify Member States with a large proportionate change in per capita GNI.

45. **Mr. Farooq** (Pakistan) said that no organization could deliver results without adequate and predictable resources. Sufficient funds for the United Nations could only be ensured through full, timely and unconditional payment by Member States of their assessed contributions. The apportionment of the Organization's expenses among Member States must be fair and equitable, with capacity to pay being the paramount consideration.

46. The selection of the base period was crucial to the calculation of the scale of assessments, since too long or too short a base period would lead to distortions in the relevant data. Regarding the proposal on annual recalculation of the scale, his delegation wished to know what the impact on the predictability of the process would be and whether the proposal was in keeping with the rules of procedure of the General Assembly, particularly rule 160.

47. The debt-burden adjustment was an integral part of the scale methodology, for external debt not only affected a country's capacity to pay but also placed a significant burden on its economy. The low per capita income adjustment was also a vital element of the methodology, since it ensured that the burden was shifted away from those countries least able to pay. Large and sudden increases in the rates of assessment of developing countries must be avoided, and any change in a country's share of total contributions must be commensurate with economic realities.

48. Having considered the requests for exemption under Article 19 submitted by the Central African Republic, the Comoros, Georgia, Guinea-Bissau, Somalia and Tajikistan, his delegation agreed with the Committee on Contributions that the failure of those countries to pay the minimum amount necessary to avoid the application of Article 19 was due to circumstances beyond their control and that they should therefore be granted exemptions. The cases of Liberia, the Niger and Sao Tome and Principe also warranted favourable consideration.

49. **Mr. Ramlal** (Trinidad and Tobago) said that the agenda item currently before the Committee should be considered within the context of the 2005 World Summit Outcome, which included a pledge to provide the United Nations with adequate resources, on a timely basis, to enable the Organization to implement its mandates and achieve its objectives. As the provision of adequate resources began with the apportionment of the expenses of the Organization, his delegation expected the Fifth Committee to engage in a thorough debate in order to provide the Committee on Contributions with the necessary guidance regarding the methodology to be used in preparing the scale of assessments for 2007-2009.

50. The United Nations could not be effectively reformed and strengthened without adequate resources. While his delegation agreed that there was a need to enhance the Organization's effectiveness and efficiency, reform efforts could not succeed unless all assessed contributions were paid in full, on time and without conditions. Notwithstanding the distortions that had resulted from the political decisions taken in connection with the current methodology, in particular the ceiling, the principle of capacity to pay remained the fundamental criterion for determining the scale of assessments. Furthermore, discussions on the scale methodology must not lose sight of the agreements reached in December 2000 in the context of the unprecedented changes introduced, including the establishment of the methodology for two successive scale periods and adjustments that had resulted in significant burden-shifting.

51. The most glaring weakness in the current methodology was the substantial scale-to-scale increase in the assessments of Member States, particularly developing countries. Any discussion based on the current methodology must therefore seek to reflect economic realities through more realistic increases in assessment rates for developing countries. It would be extremely unfair to perpetuate a situation in which developing countries whose economies were growing at rates of between 5 and 10 per cent were required to pay assessment increases of 50, 100 or 200 per cent.

52. The annual recalculation of the scale would not only be impractical, but would also directly contravene rule 160 of the rules of procedure of the General Assembly, and would also lead to instability in the scale methodology. His delegation felt that the debt-burden adjustment was an integral part of the scale methodology which had an impact on all developing countries, and cautioned against trying to limit the adjustment only to lower-income States. Although the low per capita income adjustment was also an integral part of the methodology, consideration should be given to the problem of the discontinuity experienced by Member States moving up through the threshold of the low per capita income adjustment between scales, especially where that led to substantial increases in the assessment rates of the countries concerned.

53. With respect to Article 19 of the Charter of the United Nations, he wished to reiterate the importance of three principles: the obligation of all Member States to bear the expenses of the Organization; the requirement to pay assessed contributions in full, on time and without conditions; and the need to extend sympathetic consideration to Member States that were unable to meet their financial obligations because of genuine socio-economic and political difficulties. Member States should be encouraged to submit multi-year payment plans, but the Committee should recall that due consideration should be given to their economic position and that such plans should be voluntary and not automatically linked to other measures.

