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Chair: Mr. Berger. . . . . (Germany)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Kelapile

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Agenda item 134: Scale of assessments for the apportionment of the expenses of the United Nations

12-53375 (E)

The meeting was called to order at 10.10 a.m.

Agenda item 134: Scale of assessments for the apportionment of the expenses of the United Nations (A/67/11 and A/67/75)

1. **Mr. Greiver** (Chairman of the Committee on Contributions), introducing the report of the Committee on Contributions on its seventy-second session (A/67/11), said that the Committee had further reviewed the current methodology pursuant to rule 160 of the rules of procedure of the General Assembly and resolutions 58/1 B and 64/248 in order to address issues raised by the Assembly at its sixty-fifth and sixty-sixth sessions.

2. The income measure was a first approximation of capacity to pay. The Committee had reaffirmed its recommendation that the scale of assessments for the period 2013-2015 should be based on the most current, comprehensive and comparable gross national income (GNI) data available and had recommended that the Assembly should encourage Member States to submit the required national accounts questionnaires under the System of National Accounts, 1993 or 2008.

3. Conversion rates were required to convert GNI data from national currencies to a common monetary unit. The Committee had reaffirmed its recommendation that conversion rates based on market exchange rates (MERs) should be used, except where doing so would cause excessive fluctuations and distortions in GNI of some Member States expressed in United States dollars, in which case price-adjusted rates of exchange (PAREs) or other appropriate conversion rates should be applied. After review, the Committee had decided to use United Nations operational rates of exchange for Myanmar and the Syrian Arab Republic. Income data expressed in United States dollars must be averaged over a designated base period. The Committee had agreed that, once selected, the same base period should be used for as long as possible and that there was no good reason for changing the existing combined approach based on both the three-year and six-year periods.

4. There were two main issues to consider in relation to the functioning of the debt-burden adjustment: first, whether to use public and publicly guaranteed external debt data or to continue to use total external debt; and second, whether to base the adjustment on debt flow or to continue to use debt stock. The Committee had noted that the unavailability of data on public debt and debt flows was no longer a rationale for basing the debt-burden adjustment on total external debt and debt-stock calculations. As members had divergent views on the matter, the Committee had decided to consider the question further at future sessions in the light of guidance from the Assembly.

5. The low per capita income adjustment had been used from the outset in preparing the Organization’s scale of assessments; some Committee members were of the view that it still functioned well, but others disagreed. The Committee had considered various options for revising the adjustment, some of which had been considered previously and some of which were new or were variations of previous proposals. Members had expressed diverse views on the merits of the alternatives. The Committee had therefore decided to further consider the adjustment in the light of guidance from the Assembly.

6. The application of three elements — the maximum assessment rate, or ceiling, of 22 per cent, the 0.010 per cent ceiling for least developed countries, and the minimum assessment rate, or floor, of 0.001 per cent — had resulted in the redistribution of points in the scale of assessments. The Committee had decided to consider those elements in the light of guidance from the Assembly.

7. As part of its consideration of other suggestions and other possible elements for the scale methodology, the Committee had decided to study further the question of annual recalculation at future sessions in the light of guidance provided by the Assembly. The question of large scale-to-scale increases in assessment rates had also been examined. In a dynamic world, such changes were unavoidable, since Member States’ relative capacity to pay could increase or decrease according to their ranking in the scale regardless of whether GNI had increased or decreased in absolute terms. The Committee had decided to study further the merits, if any, of measures to address large scale-to-scale increases in the light of any guidance from the Assembly. The Committee had taken note of a representation from Turkey relating to proposals for a scale methodology which raised issues that had been considered during the review of large scale-to-scale increases.

8. In order to identify the impact of new data on the scale of assessments for the period 2013-2015,

including decisions on data and conversion rates but excluding proposals for changes to the methodology, the Committee had considered the application of that data to the methodology; the results were set out in chapter III of the report.

9. The Committee's report contained a review of the latest report of the Secretary-General on multi-year payment plans (A/67/75) and updated information on the status of payment plans as at 29 June 2012. The Committee had recognized the action taken by Liberia to address its arrears, resulting in the successful implementation of its plan in 2012. It had concluded that multi-year payment plans were a viable means for Member States to reduce their unpaid contributions and demonstrate their commitment to meeting their financial obligations to the United Nations. Noting that no new plans had been submitted, the Committee had reiterated its recommendation that the Assembly should encourage other Member States in arrears under Article 19 of the Charter to consider submitting multi-year payment plans.

