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at 10.30 a.m.
New York

SUMMARY RECORD OF THE 10th MEETING

Chairman: Mr. BUSHEV (Bulgaria)

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

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The meeting was called to order at 10.50 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/39/11 and Corr.1)

1. Mr. STUART (Australia) said it was of paramount importance that the level of the contribution of each Member State should not only be equitable but also be perceived to be so by each Member State and by the membership of the Organization as a whole.

2. His delegation supported the recommendation of the Committee on Contributions that the current assessment methodology should be retained, since available statistical data were inadequate to permit the incorporation of such elements as accumulated wealth and economic and social indicators. It also supported the Committee's recommendation that it should continue to study ways of developing a more equitable scale of assessments. The Committee was the body best equipped to consider alternative methodologies as objectively as possible, taking equity and capacity to pay as its basic guiding principles.

3. Mr. SOKOLOVSKY (Byelorussian Soviet Socialist Republic) commended the diligence and competence of the Committee on Contributions in discharging its mandate. The results of its careful selection and examination of a large number of economic and social indicators had completely justified the existing assessment scale methodology based on relative capacity to pay. As far as countries with low per capita incomes were concerned, the present allowance formula, if fully applied, would provide the developing countries with considerably more benefits than would be gained from the consideration of socio-economic indicators alone or from combining those indicators with the allowance formula. His delegation therefore supported the Committee's recommendation that, in view of the unavailability or non-comparability of data, socio-economic indicators should not be used at present for assessment purposes.

4. With regard to the use of price-adjusted exchange rates and purchasing power parities, his delegation believed that there was no justification for those methods as a basis for modifying the current methodology. The Committee had been right to conclude that neither method could be used at present for the scale of assessments. Moreover, any further study of those methods would be unproductive.

5. His delegation agreed with the Committee's conclusion that the existing 10-year statistical base period should be retained for the next scale of assessments and supported the Committee's recommendation to raise the upper limit of the low per capita income allowance formula to $US 2,200. However, it could not agree with the proposal to limit variations in individual rates of assessment between two successive scales, since that was contrary to the principle of real capacity to pay and considerably restricted the negotiation of compromise solutions.

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6. Ms. MUSTONEN (Finland), speaking on behalf of the five Nordic countries, welcomed the report of the Committee on Contributions. With regard to the incorporation of socio-economic indicators, she agreed with the conclusions contained in paragraphs 26 and 51. The Committee's study had underlined the problems involved in selecting indicators and defining objective norms and weights for them. The present formula was the best currently available. Although there were many problems involved in its application and further study of ways to refine methods of assessment was needed.

7. With reference to paragraphs 27 to 33 of the report, it was to be hoped that progress could be made on the question of eliminating distortions in national income statistics caused by varying inflation levels once more information on the use of purchasing power parities was obtained. There was a need for further examination of the relationship between the mechanism used for traditional exchange-rate conversion and the national income adjustment factor as derived from price-adjusted exchange rates and purchasing power parities.

8. With regard to the low per capita income allowance formula, it was necessary to consider the income limit in conjunction with the size of the relief gradient. The Nordic countries noted the proposal to raise the upper limit to $US 2,200, but failed to understand the rationale underlying that increase and wished to emphasize the role of the allowance formula as a relief component for the poorest countries.

9. The Nordic countries took note of the Committee's recommendation to maintain the present 10-year statistical base period. It was important, however to ensure that the data provided were an accurate reflection of the current situation of a country. A long base period could lead to further deviation from the concept of real capacity to pay.

10. The mitigation process could be supported in principle as a way of avoiding excessive variations in individual rates of assessment between successive scales. However, it was difficult to judge the full impact of the proposed new mechanism of fixed scheme limits. Even with more complete information, the Nordic countries would still have serious reservations with respect to that proposal because it constituted a further deviation from the fundamental principle of basing rates of assessment on capacity to pay. The Committee on Contributions should continue, as at present, to mitigate extreme variations in assessments.

11. Mr. EL-SAFTY (Egypt) said that he had little disagreement with the report of the Committee on Contributions. As a matter of principle, he favoured the use of "real" capacity to pay for assessment purposes, and was opposed to such qualifications as "equitable", "relative" and "comprehensive". With regard to the apportionment of the burden between the developing and the developed countries, the Fifth Committee must seek agreements that were as widely acceptable as possible through co-operation rather than confrontation. Decision by majority vote should be the solution of last resort.