54. The representative of the European Union had stated that the most accurate reflection of capacity to pay was gross national income (GNI) and that there could be no basis for exceptions to that principle. However, although GNI was the best approximation of capacity to pay, it was not the only one. Clearly, capacity to pay could not be measured through statistics alone, and stubborn adherence to the criterion of per capita GNI was erroneous and misleading, and did not correspond to economic realities. Per capita income was not the best indicator of a country’s development. In the case of small island developing States, such data tended to give a distorted picture. The Programme of Action of the 1994 Global Conference on the Sustainable Development of Small Island Developing States had recognized the particular vulnerabilities of the economies of such States and the need for the international community to bear those vulnerabilities in mind in their relations with those States, which, because of their high per capita incomes, paid relatively high per capita assessments to the United Nations.

55. **Mr. Berti Oliva** (Cuba) said that the Committee should focus on establishing a methodology that was more effective at measuring Member States’ capacity to pay, which was the fundamental criterion on which all other relevant criteria should be based. In that context, the criteria established in General Assembly resolution 46/221 B on exchange rates and the principle established in resolution 43/223 B that the calculation of the scale of assessments should take into account other factors affecting a country’s situation should remain essential elements of any future methodology.

56. Cuba took note of the recommendations contained in paragraphs 16, 25 and 26 of the report of the Committee on Contributions, and also noted that the Committee had been unable to make a recommendation on two topics of fundamental importance: the low per capita income adjustment and the debt-burden adjustment, both of which must be upheld. Cuba would also seek further information from the Committee on Contributions concerning paragraph 39 of its report.

57. The assessment of Member States’ contributions was a very sensitive issue that had a direct impact on Governments’ capacity to honour their financial commitments to the Organization. Governments, for their part, should demonstrate their political support for the United Nations by honouring their obligation to pay their contributions. However, a distinction should be made between non-payment by a developing country experiencing serious economic difficulties and non-payment for political reasons. Therefore, the existence of a ceiling which redistributed the burden

among the rest of the membership, including developing countries, and which was a serious distortion of the principle of capacity to pay should be eliminated once and for all.

58. In that regard, the United States of America, the Organization's main contributor, was clearly paying much less than it should because of an arbitrarily determined ceiling. The agreement achieved through the adoption of General Assembly resolutions 55/5 B and 55/5 C was based on promises made by the United States after its Congress had introduced legislation setting conditions for the repayment of its arrears. The situation had not improved significantly since the fifty-fifth session of the General Assembly, and the United States Congress continued to talk of withholding payments if the Organization did not yield to its demands for reform. The Committee should therefore address that important issue during the current session.

59. Cuba welcomed the recommendations contained in paragraphs 83 to 124 of the report of the Committee on Contributions, which recognized the difficulties experienced by certain developing countries. It also took note of the comments made by the Chairman of that Committee in paragraphs 36 and 37 of the statement he had made at the Fifth Committee's preceding meeting, and believed that Liberia, the Niger and Sao Tome and Principe should be granted exemptions under Article 19 of the Charter of the United Nations.

60. Cuba also took note of chapter IV of the report, on multi-year payment plans, and the related comments contained in document A/60/66, as well as the conclusions and recommendations of both reports. In that regard, Cuba wished to reiterate that such plans must remain voluntary and should not be linked to any other measures, including the consideration of requests for exemption. Cuba also supported the request made by Slovenia, on behalf of the five successor States to the Socialist Federal Republic of Yugoslavia, that consideration of its unpaid assessed contributions should be deferred. Lastly, Cuba wished to reaffirm the legal obligation of all Member States to shoulder the burden of the Organization's expenses, as established by the General Assembly.