10. The Committee had considered five requests for exemption under Article 19 of the Charter, reflecting a much improved situation compared to recent years, when as many as 10 requests had been considered. The Committee had concluded that the failure of the five Member States (Central African Republic, Comoros, Guinea-Bissau, Sao Tome and Principe, and Somalia) to pay the minimum amount required to avoid the application of Article 19 was owing to conditions beyond their control and recommended that they should be permitted to vote until the end of the sixty-seventh session of the General Assembly. At the conclusion of the Committee's session on 29 June 2012, the same five countries had been in arrears under the terms of Article 19 but had been permitted to vote until the end of the sixty-sixth session of the General Assembly, while Yemen, which had also been in arrears under the terms of Article 19, had had no vote.

11. By its resolution 65/308 of 14 July 2011, the General Assembly had admitted South Sudan to membership of the United Nations. Based on the available national income and population data, the Committee recommended that its rate of assessment in 2011 and 2012 should be 0.003 per cent and that, based on its date of admission, it should pay five twelfths of that rate for 2011. With respect to the assessment of the Holy See, the only non-member State, the Committee recommended that the arrangement adopted under General Assembly resolution 58/1 B should be continued and that the flat annual fee percentage of the Holy See should remain fixed at 50 per cent of its notional rate of assessment, which was 0.001 per cent for the period 2013-2015.

12. Lastly, in 2011, the Secretary-General had accepted the equivalent of $1,380,324 in a currency other than the United States dollar.

13. **Mr. Berridge** (Chief, Contributions and Policy Coordination Service), introducing the report of the Secretary-General on multi-year payment plans (A/67/75), said that the report set out the status of implementation as at 31 December 2011 of the payment plans of Liberia and Sao Tome and Principe. Liberia had fully implemented its plan in the first half of 2012 and the updated status of the sole remaining plan as at 29 June 2012 was contained in the report of the Committee on Contributions (A/67/11).

14. Six Member States had successfully implemented multi-year payment plans since the adoption of the system in 2002. No new payment plans or schedules for the elimination of arrears had been submitted in recent years, but several Member States had indicated that the matter was under consideration.

15. **Mr. Mihoubi** (Algeria), speaking on behalf of the Group of 77 and China, said that the Organization must have resources commensurate with its legislative mandates. Member States should therefore pay their assessed contributions in full, on time and without conditions, although the special circumstances of some developing countries that prevented them temporarily from meeting their financial obligations should be taken into account.

16. The capacity to pay should remain the fundamental criterion in the apportionment of the expenses of the United Nations. Core elements of the scale methodology such as the base period, gross national income, conversion rates, low per capita income adjustment, gradient, floor, least developed countries ceiling and debt-stock adjustment were not negotiable. The Assembly should, however, review the current overall ceiling, which had been fixed as a political compromise and was in consequence at odds with the principle of capacity to pay and distorted the scale of assessments.

17. The Assembly should exercise responsibility and prudence by promptly adopting the scale of

assessments for the period 2013-2015 on the basis of the current methodology. Although that would lead to substantial increases in the contributions of many developing countries, they were committed to fulfilling their responsibilities in that respect. Any attempt to change the methodology and shift additional financial burdens onto developing countries would be fruitless. Negotiations on the item should be open, inclusive and transparent in a manner befitting the Fifth Committee's competence as the sole Main Committee of the Assembly entrusted with administrative, financial and budgetary matters. The Group was opposed to decision-making in small groups and the imposition of conditionalities during negotiations.

18. He welcomed the efforts of Member States that had met their commitments under multi-year payment plans. Such plans should be voluntary and should take the State's financial situation into account but should not be used as a means of exerting pressure and should not be a factor in considering requests for exemption under Article 19 of the Charter. All Member States with significant arrears should consider submitting such plans if they were in a position to do so. The Group endorsed the recommendations of the Committee on Contributions that the five Member States which had submitted requests for exemption under Article 19 should be permitted to vote until the end of the sixty-seventh session of the Assembly.

