



FIFTH COMMITTEE
10th meeting
held on
Thursday, 13 October 1983
at 10.30 a.m.
New York

SUMMARY RECORD OF THE 10th MEETING

Chairman: Mr. KUYAMA (Japan)

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

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AGENDA ITEM 115: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS: REPORT OF THE COMMITTEE ON CONTRIBUTIONS (continued)

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Distr. GENERAL
A/C.5/38/SR.10
17 October 1983

ORIGINAL: ENGLISH

The meeting was called to order at 10.45 a.m.

AGENDA ITEM 115: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS: REPORT OF THE COMMITTEE ON CONTRIBUTIONS (continued) (A/38/11 and Add.1 and Add.1/Corr.2)

1. Mr. PAVLOVSKY (Czechoslovakia) expressed his delegation's view that the Committee on Contributions had dealt competently with the tasks before it, taking the mandate conferred upon it in General Assembly resolution 37/125 as a two-year assignment. The absence in its report of any definitive proposal on the matters under consideration should not be regarded as a blemish.
2. None of the first three alternative methods of assessing capacity to pay considered by the Committee complied with the stipulation of resolution 37/125 B, paragraph 1, that the real capacity to pay of Member States was the fundamental criterion on which the scale of assessments should be based. His delegation was fully in agreement with the stipulation concerned, and hoped that the results of the Committee's discussions would take account of the telling arguments expressed in the Fifth Committee. As regards the fourth alternative, his delegation was convinced that for the moment socio-economic indicators could not serve as a basis for determining States' capacity to pay. It was virtually impossible to establish a generally acceptable criterion by which to measure the vast range of socio-economic development throughout the world with the requisite accuracy, and Member States did not supply sufficient data for the compilation of statistics. The differences between the seven criteria selected in the current report and those used by the Committee on Contributions in the past confirmed that the significance and applicability of individual criteria were not susceptible to comparison or evaluation.
3. The method used by the Committee for the systematic correction of data to compensate for inflation was unjust from the economic point of view, since it linked domestic pricing policies and exchange rates and would discriminate against States which pursued anti-inflationary policies, often at the cost of great economic sacrifice. In view of the complexity of the problem, it did not appear possible to work out a systematic and accurate way of allowing for changes in price levels and exchange rates. The "pseudo" rates proposed were certainly no solution.
4. The question of the length of the statistical base period had been satisfactorily resolved with the increase from 7 to 10 years, and there was no need for the Committee to concern itself with the matter any further.
5. In past years his delegation had for various reasons been unable to support proposals for a radical change in the low per capita income allowance formula. The Committee's discussions of the problem at its past session revealed that the adoption of a revised formula caused other difficulties. Accordingly, the Fifth Committee should have confidence in the Committee on Contributions during the forthcoming period and refrain from instructing the latter to take measures on whose validity even the experienced and competent members of that Committee could not agree.

(Mr. Pavlovsky, Czechoslovakia)

6. It remained his delegation's firm position that the most important way of easing the Organization's financial difficulties was to reduce its expenditure, restrain its budgetary growth and make more effective use of existing resources.

7. Mr. MA Longde (China) said that China believed that the current methodology, which based the scale of assessments on the principle of the real capacity to pay of Member States, used national income estimates as an indicator of that capacity and took into consideration the economic disparity between developed and developing countries by means of the low per capita income allowance formula, was, despite its shortcomings, on the whole, equitable. The current methodology was, of course, open to improvement; but any changes introduced should be made without detriment to that principle and should be designed to strengthen the low per capita income allowance formula and to simplify the calculations.

8. Of the possible alternative methods to assess the real capacity of Members to pay discussed in the report of the Committee on Contributions, China could support neither the first nor the second. Both deviated from the principle of taking real capacity to pay as the fundamental criterion; the first was, in addition, likely to be particularly controversial, and the second would result in much heavier burdens for the developing countries. China was still studying alternative III. It considered alternative IV inequitable and therefore difficult to accept, for its effect would be to raise assessments sharply for the majority of developing countries while lowering them for the overwhelming majority of developed countries. When the calculations failed to use national income as an indicator and discarded the low per capita income allowance formula, the results were particularly inappropriate (cf. annex II, column 12).

9. China had no set views on the length of the statistical base period for determining the scale of assessments, but it did feel that once a new base period was adopted it should be used for a considerable period of time, in order to ensure stability, avoid distortions in the measurement of relative capacity to pay and preclude excessive variations in assessments.

10. Mr. GUBCSI (Hungary) said that the principle of the capacity to pay, based on per capita national income expressed in current market prices, was still the only just, reliable and commonly accepted criterion for calculating the scale of assessments. As it continued to consider alternative methods of assessment, the Committee on Contributions should focus only on those which maintained the criterion of capacity to pay and could hope to win broad acceptance. In that connection, Hungary could not accept alternatives I, II and III discussed in the Committee's report because they would undermine the Committee's authority and call into question the principle of the capacity to pay. Alternative IV should be studied further, as indicated in paragraph 33 of the report. The Committee should be especially careful to establish methods of calculation that balanced the effects of short-term as well as long-term social and economic factors on the capacity to pay.