61. **Mr. Abani** (Niger) recalled that in September 2005 his Government had written to the President of the General Assembly to request exemption under Article 19 of the Charter and to reaffirm its commitment to pay its arrears to the Organization in full, in accordance with its multi-year payment plan. The Niger's difficult economic situation was the result of many factors, notably the prolonged period of political instability that had led to the coup d'état of 1999 and the subsequent humanitarian crisis, which had frustrated the attempts of the newly elected democratic Government to focus on reconstruction efforts. It was within that context that the Niger wished to reiterate its request for exemption.

62. **Ms. Osode** (Liberia) said that her country's request for exemption had been received after the established deadline because of the continued problems with communications in her country. Liberia regretted that the Committee on Contributions had in consequence taken no action on its request, but hoped that it would grant the necessary exemption so that Liberia could continue to exercise its vote and take part in the debate on reform of the Organization during the current session. Liberia had informed the Committee on Contributions that it had not made much progress in repaying its arrears as a result of conditions beyond its control.

63. Liberia had endured anarchy and violence for over 15 years as a result of a civil war that had claimed the lives of tens of thousands of innocent civilians. About half the population had fled their homes and the economy had been destroyed. However, the warring sides had reached a comprehensive peace agreement in August 2003 and a period of post-conflict transition had begun on 11 October 2005 with the holding of presidential and legislative elections. The Liberian people had begun the process of establishing democracy, accountability, good governance, respect for human rights and popular participation. Her delegation therefore hoped that in 2006, within a time frame requested by the Committee on Contributions, the newly elected Government would be in a position to commit itself to a multi-year payment plan.

64. **Ms. Udo** (Nigeria) said that the crucial role of Articles 17 and 19 of the Charter was to confer membership in conjunction with responsibility. The fact that the Committee was again considering the question of exemptions under Article 19 indicated the need to review the time frame for such exemptions. A one-year period would prevent neither requests for exemption nor the submission of multi-year payment plans.

65. Nigeria sympathized with those Member States that were unable to meet their obligations to the Organization, and supported exemption under Article 19 for those States which had requested it. Nigeria commended the States which were sustaining their payments under such plans despite serious economic difficulties, but stressed that recourse to that option must remain voluntary.

66. With regard to the new proposal of the Committee on Contributions that the deadline for payment of assessed contributions should be set at 35 days from the date of issuance instead of 30 days from the date of receipt, it was not certain that assessment letters would be received by all missions on the date of their issuance.

67. A review of the scale methodology was indeed indispensable: the Fifth Committee must send a clear mandate to the Committee on Contributions, which in turn should provide concrete proposals to guide the Fifth Committee's deliberations.

68. **Mr. Song** Young-whan (Republic of Korea) said that it was essential for the Fifth Committee to give directions to the Committee on Contributions with regard to its future discussion of the scale methodology. The Committee on Contributions should base its recommendations on the scale for 2007-2009 on accurate statistics and should keep in mind that capacity to pay was the paramount principle. As a country which had experienced dramatic changes in its assessed contributions over a short period, the Republic of Korea believed that the level of such contributions should be predictable and that abrupt fluctuations should be avoided. It called on the Member States to provide guidance for the Committee on Contributions in a spirit of compromise and cooperation, with a view to enhancing the Organization's financial viability and discipline.

69. **Mr. Al-Battawi** (Iraq) said that multi-year payment plans were a good method of paying off arrears and securing fulfilment of Member States' obligations to the Organization. Iraq had had recourse to such a plan in view of its severe economic difficulties and it urged other countries with big arrears to do likewise.

70. His delegation drew attention to the conclusion of the Committee on Contributions that Iraq's arrears had been due to circumstances beyond its control. Iraq had made a major effort, in conjunction with the Secretariat and the Security Council, to find a way of drawing on the United Nations Monitoring, Verification and Inspection Commission (UNMOVIC) escrow account for the purpose of paying its assessed contributions. As a result, Iraq had just settled all its obligations to the Organization. That fact should be formally noted in the next report of the Committee on Contributions.

71. **Mr. Matsunaga** (Japan) said that his delegation looked forward to receiving, as soon as possible, concrete proposals from the countries concerned regarding the unpaid contributions of the former Yugoslavia and to taking the matter up again at the resumed session in March 2006.