(Mr. El-Safty, Egypt)

12. Speaking on behalf of the Group of 77, he said that the present methodology, based on real capacity to pay, should continue to be used for fixing the next scale of assessments. The mitigation process should be maintained, giving high priority to the developing countries and not, as had once been proposed, allocating two thirds of mitigation points to the rich industrial countries. The Group of 77 was considering all possible approaches and was ready to hold further discussions with other groups, formally and informally, with an open mind.

13. Regarding the views of his own delegation, he said that some of the statistics gathered, for example, those referred to in paragraphs 18 and 19 of the report, were not comparable. Adjustment had to be made if information was obtained from a variety of sources. Paragraph 20 stated that the introduction of social and economic indicators diluted the impact of the low per capita income allowance. That was not the intention of the General Assembly resolutions on the subject, which was that the criterion of capacity to pay should have been applied first and that, as a second step, social and economic indicators could then have been used as supplementary criteria to relieve the burden of the developing countries.

14. Successive scales over the past six years had resulted in an increase of approximately 25 per cent in the share of the developing countries, yet there had been a decrease over the same period in the share of the centrally planned countries, despite their higher economic growth. Action should be taken to rectify that situation. He agreed with the conclusions reached by the Commitee in paragraphs 26, 31, 32, 33 and 38, as well as the recommendation to increase the per capita income limit to $US 2,200. He also accepted the conclusions of paragraphs 51 and 52 (a) and (b). As for paragraph 52 (c), regarding excessive variations in individual rates of assessment, further study was required with a view to differentiating between sharp increases and sharp decreases and according somewhat more generous treatment in the case of developing countries.

15. His delegation accepted the recommendations concerning the assessment of new Member States in paragraphs 61 and 62. With reference to paragraph 66, his delegation was not opposed to a study on comparative methods of assessment, but objected strongly to the proposed method of financing. If the study was to be financed within existing resources, the Secretary-General should inform the Fifth Committee, through ACABQ, about the implications for current programmes. The Committee on Contributions had exceeded its mandate with regard to financing, and that was both regrettable and unacceptable.

16. Lastly, he was concerned about the tone of the statement made by the United States delegation at the previous meeting. However, in the interests of promoting co-operation rather than confrontation, his delegation had decided to refrain from commenting.

17. Mr. CHUA (Singapore) reiterated his delegation's commitment to the principle of real capacity to pay and said that, as developing countries achieved economic progress, they should be prepared to pay a greater share of the financial burden. The use of per capita national income alone to determine real capacity to pay was

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(Mr. Chua, Singapore)

unacceptable, however since it led to an inequitable distribution of the financial burden unduly penalizing countries which had relatively high national income statistics but had not achieved the level of socio-economic development or the capacity for self-generating growth of the developed countries. Singapore, for instance, was heavily dependent on the outside world for food, raw materials, capital investment and technology and also for markets for its products, a situation which made it economically vulnerable. Its plight was shared by developing countries whose relatively high national incomes derived from the export of one or two major, high added-value commodities. It was regrettable therefore that the Committee on Contributions was unable to recommend an alternative methodology incorporating information on national wealth and socio-economic indicators. The Committee's conclusions in that regard should have been based on more objective arguments. While it was true that the use of socio-economic indicators involved such difficult problems as the suitability and relative weight of data, that alternative none the less warranted consideration and the Committee must be urged to explore it further.

18. His delegation believed that it was imperative to devise a mechanism to correct for inflation and changes in exchange rates when national income estimates were converted into United States dollars and to render comparable the data produced by the material product system and the system of national accounts. It therefore urged the Committee on Contributions to consider further the possibility of PPP conversion in 1987, when the International Price Comparison Project was completed, and also the possible use of PARE conversion.

19. His delegation supported the retention of the 10-year statistical base period and the increase in the per capita income allowance to $US 2,200. It had reservations, however, regarding the proposed mechanism to limit variations in Member States' rates of assessment. Those limits tended to be arbitrary and inconsistent with the principle of contributions based on the real capacity to pay. Finally, it did not support the recommendation to retain the use of per capita national income as the sole determinant of countries' contributions.