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(Mr. Gubcsi, Hungary)

11. Hungary would caution the Committee not to introduce the so-called "pseudo" rates of exchange since they could only distort a country's real economic relations with the outside world, which were based on a given rate of exchange. Even while doing the further research suggested in paragraph 42 of the report, the Committee should bear in mind that the establishment of exchange rates fell explicitly within the sovereignty of Member States, not within the purview of the United Nations.

12. Whatever the established statistical base period, it should be maintained for at least two or three consecutive periods in order to avoid excessive variations and arrive at just and realistic calculations of national income data. Hungary supported the recommendation in paragraph 48 of the report.

13. He was pleased to note in chapter IV of the Committee's report that it was now generally agreed that national income data based on different systems of calculations could be reliably compared.

14. The Committee should seek to lessen the burden of the least developed countries not by creating artificial percentage indicators and limits but by offering them just allowances according to their capacity to pay. It should also take into account the ability of Member States to secure convertible currency and their terms of trade, both of which affected their capacity to pay.

15. The Hungarian Government took the position that Article 19 of the Charter was applicable only to arrears in contributions to activities under the United Nations regular budget, which did not cover peace-keeping operations.

16. The financial burdens of Member States should be eased by a stricter control of the United Nations budget, not by arbitrary changes in the existing principles for calculating the scale of assessments, which had proved valid, serviceable and fair.

17. Mr. PEDERSEN (Canada) said that each of the alternative methods to assess the real capacity of members to pay appeared to raise more problems than it solved. None of them seemed capable of accomplishing the task as well as the present methodology.

18. Alternative I was attractive in that it recognized the existing differences between groups of countries, paralleled to the manner in which much of the business of the United Nations was carried out, and addressed the difficulties arising from the lack of comparability of data between countries or from different methods of national income accounting. It was a way, indeed, of requiring Member States to take some basic political decisions before determining the scale of assessments. Differences of view on capacity to pay, however, might prove insurmountable obstacles to a political agreement.

19. Alternative II had little or nothing to do with capacity to pay, and Canada dismissed it. The lack of accurate and comparable data militated against alternative III; it was therefore not worth pursuing at the present time.

(Mr. Pedersen, Canada)

20. In its present form, alternative IV was not preferable to the current method. It raised certain major questions, such as the basis for selecting some socio-economic indicators and not others, or the fact that the data for many socio-economic indicators were not available or not comparable. The Committee noted in paragraph 30 of the report that the results presented in annex II showed the complexity of the problem of integrating economic and social indicators into the current methodology for assessment, and that by varying norms and weights completely different results would be obtained. However, one was then put into the trap of working backwards from the results that one wished to obtain in order to discover what norms and weights would produce them, and that method seemed completely arbitrary and likely to lead to serious distortion of the capacity to pay. The proposal to use "pseudo" rates of exchange to mitigate inflation and fluctuations in exchange rates was interesting but created its own set of problems, as the Committee had indicated.

21. Although the method already in use was still the best available, it was not necessarily the last word on the subject. Adjustments to a machine scale would always be necessary, for economic, financial or political reasons, and would continue to be made through the mitigation process within the Committee on Contributions. The essential role of that process - to avoid excessive variations between scales - should not be lost sight of in determining a formula for the scale.

22. The Committee should be allowed to continue its examination of the question and make recommendations at the next session of the General Assembly. The recommendations should deal squarely with the issue of capacity to pay and problems relating to comparability of data. Another issue to be addressed was the fact that the OECD group of countries had paid the overwhelming bulk of the increases in United Nations assessed budgets between 1979 and 1982, whereas the share of assessed contributions paid by the Soviet Union and the Eastern European countries had declined dramatically.

23. Mr. PHILIP (India) said that it was absolutely necessary to maintain the principle that assessments were to be based on capacity to pay. The prevailing international economic situation also had to be taken into consideration, since it undeniably limited the capacity of the developing countries, in particular, to pay.

24. Of the alternative methods to assess real capacity to pay, alternative I had the merit of simplicity but, when applied, might prove cumbersome and inequitable. India felt, therefore, that some other more acceptable method should be developed.

25. Alternative II did not conform to General Assembly resolution 37/125 B, because the personnel and sovereignty factors had no bearing on a country's capacity to pay. The other shortcomings mentioned in paragraph 18 of the report made it an unsuitable alternative and the Committee should pursue it no further.

26. India reserved judgement on alternative III until a suitable data collection procedure was devised and comprehensive and comparable data on national wealth were available.

