



SUMMARY RECORD OF THE 7th MEETING

Chairman: Mr. DITZ (Austria)

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

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

AGENDA ITEM 108: FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS (continued) (A/39/5, vols. I, II and III and Corr.1, and Add.1-7, Add.8 and Corr.1, and Add.9, A/39/510)

- (a) UNITED NATIONS;
- (b) UNITED NATIONS DEVELOPMENT PROGRAMME;
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- (d) UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST;
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- (i) UNITED NATIONS HABITAT AND HUMAN SETTLEMENTS FOUNDATION;
- (j) UNITED NATIONS INDUSTRIAL DEVELOPMENT FUND

1. Miss EFFANGE (Cameroon) said that her delegation was delighted that the administrations had made a positive effort to remedy the deficiencies depicted by the Board of Auditors in its reports for 1981 and 1982, that there had been a prompt response to the Board's recommendations concerning more effective budgetary control and that the remarkable improvement in the financial management of UNDP in 1983 had resulted in an \$87 million surplus of income over-expenditure. It also appreciated the efforts made by some administrations to reduce their accumulations of non-convertible currencies, although more could be done.

2. Welcoming the observations by the executive heads of UNDP, UNICEF and UNFPA, she said she hoped that similar comments by other executive heads would be included in future reports. Of particular interest in that respect was the Secretary-General's intention to comment, in future, on the implementation of the Board's recommendations.

3. It should be emphasized that shortcomings in financial management, project implementation and other aspects of administration did not, necessarily, represent an abuse or misinterpretation of the Financial Rules. A variety of factors, such as currency fluctuations and inconsistent flows of voluntary contributions, inhibited effectiveness on the part of administrations. It was therefore important that all Member States should pay their pledged contributions in good time.

(Miss Effange, Cameroon)

4. Despite improved management, UNITAR continued to face financial difficulties, because pledged contributions did not match its minimum requirements. It had only been possible to balance the budget by excluding certain research activities and freezing four of the five Professional posts in the Division of Research. UNITAR was of critical importance to young countries. It was to be regretted that its much-needed training and research programmes had been considerably hampered by a lack of financial support.
5. Mr. FORAN (Controller) said that the Administration had already taken action in response to a number of the recommendations by the Board of Auditors. In consultation with the Board, the remaining recommendations would be fully implemented.
6. With respect to the timely preparation of budget estimates, the instructions for the preparation of submissions for the biennium 1986-1987 had been issued significantly earlier than in previous years. Under the new regulations and rules governing programme planning, a specific time-table for the preparation and review of budget estimates by the Committee for Programme and Co-ordination and the Advisory Committee had been established, and should ensure the timely submission of all budget documentation.
7. The auditors had drawn attention to non-compliance with budgetary procedures concerning consultants. New procedures had been instituted in 1982, and their application had recently been the subject of an internal audit. The various recommendations made were being studied in an effort to devise solutions for any remaining problems.
8. The Administration shared the concern of the Board of Auditors regarding the level of unliquidated obligations, and would provide detailed information thereon to the Advisory Committee. In the mean time a number of steps had been taken to reduce unliquidated obligations, including a more rigorous analysis of outstanding obligations and a review of the performance of officers with authority to establish obligations.
9. Steps had also been taken to ensure that the inconsistency involving sections 28 and 32 at the United Nations Office at Geneva would not recur. The budget proposals for the biennium 1986-1987 would be thoroughly reviewed to ensure that items such as the renovation of building structures would be included under section 32 and that items such as the maintenance of lifts would be reflected under section 28.
10. It was gratifying that the auditors had found the administration of trust funds to be generally satisfactory. A continuing effort was being made to ensure that full compliance with administrative instructions on trust funds and offices had been advised to monitor the activity of trust funds more closely.
11. Progress had been made in rectifying weaknesses in the automated purchase and payment system. In accordance with the auditors' recommendations, the Office of General Services would further refine the system and issue procedure/user manuals. Major additions to the system were not envisaged.

