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SUMMARY RECORD OF THE 20th MEETING

Chairman: Mr. AL-MASRI (Syrian Arab Republic)

later: Mr. VAHER (Canada)

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

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The meeting was called to order at 3.30 p.m.

AGENDA ITEM 129: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (continued) (A/44/11 and Add.1)

1. Mr. LOPEZ (Venezuela) said that his delegation found the procedure which the Committee on Contributions had established to respond to resolution 43/223 B acceptable, although it would have preferred to see some results and concrete proposals at the current session. The explanation of how assessments were arrived at (A/44/11, paras. 6-10) only partly answered the call for greater transparency: the relationship between the different elements of the methodology needed to be clarified. The information given in paragraphs 34 and 35 of the report was not a sufficient response to the concerns and questions raised by delegations at the forty-third session.

2. Alternative income concepts offered the key to a scale of assessments which better matched capacity to pay. He had expected the Committee to make greater progress on the subject. He was struck by the fact that, in paragraph 14 of its report, the Committee stated that "alternative income concepts were not sufficiently developed conceptually and lacked an adequate data base" while earlier, in paragraph 12 (a) it stated that national disposal income as a concept was widely used in national accounting and data would be generally available for a large number of countries. It was to be hoped that by the following session the Committee could submit specific recommendations on one or more of the alternative income concepts. His delegation would like enough information to judge with some degree of certainty whether the alternative concepts were better than national income at reflecting capacity to pay.

3. Without question, a shorter statistical base period would offer a better approximation of a country's capacity to pay at the moment when it actually had to pay, and might render some adjustments unnecessary. He believed a satisfactory agreement could be reached on a base period of less than 10 years.

4. The importance of adjustments for indebtedness needed no emphasis. His delegation looked forward to receiving the study on debt payment flows referred to in paragraph 21 of the Committee's report, and again hoped for specific recommendations at the forty-fifth session. It agreed with the Committee's decision to make no recommendation on the low per capita income allowance formula, but believed there was ample justification for raising the upper limit.

5. More important than the question of ceiling and floor rates, which the Committee rightly said was less a technical than a political matter, was the need for all Member States to honour in full their obligations under Article 17, paragraph 2 of the Charter. If they did, the question of the ceiling rate would not arise, at least in the terms in which it had arisen in recent years. Finally, while there was little hope of doing away with the mitigation process altogether,

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(Mr. Lopez, Venezuela)

his delegation felt that there could be more transparency in the criteria used in making ad hoc adjustments.

6. Mr. VAHER (Canada) took the Chair.

7. Mr. MUNTASSER (Libyan Arab Jamahiriya) expressed his disappointment at the refusal of the Committee on Contributions to take account of his country's position as a developing country whose social and economic infrastructure remained incomplete and which had to rely on a single, non-renewable resource, namely, oil. To add to his country's woes, the price of oil had been declining for several years, and it was suffering as a result of economic boycott measures which had been condemned by the General Assembly.

8. During deliberations at the forty-third session, most delegations had agreed that the current scale of assessments was inequitable and that there was a need for a comprehensive review of the existing methodology. It was therefore a cause for regret that the Committee on Contributions had been unable to put forward any recommendation, confining itself to a request that the Secretariat carry out more studies and provide more information. It was apparent that the Committee no longer served the purpose for which it had been established. Neither was there any justification for its carrying out its work under such an exaggerated cloak of secrecy. His delegation believed that the Committee's membership should be expanded and its composition reviewed.

9. Many delegations had found the report of the Committee on Contributions unsatisfactory. For example, in paragraph 14, it was recommended that additional studies be carried out regarding national disposable income, debt-adjusted income and FARE-adjusted income. His delegation believed that all alternative income concepts, including monetary income and sustainable income for economic development, should continue to be considered. With regard to the low per capita income allowance formula, the repercussions of any increase in the upper income limit should not be borne by the developing countries.

10. Any methodology must be capable of reflecting the political and economic realities of the modern world. Annex III was indicative of the extent to which the methodology was flawed, indicating as it did that the contributions of most developing countries to the United Nations, expressed as a percentage of national income, were higher than those of the industrialized countries. That shortcoming must be rectified as soon possible.