19. **Mr. Vrailas** (Observer for the European Union), speaking also on behalf of the acceding country Croatia; the candidate countries Iceland, Montenegro and the former Yugoslav Republic of Macedonia; the stabilization and association process countries Albania and Bosnia and Herzegovina; and, in addition, the Republic of Moldova, said that funding of the United Nations was the responsibility of all Member States and was essential to its effective functioning. Financial contributions should be based on States' relative capacity to pay. However the current methodology for the preparation of the scale of assessments did not sufficiently take into account economic developments; the sum of contributions from European Union member States continued to exceed their share of world gross national income (GNI). The methodology could therefore be improved to reflect a more equitable and balanced distribution of financial responsibilities among Member States.

20. It was regrettable that the General Assembly had never carried out the comprehensive review of the assessment methodology that it had agreed to undertake at its sixty-fourth session. His delegation was concerned that the low per capita income adjustment had become the major criterion in the redistribution calculation under the current methodology; although it had been created to support poorer Member States, that adjustment only benefited them to a limited extent. The problems caused by the debt-burden adjustment were also worrying. Any option that would lead to a further distortion of the capacity to pay was unacceptable.

21. With regard to the requests for exemptions under Article 19 of the Charter, he reiterated that the payment of assessed contributions on time, in full and without conditions was a fundamental duty of all Member States. Nevertheless, some States might face genuine temporary difficulties in discharging that duty for reasons beyond their control. Multi-year payment plans were effective tools that helped Member States to reduce their unpaid assessed contributions. He therefore endorsed the recommendations of the Committee on Contributions regarding exemptions under Article 19 of the Charter.

22. **Mr. Yamamoto** (Japan), recalling that Japan was the second largest financial contributor to the United Nations, said that his country had paid its dues faithfully, despite the economic and financial difficulties it was facing. His delegation supported the principle of capacity to pay. However, the changing world economic situation required the Organization to develop a methodology for the preparation of the scale of assessments that better reflected each Member States' real and current capacity to pay in a more equitable manner, based on the most current, comprehensive and comparable data available.

23. His delegation endorsed the recommendations of the Committee on Contributions regarding exemptions under Article 19 of the Charter.

24. **Mr. León González** (Cuba) said that the scale of assessments was one of the main elements ensuring the equitable participation of all Member States in the United Nations activities. The current methodology, which was the result of a long, evolutionary consultation process, was based on the guiding principle of capacity to pay. However, the existing maximum assessment rate had been set on the basis of political considerations and distorted that principle. Any change in the methodology that did not seriously

address the abolition of the maximum rate made no logical sense.

25. He was dismayed to see an increasing share of the United Nations budget being devoted to issues of peace and security, while fewer and fewer resources were allocated for economic and social development. Pressure was being exerted to silence developing countries in the decision-making process as a small group of powerful countries attempted to make decisions for all, in blatant violation of the Charter principle of the sovereign equality of States. Although it was the target of a unilateral embargo that affected its ability to pay its contribution, Cuba was fulfilling its financial obligations to the United Nations and would oppose any attempt to modify the scale of assessments that might further limit the democratic participation of developing countries in the Organization's work.

26. His delegation favoured the swift adoption of a draft resolution allowing the recommended exemptions under Article 19 of the Charter for those States that had been unable to settle their arrears owing to circumstances beyond their control.

27. **Mr. Al-Mutawah** (Qatar) said that, although his country was facing many challenges as a result of the global economic and financial crisis, it remained committed to fulfilling its legal obligation to pay its contribution in full and encouraged other Member States to pay their contributions in full, on time and without conditions. However, it should be recognized that the economic difficulties faced by developing countries could temporarily prevent them from meeting their financial obligations. His delegation therefore endorsed the recommendations of the Committee on Contributions regarding exemptions under Article 19 of the Charter. Commending those Member States that had implemented multi-year payment plans, he stressed that such plans should remain voluntary, should not be used to exert pressure on the Member States concerned, and should not be a factor when considering exemption under Article 19 of the Charter.

28. The current methodology for the preparation of the scale of assessments reflected the changes that had occurred in the economic conditions of Member States. Capacity to pay remained the fundamental criterion for the apportionment of the expenses of the United Nations. His delegation therefore rejected any changes to the elements of the current methodology for the preparation of the scale of assessments that were aimed at shifting the burden of financing the Organization to the developing countries. Those elements must be kept intact and were not negotiable.