20. Mr. ALI (Bangladesh) said that his delegation was concerned about the continuing inability of the Committee on Contributions to propose a more equitable alternative to the current methodology. If it was indeed true that the incorporation of socio-economic indicators into the current methodology would lead to an increase in the contributions of developing countries, the reliability of such indicators was clearly open to doubt. His delegation questioned the Committee's wisdom in making a tentative observation to that effect, however, since such observations would tend to prompt Member States to decide a priori, whether or not to support the use of such indicators.

21. One delegation had referred to the widening gap between a small minority of major contributors and a large group of minor contributors which, it claimed, played a major part in shaping the decisions of the United Nations. It was his delegation's view, however, that there could not be a correlation between the size of a Member State's contribution and the level of its participation in decision-making.

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(Mr. Ali, Bangladesh)

22. His delegation believed that the method of assessment based on national income statistics had stood the test of time and that, in keeping with past General Assembly resolutions, the assessment rates of the least developed countries should not be increased. The economic conditions of that group of countries should continue to receive the most sympathetic consideration in the Committee on Contributions. While the current assessment methodology should continue to be used for the time being, a shorter statistical base period would highlight more effectively the recent economic difficulties faced by the developing countries, particularly the least developed countries. Also, the proposals for increasing the low per capita income allowance and limiting excessive variations between two successive scales required further consideration, with a view to achieving broad-based agreement.

23. On the recommendation of the Committee on Contributions, the rate of assessment for Bangladesh had been reduced from 0.04 per cent to 0.03 per cent. The relief afforded by that reduction was, however, inadequate and the Committee had failed to take full account of the realities of his country's situation. Despite the fact that Bangladesh was one of the 36 least developed countries and had currently the second lowest per capita income in the world, there were 86 Member States whose rates of assessment were lower than that of Bangladesh. His delegation failed to comprehend that glaring anomaly. Bangladesh was in fact the only least developed country whose rate of assessment had not been reduced to 0.01 per cent.

24. Mr. HERIJANTO (Indonesia) observed that fairness and equity were the basic objectives of a universally acceptable scale of assessments. As a result, no methodology should be accepted which reduced the assessments of the developed countries at the expense of the developing countries. His delegation was therefore not totally satisfied with the results of the Committee's study of economic and social indicators, which indicated that the incorporation of such indicators at the present time would lead to increases in the assessed contributions of developing countries. Such an outcome left Member States with no better alternative than the current methodology, yet that methodology was flawed. For instance, the Committee on Contributions had not accounted adequately for the world structural crisis affecting the developing countries. Furthermore, there was a two-year time lapse between the latest statistical data considered and the year in which the scale of assessments was applied, a factor which often distorted countries' real capacity to pay. What was needed first and foremost was a methodology which was acceptable to all Member States and was based on the elements set forth in General Assembly resolution 36/231 A.

25. His delegation supported the idea of avoiding excessive variations of individual rates of assessment between two successive scales because it believed that the capacity of a country to pay did not usually fluctuate to any great extent and that excessive variations might reflect an erroneous assessment of a country's economic reality. At the same time, it was aware of the technical difficulties facing the Committee on Contributions in determining the extent to which any particular variation should be considered excessive another fact that it was also

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(Mr. Herijanto, Indonesia)

far from simple to strike an appropriate balance in combining percentage limits and percentage point limits. Those difficulties should not, however, be taken as proof that the concept of limits was unjustified. The scheme proposed in paragraph 49, although it might require further improvement, certainly warranted consideration and should not preclude further mitigation.

26. His delegation favoured the 10-year statistical base period, which reflected the level of economic and social development of Member countries relatively accurately. In order to insure against excessive variations in assessments between successive scales, the length of the base period should not be subject to frequent change. Finally, his delegation supported the recommendation to increase the per capita income allowance to $US 2,200. That increase would at least partially offset the adverse effects of world inflation, which had caused grave concern to middle-income countries.