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(Mr. Foran)

12. The Administration was developing plans for a physical inventory programme, governing the conduct and cost-effectiveness of inventory-taking. An inventory of office equipment had been instituted; it would determine the extent to which United Nations property was being utilized and would provide data for a physical inventory.

13. Eliminating administrative delays in delivering UNDR0 assistance and avoiding the procurement of inappropriate material were priority objectives. UNDR0 had reduced administrative procedures to a minimum in emergencies, but a review of purchasing practices had been initiated to further improve procurement responsiveness.

14. With regard to travel, the improvement that had been achieved through delegating authority to heads of offices and departments would be supplemented by additional procedures whereby the approval of the Office of the Secretary-General would be required for travel relating to meetings and conferences. Meetings were usually attended by staff from a number of offices, and there was therefore a need for a focal point to ensure proper co-ordination. The United Nations had spent \$30 million on official travel in 1982, \$30.2 million in 1983 and \$17.3 million in the first half of 1984.

15. Delays in the delivery of technical co-operation programmes were of continuing concern. Procedures were in effect to assess the benefits of the fellowship training received, while improvements had been achieved in managing the fellowship programme by automating support functions.

16. The expenditures in excess of allotments found in certain UNIDO projects had occurred because of delays in preparing formal revised project documents. Efforts were being made to reduce the time needed for project revisions. In addition, events sometimes occurred which slowed project delivery. UNIDO was revising some of its project implementation and reporting procedures.

17. A highly competent internal audit service was an important aid to management and was all the more necessary in view of the trend towards decentralization and the delegation of authority away from Headquarters. All audits conformed to recognized auditing standards. The adoption of a systems-based approach to auditing had increased staff productivity, and continued training would further improve audit quality.

18. Concern had been expressed as to whether the Internal Audit Division was performing functions outside its mandate. Value-for-money audits required auditors, in addition to examining expenditures, to determine whether the Organization's resources had been used efficiently and economically. In addition, it should be stressed that, under the rules governing programme planning, the Division reviewed the procedures used by those performing programme evaluations and did not itself carry out such evaluations. A thorough review of internal audit functions would be undertaken in conjunction with the preparation of the 1986-1987 budget estimates.

(Mr. Foran)

19. At Headquarters, a consultant had been engaged to review catering operations with specific reference to pricing and costs. The Administration would, upon review of the report, take steps to restore food services to a break-even basis.

20. New instructions would be issued to clarify responsibilities in the event of the loss of property owned or controlled by the United Nations. It should be noted that all submissions for write-off were reviewed by the Property Survey Board.

21. Although the salaries of 17 International Trade Centre staff members had been charged to the regular budget in error, the expenditure concerned had been fully reimbursed from programme support funds. There had been no transfer of actual posts between the Centre's regular budget and its programmes support costs account, and the Centre's Administration had agreed not to permit the same situation to recur.

22. Mr. BROWN (Associate Administrator, United Nations Development Programme) said that UNDP had already adopted measures to remedy the shortcomings identified by the auditors. The practice of hiring consultants before their contracts were ready for signing would cease in all but emergency situations; in fact, the number of instances was very small, accounting for less than 1 per cent of the total. To ensure economy in the spending of donors' money, the Administrator would accept the guidelines for official travel established by the Secretary-General for the United Nations. Starting in 1985, the Governing Council of UNDP would consider the entire report of the Board of Auditors, beginning with that for the year ended 31 December 1983.

23. Mr. ADACHI (Deputy Comptroller, United Nations Children's Fund) drew attention to the Executive Director's comments on project evaluation in section IV, paragraphs 2 and 3, of document A/39/5/Add.2. With regard to competitive bidding instructions had been issued to ensure that all bids were submitted to the Contract Review Committee. The auditors had commented on the Contract Review Committee's practice of blanket price approval which related specifically to vehicle purchases. Authorization was given to make repeat purchases in accordance with manufacturers' price lists, thereby reducing administrative work, since some 1,500 vehicles a year were purchased. The practice was being reviewed and would be amended if necessary.