29. In that connection, he stressed that GNI and median per capita income should not be the only criteria by which rates of assessment were determined; various other economic and social factors, including developing countries' human development needs, should also be taken into consideration, particularly in view of the reduction in spending by developed countries on programmes aimed at promoting development and the attainment of the Millennium Development Goals.

30. **Mr. Siah** (Singapore) said that, while the current methodology for the preparation of the scale of assessments was not perfect, it was a reasonable and workable compromise. It reflected the changes in the relative economic performances of Member States in a stable and predictable way, but inevitably, when one country's contribution rate decreased, others' rates must increase. His delegation would oppose proposals that sought to change the scale of assessments to suit the political purposes of a particular country or group of countries or that unjustly imposed greater obligations on developing countries. He urged all Member States to look beyond cost savings and political gain and to fulfil their obligations to the Organization.

31. **Mr. Chumakov** (Russian Federation) said that the fair apportionment of expenses among the Member States and the payment of assessed contributions in full, on time and without conditions were crucial to the Organization's ability to discharge a growing number of complex mandates. His delegation had been disappointed at the Committee's failure to reach consensus in its deliberations on the scale of assessments at the sixty-fourth session of the General Assembly; it would be unacceptable to repeat that situation, in which the views of five Member States on a currency exchange-based per capita income adjustment had been disregarded. He hoped that a depoliticized technical discussion of the scale methodology would yield consensus in the future.

32. The Committee on Contributions should have working methods that would enable it to advise the Assembly more effectively. It was sometimes difficult to achieve consensus in the Committee and the

establishment of additional working groups would only complicate the elaboration of expert recommendations.

33. The current scale methodology, which had resulted from a difficult negotiation process, did not require significant adjustment, although his delegation would consider changes that reflected States' capacity to pay. It was also prepared to discuss the key elements of the methodology, including the ceiling; the apportionment resulting from discounts; the principle of per capita income adjustment based on exchange rate fluctuations; and limits to increases in contributions.

34. His delegation had no objection to permitting the five Member States that had requested exemptions under Article 19 of the Charter to vote until the end of the current session.

35. **Mr. Torsella** (United States of America) said that the triennial review of the methodology for the preparation of the scale of assessments was an opportunity to assess whether that methodology continued to be suited to current circumstances. Since the scale of assessments was last negotiated, developing countries had continued their impressive economic growth. The General Assembly must adequately reflect those economic realities in the scale of assessments for 2013-2015 while continuing to respect the fundamental principles of apportioning expenses on the basis of capacity to pay and avoiding over-reliance upon any one contributor. Countries whose economies had grown should welcome the opportunity to become a larger stakeholder in the work of the Organization.

36. **Mr. Ruíz** (Colombia) said that it was vital that Member States should pay their contributions on time, in full and without conditions to allow the United Nations to carry out its mandates. The principle of capacity to pay should remain the fundamental criterion for the apportionment of the Organization's expenses and, while it was important that the scale of assessments for 2013-2015 was based on the most up-to-date, comprehensive and comparable GNI data available, it should also reflect the evolving economic situation of States in order to ensure that the financial burden was not too onerous for countries that continued to face significant development and poverty reduction challenges.

37. A limit should be introduced on large scale-to-scale increases in rates of assessment; the impact of increases could be mitigated by implementing them gradually over the period covered by the scale. Very large increases in contributions often had an impact on States' financial obligations to other United Nations agencies.

38. His delegation considered that the current methodology for the preparation of the scale of assessments should be maintained for the biennium 2013-2015. The debt-burden and low per capita income adjustments were important and integral elements of the methodology and should therefore remain unchanged. Any discussion of the methodology should be addressed transparently and openly within the Fifth Committee, according to the established rules and procedures.

39. **Mr. Sul** Kyung-hoon (Republic of Korea) said that, in the light of the economic downturns and financial constraints experienced by many countries, a fairer and more reasonable burden-sharing mechanism must be found. Discussions should focus less on how a new methodology would affect Member States' contributions and more on whether it would result in a more equitable and sustainable scale.

