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Fifth Committee

Summary record of the 2nd meeting
Held at Headquarters, New York, on Monday, 8 October 2007, at 10 a.m.

Chairman: Mr. Ali. . . . . (Malaysia)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Saha

Contents

07-53173 (E)

The meeting was called to order at 10 a.m.

Agenda item 132: Scale of assessments for the apportionment of the expenses of the United Nations (A/62/11 and A/62/70)

1. **Mr. Greiver** (Chairman of the Committee on Contributions), introducing the report of the Committee on Contributions on its sixty-seventh session (A/62/11), recalled that in its resolution 61/237 the General Assembly had requested the Committee on Contributions to review the methodology of future scales of assessments on the basis of the principle that the expenses of the Organization should be apportioned broadly according to capacity to pay. The Committee had proceeded with its initial review of the elements of the methodology in order to reflect the capacity of Member States to pay and had decided to undertake at its sixty-eighth session an in-depth study of the methodology as the basis of a comprehensive report to be submitted to the General Assembly at its sixty-third session.

2. The Committee had reaffirmed its earlier recommendation that the most current, comprehensive and comparable data available for gross national income (GNI) should be used for income measurement in preparing the scale and noted that universal adoption of the 1993 System of National Accounts (SNA) would provide for a more equitable and comparable measure of capacity to pay; it encouraged Member States which had not yet done so to adopt the 1993 SNA.

3. The Committee had also reaffirmed its recommendation that conversion rates based on market exchange rates (MERs) should be used, except where that would cause excessive fluctuations and distortions of GNI expressed in United States dollars at MERs, in which case price-adjusted rates of exchanges (PAREs) should be employed. Some members wished to review at the Committee's next session the feasibility of using purchasing power parity (PPP) in the light of a new study by the World Bank. Other members had expressed serious reservations about the use of PPP on the grounds that it did not measure capacity to pay in United States dollars owing to the inclusion of goods and services that were not tradable internationally. A more balanced approach, in the view of some members, would be to use a currency basket, namely, the special drawing rights (SDRs) used by the International Monetary Fund, to replace the dollar as a single conversion base; other members doubted the usefulness of that approach.

4. With regard to the current ceiling and floor rates set by the General Assembly, some members of the Committee had noted that the floor level was inconsistent with the principle of capacity to pay because it increased the burden on countries whose rates of assessment had to be raised to that level; other members felt that the floor ensured a certain base minimum which Member States should contribute. The Committee had decided to consider further the base period, the debt-burden adjustment and the low per capita income adjustment in the light of guidance by the General Assembly and on the basis of additional information from the Statistics Division.

5. The Committee had revisited the proposal for automatic recalculation of the scale on a number of occasions since 1997. Some members believed that such recalculation would reflect current capacity to pay better, while others felt that it might lead to annual renegotiation of the scale, making annual assessments less stable and predictable, quite apart from contravening rule 160 of the rules of procedure. The Committee had decided to continue its consideration of the question at future sessions.

6. In its resolution 61/237 the General Assembly had noted that the application of the current methodology had led to substantial increases in the rate of assessment of some Member States. The Committee had accordingly decided to continue to consider the feasibility of application of systematic measures of transitional relief for States facing large scale-to-scale increases in the light of guidance by the Assembly.

7. In its resolution 57/4 B the General Assembly had endorsed the Committee's conclusions and recommendations concerning multi-year payment plans and had reaffirmed paragraph 1 of that resolution on several occasions. One of the recommendations had been that the Secretary-General should be requested to submit information on such plans and an annual report on their status: his report on multi-year payment plans (A/62/70) was a response to that request. Details of the Committee's review of that report were to be found in chapter IV of its own report, together with information on the implementation of the plans submitted. The system had helped the Member States concerned to reduce their arrears (Georgia and Niger had completed payments under their plans in 2007), and the Committee recommended that the General Assembly should encourage other States in arrears to submit plans. Some members had noted that since the terms of

some of the plans were not being met, the length of the payment term might need to be adjusted to a State's capacity to pay.

8. The Committee had considered seven requests for exemption under Article 19 of the Charter; it noted that four of the States requesting exemption had submitted multi-year payment plans and it encouraged all States requesting exemption to do likewise. The Committee had also decided to review at its next session the principles of the application of Article 19 provisions in order to establish guidelines for considering future requests for exemption. The Committee had concluded that the failure of the seven Member States in question to avoid the application of Article 19 had been due to conditions beyond their control.

9. The Committee had noted that seven Member States falling under the provisions of Article 19 had been permitted to vote in the General Assembly until the end of the sixty-first session (para. 120 of the report); it had further noted that the Secretary-General had accepted in 2006 the equivalent of approximately $1 million in currencies other than the United States dollar (para. 123); it had decided to revert to the question of its working methods at its next session (para. 125); and it had requested the General Assembly to consider the allocation of funds for a database and website (para. 126).

10. **Ms. Than** (Acting Chief of the Contributions Service) said that the report of the Secretary-General on multi-year payment plans (A/62/70) was a response to the recommendations of the Committee on Contributions that Member States in arrears should be encouraged to submit multi-year payment plans and that the Secretary-General should provide further information on the submission of such plans and an annual report on the status of their implementation. The report thus provided information on the five existing payment plans: Tajikistan and Georgia had exceeded the planned payments, while the payments by Niger and Sao Tome and Principe had been below the scheduled levels; Liberia had paid the first two instalments under its plan. The report of the Committee on Contributions provided information on subsequent developments: Georgia and Niger had both completed their payments in 2007 and no longer fell under the provisions of Article 19; the Committee had recognized the efforts made by those two States to honour their commitments. The report also contained updated information on the implementation of the three other plans; Liberia had paid another instalment since the issuance of the report.