11. Mr. GUPTA (India) said that national income should remain the primary basis for determining Member States' capacity to pay, although additional economic indicators could be used to supplement the results obtained from comparing national incomes. In the case of the national disposable income concept, he wondered how many States did not make deductions for net transfers abroad by migrant workers and holders of foreign currency accounts, and how their income data could be compared with those of countries which did. In relation to the concept of monetary income, he had doubts about the validity of the argument that subsistence farming and

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(Mr. Gupta, India)

similar non-market transactions did not contribute to national income. Given their limitations, he was not certain that the five alternative income concepts discussed by the Committee on Contributions could improve the current methodology. The Committee might, however, examine other criteria, such as how much countries spent on alleviating poverty, and how much foreign exchange they needed to meet their development objectives.

12. On the question of adjustments for external debt, he wondered whether the ratios of debt-service to debt used to construct the table in annex IV were merely indicative, or whether they bore any relationship to actual debt repayment conditions.

13. His delegation would like the brackets used in the scheme of limits to be related to Member States' capacity to pay and actual rates of assessment, in accordance with the taxation principle. Countries with low per capita income should not be expected to bear the burden of relief given to countries with higher per capita incomes. The Committee on Contributions should address that issue again at its forthcoming session.

14. The General Assembly had directed that ad hoc adjustments to the scale of assessments should be made on the basis of objective, rational and transparent considerations, applied uniformly. His delegation disagreed with the view of the Committee on Contributions that a definitive list of criteria could not be devised. A possible mechanism could be a graduated scale of relief in proportion to increases in individual assessments, keeping States' developmental status and other needs in view. Account could also be taken of losses due to such circumstances as natural disasters. In future, mitigation should be done on the basis of criteria approved by the General Assembly; the Fifth Committee should recommend changes in the rules of procedure under rule 163, in order to enable all interested Member States to attend meetings of the Committee on Contributions as observers. Other expert bodies already followed that practice. As confidence in the United Nations grew and decisions on expenditure were increasingly made by consensus, it was imperative that the expenses of the Organization should also be apportioned by consensus. In recent years, the scale of assessments had generally been adopted by vote. Increased participation by Member States in meetings of the Committee on Contributions would improve the current methodology and give all States which believed that they deserved mitigation an opportunity to make their case.

15. The Committee's treatment of a representation from his country was described in paragraph 42 of the report. In that connection, he wished to point out that his country had not applied for a "downward adjustment" of its assessment, but could not understand why it had been denied any mitigation when other countries doing well economically had been granted relief. Nor could it understand the argument that damage suffered in 1985 and 1986 was already reflected in the national income data for those years, while that suffered in 1987 would be reflected in the income data used in setting the next scale. As the report gave no indication that the Committee had applied the criterion of relative income change resulting from

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(Mr. Gupta, India)

capital damage when awarding mitigation relief to other countries, it was hard to see why it had applied it so strictly to India; and certainly India was not the only Member State to benefit from the application of the low per capita income allowance formula. Despite the advice of the General Assembly, the Committee on Contributions had not given India and a few other Member States the same treatment in regard to distribution of mitigation relief as it had given to some other States the previous year. It was to be hoped that such a situation would not recur.

16. Mrs. CHAN Heng Chee (Singapore) said that the report of the Committee on Contributions was a step in the right direction. Until a patient's symptoms had been identified and the cause of the illness diagnosed, no cure could be prescribed. With better data and some guidance from the Fifth Committee, the Committee on Contributions should be able to produce definite recommendations for consideration at the forty-fifth session of the General Assembly. Pending more suitable and objective criteria and a practical alternative to the current methodology, there was little choice but to use the concept of national income in computing the scale of assessments.

17. Using national income to measure capacity to pay had always involved conceptual and practical difficulties, but national income was a widely used concept and data were readily available for most Member States. Before replacing it with something new and different, therefore, there would have to be clear-cut benefits.