24. With regard to cash management, it should be noted that at the end of 1983 only \$15 million had been held in current accounts, many of which were interest-bearing. That amount represented some 2 per cent of total UNICEF holdings and less than two weeks of average cash expenditure. It was considerably below the average level contemplated by the Financial Rules of the United Nations. Should cash balances rise above desirable levels, established procedures permitted immediate corrective action to be taken. It should also be noted that experiments had been conducted with zero-balance bank accounts, enabling UNICEF to reduce its non-interest-bearing balances. Investment functions were centralized at New York, permitting cost-effective global funds management.

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(Mr. Adachi)

25. A complete physical inventory at UNICEF headquarters would be completed by the end of 1984. To reduce paper work and costs, responsibility for inventories had been decentralized to field offices.

26. Many speakers had commented favourably on the incorporation into document A/39/5/Add.2 of the observations made by the Executive Director of UNICEF with regard to the comments and recommendations of the Board of Auditors. He wished to inform the Committee that the Administration would be pleased to continue that practice in future.

27. Mr. DOO KINGUE (Under-Secretary-General, Executive Director of UNITAR) said he was aware that UNITAR had not enjoyed a very high reputation in recent years. The Institute's financial difficulties, due to the erosion of Member States' financial support, had not helped to improve matters. However, every effort was being made to change UNITAR's image. Significant measures had been taken to improve overall management, and progress in that area had been achieved during 1983 despite the fact that UNITAR had inherited a budget with a built-in deficit.

28. Two initiatives had been taken with the view to eliminating budgetary deficits. The first had been to move the dates of the meetings of the Board of Trustees from September to March or April. Under that arrangement, the Board was able to consider the annual programme and budget of the Institute in the light of the United Nations Pledging Conference for Development Activities. Moreover, the Finance Committee of the Board of Trustees, now composed of representatives of all the major donor countries, was better able to supervise the use of resources and advise on the desirable level of UNITAR's budget in the light of expected income.

29. The second initiative taken by the Executive Director had been to submit to the Board of Trustees a balanced budget for the year 1984. Regrettably, that budget had been achieved only by eliminating most of the activities financed by the General Fund in the field of research. As a result, UNITAR's functions had been somewhat curtailed, as a further \$1 million would have been needed to fund all activities adequately. More generous voluntary contributions in 1984 would enable UNITAR to restore the Division of Research, which had virtually been closed down.

30. With regard to the cost-effectiveness of UNITAR operations, he pointed out that, thanks to the use of the talents of senior United Nations officials free of charge in the Institute's training courses and the similar use of interns from several universities in the New York area for research activities, each dollar UNITAR spent on training and research was actually worth three or four times as much. UNITAR operations, indeed, were a very good investment and their cost-effectiveness was actually very high.

31. With regard to long-term financing arrangements, the Board of Trustees fully realized that it might take some time before the proposed solution to the problem of assured funding became operational. It therefore recommended that the Secretary-General should request Member States in the mean time to make substantially increased voluntary contributions, so as to ensure that the level of General Fund resources for the period 1984-1985 allowed the Institute to continue its work effectively.

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(Mr. Doo Kingue)

32. As to the revitalization of the system of voluntary contributions itself, a first measure to that end would be to encourage as many countries as possible to announce their contributions during the forthcoming pledging conference on 7 and 8 November 1984. Secondly, each Member State should endeavour to increase its contribution by at least one third so that resource shortfalls could be eliminated in 1985. A third measure would be to set up a reserve fund to be used, if necessary, to offset shortfalls in voluntary contributions and avoid the need to balance the budget by closing divisions of the UNITAR secretariat. He hoped that each Member State would consider those three measures as a matter of urgency.

33. Mr. WITTRIN (Deputy Executive Director of the United Nations Fund for Population Activities) said that UNFPA welcomed the recommendations made by the Board of Auditors and was committed to act upon them as required. He was pleased to note that the Board had continued in 1983 to audit the Fund's field activities. Its observations and recommendations were most valuable, and could be used to advantage by all the field offices.