27. Mr. LOPEZ FONTAINE (Cuba) observed that, given the complexity of the task of divising an appropriate method of measuring Member States' capacity to pay, it would have been unrealistic to expect the Committee on Contributions to have arrived at a definitive and universally satisfactory solution. The adoption of the scale of assessments, which in the past had been a relatively uncontroversial matter, was now giving rise to difficulties owing to the growth of the United Nations budget, a growth which was attributable in large part to the high inflation rates in the developed capitalist countries where the United Nations had its main offices. Accordingly, it was important to focus on the reasons for the increase in the United Nations budget, with a view to distributing the burden of contributions more equitably.

28. According to the report of the Committee on Contributions, the incorporation of socio-economic indicators into the establishment of the scale of assessment would result in increased rates of assessment for the developing countries, when it was precisely those countries which were most affected by the current economic crisis. What was the reason for such a distortion of reality? It was clear from paragraphs 12 to 26 of the Committee's report that a whole range of factors had influenced the results of its study, and his delegation therefore supported the Committee's conclusion that those indicators should not be used in the assessment methodology at present.

29. Two main elements were involved in the establishment of the scale of assessments. An objective element, namely statistical data which were mechanically processed, and a subjective and much more important element, namely the expert who interpreted the guidelines for establishing the scale. Efforts had generally been directed towards improving the first element, when it was in fact during the mitigation process that greater justice and equity were required. It must be borne in mind at all times that the General Assembly had, in various resolutions, provided for a number of additional criteria to be taken into account in order to prevent anomalies resulting from the exclusive use of national income statistics.

(Mr. Lopez Fontaine, Cuba)

30. Some States, including Cuba, were prevented from paying their contributions in the currency designated by the Organization owing to unilateral measures imposed by the host country. The Committee on Contributions should pay attention to such considerations.

31. "Pseudo exchange rates" were unacceptable since they undermined the sovereignty of Member States, which alone were entitled to decide the rates of exchange to be applied in their commerical transactions. As to the avoidance of excessive variations, the imposition of limits distorted the principle of linking contributions to capacity to pay. The establishment of a maximum rate of assessment also undermined that principle.

32. His delegation supported the recommendation to increase the upper limit of the low per capita income allowance to $2,200. While it agreed that socio-economic indicators and "pseudo exchange rates" should not be taken into account, his delegation was not in favour of perpetuating a methodology which the General Assembly had found to be unsatisfactory. It would surely be preferable to give the Committee on Contributions more time and resources to complete the mandate assigned to it in paragraph 3 of Assembly resolution 34/6 B.

33. Mr. MURRAY (Trinidad and Tobago) said it was clear that the Committee on Contributions would not be able to recommend an alternative methodology unless it was given time to develop the necessary tools and an adequate data base. In that task it should be assisted by a specialized unit. A comprehensive examination would have to include an analysis of each country's stage of development, particularly its basic infrastructure. The selection of indicators and the assignment of weights would call for value judgements.

34. The social and economic indicators listed in the report appeared to have been chosen because data for them were available, not because they were the most pertinent, and such important indicators as expenditure on arms were absent. Moreover, there was no justification for the allocation of an equal weight to each indicator, as was the case in annex III. In the circumstances, there was no point in making a detailed critique. The Committee's conclusion that national income, adjusted by the low per capita income formula, should be used in establishing the next scale of assessments was the only realistic possibility pending further examination of methods.

35. Mr. AL-SALMANI (Oman) said that the serious economic situation of most countries in the world, particularly the developing countries, whose economic plight had been worsened by trade restrictions, should be taken into account by the Committee on Contributions. His delegation supported the further study by the Committee on Contributions of additional socio-economic indicators, the use of which should serve to ease the position of third world States, many of which depended on the export of a single natural resource for their foreign earnings. His delegation endorsed the Committee's view on the statistical base and supported the proposed increase in the upper limit of the low per capita income allowance formula.

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(Mr. Al-Salmani, Oman)

36. Despite its dependence on a depletable natural resource, Oman always paid its regular and voluntary contributons. It stood ready to co-operate with the Committee on Contributions in the interests of the United Nations. In that connection, his delegation supported the views expressed by the representative of the United Arab Emirates.

37. Mr. Miller (United States of America), exercising his right of reply, said that the aim of his delegation had not been to bring about confrontation, as Egypt had implied, but to approach the issue with an open mind out of concern for multilateral co-operation.

The meeting rose at 12.50 p.m.