18. Her delegation shared the view that the 10-year statistical base period should be retained. In addition to the reasoning given in the report of the Committee on Contributions (para. 18), it could be argued that a nation's accumulated wealth, as well as its current annual income, should be regarded as affecting its capacity to pay. In the case of developing countries without established infrastructure whose incomes had increased substantially in recent years, a shorter base period would result in higher assessment rates without reflecting their capacity to pay in terms of capital accumulation or wealth. In addition, the existing methodology lacked a systematic, objective means of correcting the distortions caused by changes in prices which were not proportionately reflected in exchange rates. The Committee on Contributions had found that extending the statistical base period somewhat reduced the impact of that shortcoming. Until price-adjusted rates of exchange could be developed and incorporated into the existing methodology, therefore, it would be unwise to consider reducing the statistical base period.

19. The purpose of the scheme of limits was not to afford relief, but merely to mitigate extreme variations in individual rates of assessment between two successive scales. That was both necessary and useful, for both developed and developing countries. Her delegation was prepared to consider some refinements to the scheme, such as shortening the brackets, but was opposed to eliminating it or to applying it progressively over the three-year period of the scale. Progressive application would be tantamount to changing the scale of assessments every year.

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(Mrs. Chan Heng Chee, Singapore)

20. Her delegation was firmly committed to two fundamental principles. First, contributions should be assessed on all Member States on the basis of capacity to pay. As a developing country made economic and social progress it should be prepared to pay a greater share of the costs of the Organization. The burden must, however, be borne fairly and equitably by all States. Second, special consideration must be given to the least developed countries. Her delegation's view was that they should continue to be assessed at the floor rate. Special consideration should also be given to developing countries facing serious economic and financial difficulties, such as debt-servicing problems.

21. In conclusion, she urged all Member States to ensure the timely payment of their contributions to the United Nations. It was high time the Organization was able to leave its financial worries behind.

22. Mr. Al-Masri (Syrian Arab Republic) resumed the Chair.

23. Mr. SOEDALTO (Indonesia), noting the complexity of the task undertaken by the Committee on Contributions, hoped that the final phase of the comprehensive review would cover all aspects of the methodology, taking full account of the views expressed by Member States in the Fifth Committee. The fundamental criterion for establishing the scale of assessments should be the capacity to pay of Member States, based on national income. It was therefore important that national income should be accurately reflected. His delegation had no objection to retention of the 10-year statistical base period, with a view to preserving stability and continuity, but felt that the data provided in annex II of document A/44/11 should be updated.

24. With regard to efforts to improve application of the debt factor, the Committee was proceeding in the right direction. His delegation fully shared the view that the United Nations Statistical Office should be requested to seek closer contact with the International Monetary Fund (IMF) in order to secure an improved data bank on debt statistics. It also encouraged the Committee to consider the results of a study undertaken by a joint working group including representatives of IMF, the World Bank, the Organization for Economic Co-operation and Development and the Bank for International Settlements, concerning loan repayment periods.

25. With respect to the low per capita income allowance formula, his delegation appreciated the useful information provided in annex V of the Committee's report but would prefer that specific recommendations on that subject be calculated on the basis of national income data beyond 1986. It therefore endorsed the Committee's decision to defer any specific recommendations in that regard until the following session.

26. The difficulties experienced by the Committee in trying to implement the General Assembly's guidelines concerning the mitigation process were entirely understandable. There would, however, be no need for ad hoc adjustments if the

(Mr. Soedarto, Indonesia)

methodology were fully to reflect Member States' capacity to pay. The Committee's decision to include in its reports on the preparation of future scales explicit information on the ad hoc adjustments should be welcomed. His delegation also concurred with the Committee's decision not to discuss possible adjustments of either the ceiling or floor rate in view of the political nature of the topic.

AGENDA ITEM 123: PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1990-1991 (continued)

Programme budget implications of draft resolution A/44/L.17 concerning agenda item 32 (A/C.5/44/15)

27. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that the draft resolution contained in document A/44/L.17 requested the Secretary-General to encourage the early realization of a comprehensive political settlement in Afghanistan in accordance with the provisions of the Geneva Agreements and of the present resolution. In his statement of programme budget implications (A/C.5/44/15), the Secretary-General noted that the request related to his good offices functions. A similar request had been made in General Assembly resolution 43/20, and the administrative and logistical support for implementation of that mandate had been provided by the United Nations Good Offices Mission in Afghanistan and Pakistan (UNGOMAP), the budgetary provisions for which extended through 31 December 1989. Should the General Assembly adopt the draft resolution under consideration, the Secretary-General would be required to provide, for the period from 1 January to 31 December 1990, the administrative and logistical support hitherto provided by UNGOMAP, entailing additional requirements of \$5,813,800. That amount would finance posts for the Personal Representative of the Secretary-General (at the Assistant Secretary-General level) and supporting staff in the mission area (1 D-1, 3 P-5, 8 FS, 5 GS (Other level) and 13 local level) as well as at Headquarters (1 P-4 and 1 GS (Other level)). The appropriation would also cover the costs of logistical support indicated in the annex to document A/C.5/44/15. If the budgetary authorization for UNGOMAP were to be extended, the Secretary-General would continue to rely, to the extent possible, on the administrative and logistical support of UNGOMAP. The aforementioned additional requirements would then be adjusted appropriately, in order to avoid any double budgeting.

28. The Advisory Committee agreed with the Secretary-General that the activities called for under the draft resolution related to the maintenance of peace and security and therefore, in accordance with annex I, paragraph 11, of General Assembly resolution 41/213, should not be financed from the contingency fund for the proposed programme budget for the biennium 1990-1991. It was, accordingly, the recommendation of the Advisory Committee that the Fifth Committee inform the General Assembly that, should it adopt the draft resolution contained in document A/44/L.17, an additional appropriation in the amount of \$5,813,800 would be required under section 1 of the proposed programme budget for the biennium 1990-1991, and that an additional appropriation of \$286,800 would be required under section 31 (Staff assessment), to be offset by the same amount under income section 1 (Income from staff assessment).

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29. Mr. KALBITZER (Federal Republic of Germany) said it was highly irregular that the Committee should be required to approve additional expenditure at such short notice. Draft resolution A/44/L.17 made no reference to financial implications, and document A/C.5/44/15 had been made available only when delegations had entered the conference room. While recognizing the laudable intentions of the draft resolution, his delegation would, for procedural reasons, not take part in the vote.

30. Mr. GROSSMAN (United States of America) said that his delegation, while wishing to co-operate with the Fifth Committee and not delay its work, had not been given sufficient time carefully to consider the budget implications of the draft resolution. It was also disappointed that the Secretary-General had not seen fit, in his reference to annex 1 of General Assembly resolution 41/213, to quote the final sentence of paragraph 11 of that annex, which enjoined the Secretary-General to make efforts to absorb expenditures relating to the maintenance of peace and security, to the extent possible, through savings from the programme budget. The Secretary-General stated, in paragraph 10 of document A/C.5/44/15, that it was not anticipated that the related estimated cost could be absorbed within requested resources, but provided no justification of his position. His delegation was unable to support the additional appropriations and therefore requested that a recorded vote be taken on the proposal.

31. Mr. GUPTA (India) said his delegation, while not opposed to the adoption of a decision on the subject under consideration, wished to know whether any change was proposed in the administrative structure or staffing of UNGOMAP in 1990 and whether any details of its current expenditure were available.

32. Mr. BOUR (France) said that his delegation shared the concern about the late distribution of documents. It had no wish to delay the debate but proposed a suspension of the meeting to enable the States members of the European community to consult each other.

33. Mr. LADJOUZI (Algeria) suggested that it might be better to defer consideration of the issue so that delegations could consult their authorities.

34. After a procedural discussion in which Mr. LADJOUZI (Algeria), Ms. BROINOWSKI (Australia), Mr. EKRA (Côte d'Ivoire), Mr. FONTAINE ORTIZ (Cuba), Mr. NASSER (Egypt), Mr. BOUR (France), Mr. DANKWA (Ghana), Mr. GUPTA (India), Miss SHITAKHA (Kenya), Mr. HAQUE (Pakistan), Mr. VISLYKH (Union of Soviet Socialist Republics), Mr. LOPEZ (Venezuela) and Mr. GOMEZ (Controller) took part, the CHAIRMAN said that if there was no objection he would take it that the Committee agreed to the French proposal for suspension of the meeting.

35. It was so decided.

36. The meeting was suspended at 5.40 p.m. and resumed at 5.55 p.m.

37. The CHAIRMAN said that since it was apparent that the Committee could not take a decision at the present meeting the matter would be taken up again at the next meeting.

The meeting rose at 6 p.m.