34. With regard to shortcomings in project execution, he assured the Committee that procedures were being strengthened, in accordance with the recommendation of the Board of Auditors, so as to avoid incurring expenditures prior to the issuance of allocations. As to deficiencies in the internal audit of UNFPA, during 1983 the Administration had maintained a continuing dialogue with the Division for Audit and Management Review of UNDP, and the internal audit coverage had subsequently been expanded.

35. Two specific recommendations had been made to UNFPA by the Board of Auditors regarding standards of accommodation and travel, and the use of consultants. Accordingly, UNFPA, in close co-operation with UNDP, agreed to follow United Nations travel standards and procedures. As to the use of former staff members as consultants, every attempt would be made to comply with the Board's recommendation.

36. Mr. NELSON (Chairman of the Board of Auditors) said that the comments and questions arising out of the Fifth Committee's consideration of the Board's reports encouraged the auditors in their task of contributing to the further improvement, inter alia, of the efficiency of financial procedures, the accounting system, internal financial controls and, in general, the administration and management of the Organization.

37. With regard to the United States representative's concern over the mounting losses of the catering services at Headquarters, as part of its audit for the biennium 1982-1983 the Board had carried out an interim review of the revenue-producing activities in New York, Geneva and Vienna, and the coverage had included the catering services in New York. A number of recommendations had been made to the Administration, which had indicated that it would initiate action to ensure a sound financial operation. The Board would follow up with an in-depth review, and relevant comments would be provided in its report to the General Assembly in 1986.

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(Mr. Nelson)

38. The representative of India had suggested that the internal audit should not be burdened with evaluations of programmes. The Board shared that concern but wished to state, however, that the internal audit should involve itself in the review of current evaluation procedures to measure the effectiveness of programme performance and reporting. The audit was not normally expected to involve itself in the actual evaluation process.

39. As to matters dealt with in the 1982 report on UNHCR and which had been mentioned again in the report for 1983, he indicated that those matters related to excess cash balances in field offices and had been summarized under cash management in both reports. The Board had also noted, with regard to project activities, that inadequate action by the Administration on operationally completed projects and on expenditures incurred in excess of allotments still persisted. Specific reference to such cases would be made in future reports.

AGENDA ITEM 115: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS: REPORT OF THE COMMITTEE ON CONTRIBUTIONS (continued) (A/39/11 and Corr.1)

40. Mr. PINHEIRO-GUIMARÃES (Brazil) said his delegation was disappointed that the Committee on Contributions, despite commendable efforts, had been unable to find alternative methods for establishing the scale of assessments. Its conclusion that national income, as modified by the current formula, should continue to be employed pending further studies was inadequate.

41. Nevertheless, two recommendations made by the Committee represented significant progress. The first, which was to adopt a method to limit excessive variations in individual rates of assessment from one scale to the next, though still imperfect, appeared to be well-designed. The mechanism to limit such variations was an improvement in the process of apportioning expenses, and one that met a long-felt need. It should not, however, preclude further mitigation in the assessment process.

42. The second recommendation, which was to raise the upper limit of the low per capita income allowance formula to \$US 2,200, met with his delegation's full support. It would have been preferable, however, to have a clear statement on the need for a periodical review of the limit and the gradient of relief adopted in the formula. Though not necessarily taking the form of automatic indexing, a periodical review would afford the opportunity to off set inflationary distortions and growing disparities between the per capita incomes of developing and developed countries. Such a periodical review was needed as an integral feature of the current low per capita income allowance formula.

43. The results of the study on the application of economic and social indicators to the current assessment methodology had been disappointing. The implication was that no matter what indicators were selected, what weight was attributed to each indicator or what norms were adopted, the effects would be detrimental to the great majority of the developing countries. He doubted whether those negative effects



(Mr. Pinheiro-Guimarães, Brazil)

derived from intrinsic flaws in the method, and felt that the Committee had devoted neither the time nor the technical resources needed to conduct a scientifically valid study. The socio-economic indicators that appeared in the short and long lists referred to in the Committee's report seemed to have been selected at random, without proper consideration for the relationship of each indicator to capacity to pay; and the report was extremely vague about the criteria that had guided the selection of those indicators.