72. **Mr. Simancas** (Mexico) said that the fulfilment of their financial obligations by all Member States was of vital importance. Mexico appreciated the strenuous efforts which many countries had to make in that regard, for it made such efforts itself.

73. The Committee on Contributions must revise the scale methodology as a matter of priority to better reflect better States' true capacity to pay and to prevent sharp increases that were out of all proportion to the growth of national economies. Under the present methodology, for example, the increase in Mexico's assessed contribution for 2004-2006 had been greater than the full amount of the contributions paid by some European countries. It was clear from the current discussion that the methodology unfairly burdened some States while failing to reflect other States' true capacity to pay or the special responsibilities borne by some of them.

74. There was therefore an urgent need to give the Committee on Contributions inputs that reflected the situations and concerns of Member States so that it would be able to present, at the next session, a scale of assessments acceptable to all.

75. **The Chairman** said that, if he heard no objection, he would take it that the Committee was prepared to accept the request of Slovenia to defer the question of the unpaid assessed contributions of the former Yugoslavia until March 2006.

76. *It was so decided*.

77. **Mr. Sessi** (Chairman of the Committee on Contributions) said that the Committee took very much to heart the problem of sharp scale-to-scale increases, and that he had noted the comments made by the representative of Jamaica and several other speakers on

that subject. It was discussed in paragraphs 46-50 of the report. Paragraph 49, in particular, showed how wide-ranging the Committee's debate had been; the problem would be discussed in greater detail in the informal consultations. The Committee on Contributions certainly needed guidance from the Fifth Committee with respect to its further consideration of the problem at its next session.

78. The effects of a scale of assessments without the 22-per-cent ceiling, a possibility also mentioned by the representative of Jamaica, were illustrated in annex III of the Committee's report on its 2003 session (A/58/11).

79. Paragraph 45 of the 2005 report made it clear that the Committee had no common position on the question of the LDC ceiling, to which the representative of Zambia had referred; the debate was continuing on that point.

80. A detailed response would be provided during the informal consultations on the exchange-rate issue raised by several speakers, including the Islamic Republic of Iran and Jordan. He had already mentioned in his introductory statement that Iraq had fulfilled its obligations to the Organization, and the point could of course be made formally in the Committee's next report.

81. The Committee would welcome the Fifth Committee's specific reactions to paragraphs 14, 16, 25, 26, 29 and 50 of the report, as well as the guidance referred to in paragraphs 34, 39 and 42.

82. With regard to the payment of arrears, he drew attention to the technical suggestions contained in paragraphs 68 and 69, which would facilitate both the payment of arrears and the work of the Secretariat and the Committee on Contributions. He noted the reservations expressed by Argentina and Nigeria on those suggestions.

Agenda item 123: Programme budget for the biennium 2004-2005

Agenda item 124: Proposed programme budget for the biennium 2006-2007

Suspension of recruitment for posts in the General Service and related categories (A/60/363 and A/60/7/Add.2)

83. **Mr. Berridge** (Office of Programme Planning, Budget and Accounts), introducing the report of the Secretary-General on the suspension of recruitment for posts in the General Service and related categories (A/60/363), said that General Service vacancy rates had generally trended upward over the biennium. Taking into account the rates budgeted for new and continuing posts, composite rates of 3.9 and 5.8 per cent had been budgeted for 2004 and 2005 respectively, while the realized vacancy rates were 3.2 per cent for 2004 and 6.5 per cent for 2005 (January to July). The 6.5-per-cent average for 2005 was considerably higher than the normal rate of 2 to 3 per cent.

84. As a result of the suspension, competition for staff among departments had been intense and staff turnover had been high. An inordinate amount of time had been devoted to dealing with vacancies and training new staff. Vacancies in specialized areas had been extremely difficult to fill. The interim measures used by departments were outlined in the report; they were short-term and could not be sustained.