40. His delegation believed that the current methodology could be made more equitable, sustainable and simpler, while respecting the principle of capacity to pay. The deviation between the scale of assessments and GNI, after the various adjustment mechanisms and the ceilings had been applied, should be within a reasonable range. The debt-burden adjustment should be re-examined to ascertain whether it could be improved by using more accurate, up-to-date data on debt flow and public debt, thus reflecting a country's capacity to pay more accurately and equitably. However, any new elements that sought to address sharp changes in scales would, in his view, further complicate the calculation and distort the principle of capacity to pay.

41. Lastly, his delegation endorsed the recommendations of the Committee on Contributions regarding exemptions under Article 19 of the Charter and encouraged the Member States concerned to do their utmost to reduce their unpaid assessed contributions.

42. **Mr. Wang** Min (China) said that the scale of assessments should be based on the principle of capacity to pay and any discussion of the issue in the Fifth Committee should follow the rules of procedure of the General Assembly and the provisions of the relevant resolutions. The calculation of Member States'

capacity to pay took into account both GNI and, more important, per capita income. As the living standards in developing countries, constrained by weak economic foundations and the onerous task of poverty eradication, lagged behind those of developed countries, it would be unfair to ignore per capita income and use GNI alone to measure developing countries' capacity to pay. Therefore, the existing low per capita income adjustment should be applied equitably to all eligible Member States. Proposals to introduce multiple adjustment rates or ceilings would subvert the mechanism.

43. While the current methodology for the preparation of the scale of assessments was not perfect, it was effective and provided a stable and predictable financial foundation for the United Nations. Under the current scale, China's assessment rate would increase the most in the next three years, which would undoubtedly constitute a heavy burden on the Chinese economy. Despite its relatively fast economic growth, China remained a developing country. A large proportion of its population lived in poverty and economic development was very uneven throughout the country. An objective and reasonable assessment of China's capacity to pay should therefore be based on its national situation and the international economic environment.

44. **Mr. Kohona** (Sri Lanka) said that the United Nations must have the resources it required to carry out all of its legislative mandates. Member States should therefore pay their assessments in full, on time and without conditions, and the Secretariat should utilize resources effectively and cut costs wherever possible without affecting the implementation of mandates. The cases of developing countries that faced genuine difficulties in meeting their obligations should be examined individually as provided for by Article 19 of the Charter.

45. The capacity to pay was the fundamental criterion for the apportionment of expenses under the current scale methodology, which reflected the relative economic circumstances of Member States; his delegation opposed any changes to the current methodology aimed at increasing the contributions of developing countries. He reaffirmed that all administrative, financial and budgetary matters should be discussed within the Fifth Committee as the sole Main Committee of the General Assembly responsible for such matters.

46. **Mr. Pehlivan** (Turkey) said that the scale of assessments for the regular budget should distribute financial responsibility among Member States in a fair and balanced manner using the capacity to pay as the key principle. It was unfortunate that the review of the scale methodology requested by the Assembly in its resolution 64/248 had not yielded any results in addressing elements that, over time, had led to unfair distortions in the apportionment of expenses. Member States should engage in constructive and open dialogue in order to overcome their divergent views and reach a common understanding on a sound, sustainable and fair methodology.

47. Member States should pay their contributions in full and on time in order to enable the United Nations to discharge its mission effectively. The evolving economic strength of States should be reflected in the scale of assessments in accordance with the principle of capacity to pay. His Government was prepared to pay a higher contribution as a result of Turkey's economic development. However, as noted in the report of the Committee on Contributions (A/67/11), it had requested a review of the modalities for providing temporary relief to States facing large scale-to-scale increases in their assessments; establishing a ceiling for such increases would mitigate their impact on national budgets.

48. Member States had a duty to pay their assessed contributions in full, on time and without condition. States with unpaid contributions should make further efforts to reduce their arrears; voluntary implementation of multi-year payment plans was a useful tool in that regard. Recognizing that some States faced real difficulties in fulfilling their financial obligations, he endorsed the recommendations of the Committee on Contributions to permit the five countries that had requested Article 19 exemptions to vote in the Assembly.

49. **Mr. Greiver** (Chairman of the Committee on Contributions) said that he would convey delegations' comments to the Committee on Contributions. The Committee had received over 60 queries from Member States in the previous year concerning the scale methodology and in response it had included extensive information in its report (A/67/11). The preparation of the next scale of assessments would undoubtedly be difficult as it would necessarily reflect the effects of the financial and economic crisis that had begun in 2008.

The meeting rose at 11.45 a.m.