44. Moreover, the norm used for comparing indicators seemed to have been chosen in an even more unscientific way. In that regard, his delegation formally objected to the inclusion of Brazil in the group of OECD countries for the purpose of establishing a weighted norm. The socio-economic indicators for Brazil, a developing country, fully reflected the severe problems and acute imbalances that generally characterized developing countries; using its socio-economic indicators to depress those of the OECD countries could only distort the results of the exercise.

45. Concerning the claim made in the report that the exercise could not have been more accurate because of the lack or non-comparability of available data, it might be recalled that such difficulties also existed with regard to national income; that had never prevented the utilization of the current method of assessing contributions.

46. His delegation felt strongly that it was necessary to conduct a more thorough study under suitable conditions and with the proper resources. One possibility would be for the Committee on Contributions to ask the United Nations Statistical Office to prepare, within a reasonable time frame, a truly scientific and exhaustive study on the matter. At negligible cost, that approach could save the Committee time and effort in elaborating the statistical raw material.

47. The Committee on Contributions had also addressed the problems of inflation and exchange-rate conversion. His delegation welcomed the new studies on price-adjusted exchange rates and purchasing power parities, and trusted that technical advances would make it possible to consider the practical use of those methods. His delegation also welcomed the decision taken by the Committee to request the Secretary-General to initiate a comparative study of the methods used by international organizations to determine the apportionment of their expenses. Such a study would serve as a valuable reference for the Committee's work and as a source of information for all Member States.

48. His delegation was very sensitive to the concern expressed by the Committee on Contributions with regard to the question of external indebtedness. It was impossible to ignore that problem, which seriously affected the economic life of many developing countries and impaired their capacity to pay. The Committee's declared intention to take that problem into account when preparing future scales of assessment must be translated into concrete action. The problems faced by countries plagued with heavy external debts were frequently not reflected in the statistics normally used to establish the assessment scale, yet the problems were

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(Mr. Pinheiro-Guimarães, Brazil)

real and required emergency relief. It was extremely important for the Committee on Contributions at its next session to adopt the necessary measures, in the mitigation round or at any other stage in the process, to grant such relief.

49. Mr. ODUYEMI (Nigeria) observed that the conclusions of the Committee on Contributions, concerning the use of economic and social indicators, either exclusively or in combination with the existing formula, were clear. His delegation was therefore forced to share the Committee's view that no better alternative could be found to the current method of assessment. Whether or not the Committee had exhausted the list of relevant indicators and whether or not a different result might have been achieved using more indicators with different weights were questions which would have to be addressed when better conceptual and practical tools became available.

50. Since there was at present no alternative but to continue to use the current methodology, then the components of that methodology must be scrutinized carefully with a view to applying it more equitably. In that connection, his delegation supported the upward revision of the low per capita income allowance to \$2,200 but believed that the Committee must find a more rational basis for increasing the level of that allowance. As for the problem of redistributing the financial burden resulting from the increase in the allowance, it believed that all Member States with a per capita income above that level should bear their assessed share of the burden proportionately.

51. As indicated in paragraph 38 of its report, the Committee had decided to maintain the current ten-year statistical base period for the next scale for 1986-1988. His delegation supported that decision, although it would have preferred a shorter base period of five years. It did not, however, endorse suggestions (a) and (b) in paragraph 37.

52. With regard to methods to avoid excessive variations of individual rates of assessment between two successive scales, his delegation supported the Committee's decision set forth in paragraph 49 and believed that States that benefitted from the limits formula should be excluded from the proration process that would ensue from its application. That should not, however, preclude further mitigation in the case of Member States that were experiencing severe economic and financial difficulties.