85. In the context of the proposed programme budget for 2006-2007, the Advisory Committee recommended the lifting of the suspension and the production of a comprehensive analysis of General Service functions. The results of that analysis would be reported in the context of the second performance report for the 2004-2005 biennium.

86. The Secretary-General's report recommended that the General Assembly should request the Secretary-General to lift the suspension as of 1 December 2005. That would not result in any additional costs for the current biennium. The normal General Service vacancy rate used in the proposed programme budget for 2006-2007 (1.5 per cent) anticipated the lifting of the suspension; there would therefore be no additional financial implications for that biennium either.

87. **Mr. Saha** (Acting Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the Advisory Committee's third report on the issue under consideration (A/60/7/Add.2), said that the Secretary-General appeared to be requesting the lifting of the suspension one month earlier than planned. The Advisory Committee considered that it would be premature to do so before the comprehensive analysis of General Service functions had been completed. It stated in its first report on the proposed programme budget for 2006-2007 (A/60/7) that the suspension had probably been too broad a measure. The best approach might be

to selectively eliminate General Service posts wherever possible while avoiding any adverse impact on the technical functions so effectively performed by support staff. There was also a need to seek creative and practical solutions, such as the creation of a pool of staff as outlined in paragraph 7 of the ACABQ report currently under consideration. He would have more to say on the subject when he introduced the Advisory Committee's first report on the proposed programme budget for 2006-2007.

88. **Mr. Longhurst** (United Kingdom), speaking on behalf of the European Union; the acceding countries Bulgaria and Romania; the candidate countries Croatia and Turkey; and, in addition, Liechtenstein, said that the Secretary-General's report was a disappointment. The General Assembly's intention had been to address what was seen as a high ratio of General Service to Professional staff and to prompt the Secretariat to rethink the use of General Service staff. In European countries, many traditional support tasks had been eliminated or subsumed into the job descriptions of professional-level staff, thanks largely to the wider prevalence of information technology skills. That did not mean that support tasks were no longer needed; on the contrary, a whole new range of demands had emerged. The suspension had represented a sweeping experiment that had, not surprisingly, had unintended consequences, and the European Union took note of the problems described in the report. But the report simply presented a list of problems rather than illustrating the remedies which had been tried.

89. The European Union commended the Advisory Committee's work on the topic, in particular its identification of the shortcomings of the report. He was concerned to note that the Advisory Committee had not obtained the requested information on the specialized functions and number of posts involved and on their distribution across departments. How could the Fifth Committee recommend a policy change without such information? Furthermore, the European Union did not understand why 1 December had been proposed as the date for lifting the suspension, since a decision was to be taken later that month on General Service staff numbers in the context of the proposed programme budget for 2006-2007.

90. The Secretary-General's report should be supplemented by at least an interim analysis of the functions performed by General Service staff, and the European Union looked forward to receiving information about the consultant's survey mentioned in paragraph 12 of the ACABQ report. Such information would facilitate the consideration of the Secretary-General's proposals and of the General Service staff allocation in the proposed programme budget for 2006-2007.

91. **Mr. Kozaki** (Japan) said that his delegation had supported the suspension in the hope of streamlining administrative processes and shifting resources from support functions to substantive activities. The ACABQ report confirmed his delegation's impression that the Secretary-General's report was neither comprehensive nor persuasive and did not meet the requirements of General Assembly resolution 59/276. The consultant's analysis might facilitate a more thorough understanding of the matter. The suspension of new recruitment remained valid as the basis for the discussion, but his delegation was ready to consider the Secretariat's proposals. The Committee should consider the issue comprehensively so as to contribute to the development of concrete measures for reducing duplication, complexity and bureaucracy.

92. **Ms. Taylor Roberts** (Jamaica), speaking on behalf of the Group of 77 and China, said that she noted the comments of the Acting Chairman of the Advisory Committee, in particular his reference to the absence of the comprehensive review requested by the General Assembly. She agreed with the representative of Japan that the issue must be considered comprehensively and would therefore make further comments on behalf of the Group of 77 and China under related agenda items.

The meeting rose at 12.55 p.m.