11. **Ms. Mesquita** (Portugal), speaking on behalf of the European Union, the candidate countries Turkey and the former Yugoslav Republic of Macedonia, the stabilization and association process countries Albania, Montenegro and Serbia and, in addition, Armenia, Iceland, Georgia, Moldova and Ukraine, said that, with regard to requests for exemption under Article 19, the European Union had consistently maintained that the payment of assessed contributions in full, on time and without conditions was a primary duty of all the Member States and that the substantial arrears of several major contributors exacerbated the Organization's financial situation. However, it recognized that some Member States might experience genuine difficulties in paying their contributions and must be afforded the consideration provided for in the Charter. Multi-year payment plans had proved a success in helping a number of States to reduce their arrears and thus demonstrate their commitment to meeting their financial obligations. The European Union noted in particular the new plan submitted by Liberia and commended Georgia and Niger on having completed their payments. It was concerned that the Central African Republic had not made a single contribution since 1998 and agreed with the Committee on Contributions that the problems of the Comoros were systemic in nature and did not constitute exceptional circumstances: both States should try to make at least sufficient payments to avoid further increases in their arrears. Despite those concerns, the European Union would endorse the Committee's recommendation that the seven States requesting exemption should be permitted to vote until the end of the sixty-second session.

12. Turning to the methodology of the scale of assessments, she said that the European Union believed that universal adoption of the 1993 SNA for income-measurement purposes would indeed provide a more equitable and comparable measure of capacity to pay; Member States which had not yet adopted the 1993 SNA were encouraged to do so. It looked forward to the Committee's analysis of the feasibility of using SDRs instead of the United States dollar as a single conversion base. Where the debt-burden adjustment was concerned, it was interesting to read that new data had shown that the repayment period of total external debt had declined from 9.9 years in 1999 to 6.9 years

in 2005 and that data on public debt was now available from the Organization for Economic Cooperation and Development for 135 countries: there were thus possibilities for fine-tuning the current format of the debt-burden adjustment. More detailed information on alternatives for the establishment of the threshold of the low per capita income adjustment would be welcome.

13. There was scope for consensus and improvement with regard to some of the issues which she had mentioned. The Fifth Committee must respond to the request of the Committee on Contributions for guidance in its task of improving the Organization's scale of assessments.

14. **Mr. Hussain** (Pakistan), speaking on behalf of the Group of 77 and China, said that, in view of the difficulty experienced in achieving a compromise on the scale of assessments at the sixty-first session of the General Assembly, the Committee should avoid another round of divisive discussion on elements of the methodology.

15. The Group of 77 and China reaffirmed that Member States had an obligation under the Charter to bear the financial expenses of the Organization in accordance with their capacity to pay but it acknowledged that some States might be temporarily unable to meet their financial obligations owing to circumstances beyond their control. It agreed with the recommendation of the Committee on Contributions that the seven States which had requested exemption under Article 19 should be permitted to vote until the end of the sixty-second session and it would be willing to take action on a draft resolution to that effect without informal consultations.

16. The Group reiterated that multi-year payment plans were a voluntary mechanism and stressed that the performance of the States concerned should be judged in the light of their difficult situations. Georgia and Niger were to be commended on having paid their arrears in full; the remaining States should follow their example. The Group supported the Committee's recommendations that Member States should be encouraged to adopt the 1993 SNA and that MER-based conversion rates should be used for the scale of assessments, except where that would result in excessive fluctuations and distortions. The core elements of the current methodology were, however, not negotiable. The current ceiling had been fixed as a political compromise: it ran counter to the principle of capacity to pay and acted as a fundamental source of distortion in the scale.

17. One of the Group's major concerns had been the abrupt and sharp increases in the assessments of some developing countries from one scale to the next: it urged the Committee on Contributions to try to ensure that such increases were avoided and to reduce to a minimum anomalies arising from application of the existing methodology, especially in the relative contributions of developed and developing countries. Since it was doubtful that consensus could ever be reached on the question of annual recalculation of the scale, the question should be dropped. Once again, the information on the issue of settling the scale of assessments for the successor States of the former Yugoslavia was insufficient for an informed decision.

18. **Mr. Ng'ongolo** (United Republic of Tanzania), speaking on behalf of the African Group, said that the importance of the item could not be overemphasized, for it was fundamental to the provision of the resources needed by the Organization to carry out its mandates. While it was an obligation of all the Member States to pay their assessed contributions in full, on time and without conditions, some of them were genuinely unable to pay owing to reasons beyond their control. The African Group therefore agreed with the Committee's recommendation that the requests for exemption under Article 19 by the seven States mentioned in chapter V of its report should be accepted. Six of those States were African and all were in difficulties because of armed conflicts and political and social instability; some of them were heavily indebted. The international community should redouble its efforts to assist them in consolidating peace and speeding up their economic recovery; the strengthening of the Office of the Special Adviser on Africa would do much to address the special needs of Africa as a whole.

19. The African Group took note of the Secretary-General's report on multi-year payment plans: such plans were indeed voluntary but they offered a means of demonstrating a State's commitment to meeting its financial obligations to the Organization. It commended the Member States which had submitted plans and made the corresponding payments; other States in arrears should follow their example.

20. The adoption of Security Council resolution 1778 (2007) authorizing the deployment of a multidimensional

presence in Chad and the Central African Republic was welcome, for such a presence might pave the way to political and economic stability. It was to be hoped that a similar decision would soon be taken on Somalia.

21. The African Group would like to see the issue of the scale of assessment for the successor States of the former Yugoslavia settled, but it supported the proposal to defer it to a future session.

The meeting rose at 10.50 a.m.