53. In order to make the scale of assessments more equitable, the United Nations Statistical Office should improve the collection of the statistical data used to estimate national income. Problems persisted in the adjustment of inflation rates and the conversion of exchange rates and more studies were required on price-adjusted exchange rates and purchasing power parities to permit the elimination of distortions in the scale that were currently attributed to inflation and exchange rate conversion problems.

54. His delegation supported the conclusion in paragraph 51 of the report that national income adjusted by the low per capita income allowance formula should be

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(Mr. Oduyemi, Nigeria)

used in the establishment of the next scale of assessments. It was also of the view that the less complicated the method of assessment, the better its application, and that the Committee on Contributions should continue to study the components of the current methodology in order to make it simpler and more equitable. Rather than calling for further study of alternative methods for the time being, the Fifth Committee should address itself to ways of broadening the resource base of the United Nations.

55. His delegation did not subscribe to the view of some States that certain Member States paid the bulk of contributions and got nothing in return while those who paid less got everything out of the Organization. Such an argument missed the point. The fact was that, just as certain extenuating circumstances had been taken into account in 1946 when the first scale of assessments was being established, extenuating economic and financial circumstances now existed in certain Member States that could not and must not be ignored in establishing future scales of assessments even while the current methodology continued to be used. The issue was not one of rich against poor but rather one on which all delegations should join together in the search for an equitable, realistic and practical method of assessment.

56. Mrs. RODRIGUEZ (Venezuela) said that her delegation endorsed the proposal of the Committee on Contributions that it should pursue its consideration of the various methods used to evaluate the real capacity to pay of Member States. Traditional methods of assessment did not reflect the current situation in which high interest rates and massive foreign indebtedness were creating serious difficulties for the developing countries. In preparing future scales of assessments, a systematic means of adjustment must therefore be devised which took account of the serious economic and financial situation in the world, in particular the external debt of the developing countries, which was a reflection of international monetary and financial disarray.

57. Her delegation joined others in endorsing the principle that the rates of assessment of developing countries, all of which were affected by the international crisis, should not be increased. It also believed that the ten-year statistical base period should be reduced in order to reflect economic conditions more faithfully and that indicators for the final years of the base period should be given greater weight than those for earlier years. Finally, it believed that further study should be made of the possible use of socio-economic indicators.

58. Mr. LOURENÇO (Portugal) observed that, while the report before the Fifth Committee was both positive and promising, much remained to be done, and his delegation hoped that the Committee on Contributions would continue its good work so that, at the fortieth session, the Fifth Committee would have before it a scale of assessments that met with the approval of all of its members and would not be tempted once again to substitute its own expertise for that of the Committee on Contributions.

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(Mr. Lourenço, Portugal)

59. His delegation appreciated the Committee's efforts to find new ways of assessing Member States' real capacity to pay. Paradoxically, the Committee had arrived at the conclusion that the incorporation of such indicators would result in significantly higher rates of assessment for most developing countries. The results of its study of methods of avoiding excessive variations in individual rates of assessment appeared to be more or less satisfactory. However, his delegation could not tolerate any prospect of a situation in which the Committee might be unable to take into consideration unusual economic and financial difficulties of individual Member States, as had been done in the past by means of a mitigation process. It was also questionable whether the somewhat arbitrary increase in the per capita income allowance from \$2,100 to \$2,200 was fair to all Members. On the other hand, it was encouraging to note that the Committee was cognizant of the acute difficulties faced by many countries as a result of high levels of external indebtedness.

60. His delegation trusted that the collection and utilization of statistical data in elaborating the new scale of assessment in 1985 would be better managed than on the previous occasion, when there had been widespread dissatisfaction because data had been based largely on Secretariat conjecture and projections.

61. Mr. MARRON (Spain) observed that, while the report of the Committee on Contributions studied in depth the various components currently used to establish the scale of assessments, and offered useful suggestions and analyses, the Committee had yet to complete its mandate since it made no specific proposals for the implementation of resolutions 36/231 A and 37/125 B.