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(Mr. Pinheiro-Guimarães, Brazil)

national income statistics. He stressed the importance of accurate national income data for the base period, without which the "pseudo" rates could not be usefully applied. Inflation, however, had other effects not referred to in the Committee's report, and there was a need, for example, for a procedure to adjust the ceiling of the low per capita income allowance formula to take inflation into account.

55. His delegation attached importance to the rationalization of the criteria for mitigating excessive variations between successive scales. It was to be hoped that the Committee would submit specific proposals on that subject at the next session. Recent events had shown that drastic changes could occur in a very short time, impairing a Member State's ability to pay. In that connection, the suggestions contained in paragraph 48 of the Committee's report should be given further consideration.

56. Finally, given the complexity of the task facing the Committee on Contributions, the technical studies prepared by the Secretariat should be made available to the members of the Committee as soon as they were completed. That would permit a more thorough and profitable examination of those studies at the Committee's next session.

57. Mr. KAZEM (Afghanistan) expressed his delegation's view that the Committee had, in preparing its report, taken into consideration the main elements in the relevant resolutions of the General Assembly. Of the alternatives the Committee had explored, his delegation believed that the first, while at first sight innovative and uncomplicated, was not based on economic factors related to real capacity to pay, and might introduce elements of controversy between and within the groups of States proposed. Alternative II represented a departure from current methodology which hardly reflected Member States' capacity to pay, and alternative III was not practical for the time being because of deficiencies in the methodology and the unavailability of comparable statistics on national wealth. Those three alternatives should be studied in greater depth by the Committee on Contributions before the Fifth Committee took any decisions on them.

58. Careful attention should be paid to the use of economic and social indicators to adjust for inflation and for variations in exchange rates and to other elements used in the current methodology. Long-term and short-term concerns should both be taken into consideration and properly integrated into the assessment methodology. Due consideration should be given to the situation of developing countries and, more particularly, the least developed countries. The assessments of the least developed countries should not be increased under any circumstances.

59. His delegation was ready to examine variations or refinements in the current methodology, but considered that no deviation from the practice of calculating the scale of assessments on the basis of national income at current prices would be acceptable. The statistical base period should appropriately reflect changes in economic status and be long enough to mitigate the influence of short-term fluctuations in economic conditions and exchange rates. The issue should be further examined by the Committee in the light of existing economic realities. His delegation supported the views and recommendations put forward in the Committee's

(Mr. Kazem, Afghanistan)

report, and urged the Committee to continue its efforts to improve and enrich the methodology currently in use.

60. Ms. MUSTONEN (Finland), speaking on behalf of the delegations of Denmark, Iceland, Norway and Sweden as well as her own country, emphasized the importance that the Nordic Governments attached to Article 17, paragraph 2, of the Charter. Member States must be willing to meet the obligations of membership in the United Nations in an equitable manner. The Nordic nations approached the question of contributions in the light of three principles. First, they respected the independent expert status of the Committee on Contributions, and believed that the experts on that Committee should be permitted to exercise the functions for which they had been appointed and the Committee had been created. Second, the Fifth Committee and the General Assembly should approach the scale of assessments in a spirit of generosity and with a sense of proportion: the amounts of money concerned were relatively small for the majority of Member States, especially in relation to the importance those nations attached to the United Nations and the benefits they derived from membership in it. And, third, the guiding principle in establishing the scale of assessments should be that set forth in rule 160 of the rules of procedure of the General Assembly.

61. The Nordic nations welcomed the efforts by the Committee on Contributions to study capacity to pay. The Fifth Committee had concentrated in recent years on the better integration of socio-economic indicators into the assessment methodology: but the startling results of using such indicators showed the complexity of the task. As the Committee on Contributions pointed out, there were difficulties in the selection of indicators and in setting norms and weightings for the indicators chosen. There were also dangers inherent in applying indicators too mechanistically.

62. The Committee's report indicated how important value judgements could be in the selection of socio-economic indicators. That, and the problem of statistical availability, could lead to endless controversies over the methodology used. Of the possible courses discussed by the Committee, alternative I appeared to open the door to many difficulties and possible confrontations. So did alternative II, which did not even seem to be based on capacity to pay. The main features of the current methodology, which was based on national income figures but afforded progressive relief to countries with low per capita incomes, were acceptable as a means of distributing the burden among all Member States equitably; the current methodology was also the only one that could be employed with the data available. Nevertheless, the Nordic countries welcomed the Committee's efforts to improve the comparability of national income statistics affected by different levels of inflation and exchange rates, and looked forward to receiving further information on that subject. They also hoped that, as a result of the Committee's work, the length of the base period for national income estimates would become more stable.

63. The Nordic countries feared that disputes over assessed contributions to the Organization might be seen as a sign of weakening support for the United Nations. They appealed to all States to view the scale of assessments in its proper perspective. The debate on the subject should help to strengthen the Organization.

The meeting rose at 1.05 p.m.