62. National income was the most important element to take into consideration when establishing scales of assessments, but it needed to be supplemented by other indicators. His delegation was somewhat disappointed, therefore, to learn from the Committee's report that there was no viable system for the establishment of scales of assessment other than that currently in force. The Committee's conclusion, after studying in depth the fourth alternative retained by the Fifth Committee at the thirty-eighth session, namely the inclusion of certain socio-economic indicators, was that such an alternative was not viable. His delegation wondered whether the lack of progress on that score was due to the fact that the proposed system was no better than the current one or rather to the Committee's a priori assumption that the proposed changes would be unacceptable because of their negative impact on a large number of countries.

63. As his delegation saw it, any change in the current system would inevitably lead to an increase in some countries' contributions and a reduction in others, with the rates of only a few countries remaining the same. If the numerical outcome and practical consequences of such an adjustment were known in advance, the inevitable fate of such a purely mechanical adjustment would be rejection by those countries whose assessments would be increased. Consequently, the procedure for analysing and proposing the reforms required in that area must be altered so that members of the Fifth Committee adopted an objective and impartial approach to

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(Mr. Marron, Spain)

structural modifications per se, bearing in mind their contribution to the objectives of justice and equity. If changes were made on that basis, Member States would be less likely to reject them and any particularly drastic consequences could always be mitigated by fixing ceilings or limits along the lines proposed in paragraph 49.

64. His delegation noted that specific proposals had been put forward only with regard to two minor questions, namely the low per capita income adjustment formula and methods of avoiding excessive variations in individual scales between two successive scales. His delegation found both proposals acceptable: the increase in the low income per capita allowance was quite reasonable and the fixing of a limit on increases between two successive scales met the concerns raised at earlier sessions of the General Assembly. His delegation was aware that the fixing of such limits could interfere with the progressive nature of scales but believed that such drawbacks were far outweighed by the advantages they offered all countries in the form of a guarantee against the abrupt changes in rates which could result from the present system. Moreover, such a limit might in the long term facilitate the gradual introduction of new methods for the calculation of scales of assessments the application of which might significantly modify current rates. For the same reason, his delegation believed that the 10-year base period was far too long. Since there was already a separate mechanism which guaranteed a degree of stability in scales and protected each country from excessive variations, each element in the system of apportionment must fulfil its primary function. The period for calculating income levels must therefore be as close as possible to the financial year to which it was to apply if it was not to distort the principle of real capacity to pay. If a shorter base period was used, each country's real income situation would be promptly reflected in its rate of assessment, ensuring that the principle of real capacity to pay was genuinely applied. Another alternative that would be acceptable to his delegation would be to attach greater weight to the data for the final three years of the base period, which reflected countries' real capacity to pay more accurately

65. The problems of inflation and exchange rate conversion referred to in paragraphs 27 to 33 of the report were a matter of universal concern. Spain, in particular, had on previous occasions called for the adoption of an overall procedure for evaluating inflation and avoiding its anomalous impact on the calculation of contributions. While his delegation was aware of the possibilities offered by the use of corrective factors such as price-adjusted exchange rates and purchasing power parities, it realized that the present state of the art made it advisable to consider further the relations between the mechanism for traditional exchange rate conversion and the national income adjustment factor as derived from price-adjusted exchange rates and purchasing power parities. His delegation endorsed the Committee's decision to that effect and hoped that significant progress would be made in that area in future, although it had some doubts about the validity of the method and the difficulties inherent in evaluating objectively the various elements which had to be weighed to determine the ratios for correcting inflation and nominal exchange rates.

(Mr. Marron, Spain)

66. His delegation was more optimistic about the feasibility of using economic and social indicators, despite the failure of the Committee on Contributions to find a workable alternative thus far. His delegation agreed that the weights given to the different factors presented genuine difficulties. However there was a possibility that, by using different weights or alternatives, different results might be achieved that would at least warrant discussion in the Fifth Committee and meet the requirements of resolution 36/231 A.

The meeting rose at 1.05 p.m.