United Nations

A/C.5/60/SR.6

General Assembly

Sixtieth session

Official Records

Distr.: General
27 October 2005

Original: English

Fifth Committee

Summary record of the 6th meeting

Held at Headquarters, New York, on Monday, 17 October 2005, at 10 a.m.

Chairman: Mr. Ashe . . . . (Antigua and Barbuda)

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

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05-55572 (E)

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The meeting was called to order at 10.05 a.m.

Agenda item 128: Scale of assessments for the apportionment of the expenses of the United Nations (A/60/11, A/60/66 and A/60/140; A/C.5/60/2)

1. **Mr. Sessi** (Chairman of the Committee on Contributions), introducing the report of the Committee on Contributions (A/60/11), recalled that the General Assembly, in its resolution 55/5 B, had decided that the elements of the scale of assessments would be fixed until 2006. The Assembly must, however, consider whether it wished to adjust any elements of the methodology for the preparation of the scale for the period 2007-2009. In its resolution 58/1 B, the Assembly had requested the Committee on Contributions to continue to review the scale methodology and, in particular, to identify possible systematic criteria for deciding when market exchange rates (MERs) should be replaced by price-adjusted rates of exchange (PAREs) or other appropriate conversion rates for the purpose of preparing the scale of assessments. The Committee had undertaken an initial review of the scale methodology at its sixty-fourth session and an element-by-element review at its sixty-fifth session. It was important for the Committee to have adequate support for its work, especially in the context of its consideration in 2006 of the scale of assessments for the period 2007-2009. The Committee therefore trusted that the Fifth Committee would endorse its request to the Secretary-General to ensure that sufficient resources were made available for that purpose.

2. The starting point for the preparation of the scale of assessments was the measure of national income for each Member State. The Committee recommended in its report that the scale of assessments for the period 2007-2009 should be based on the most current, comprehensive and comparable data available for gross national income (GNI). The current scale, prepared in 2003, had been based on data covering periods through 2001, i.e., with a two-year time lag. The Committee had been informed that, owing to issues of data availability and reliability, the reduction of that time lag would be impractical. The scale of assessments for the period 2007-2009 would therefore be prepared using data for 2004. The situation would, however, be kept under review.

3. The next step in the scale methodology was to convert GNI data to a single currency, the United States dollar. The Committee recommended that conversion rates based on MERs should be used in preparing the scale of assessments for the period 2007-2009, except where that would cause excessive fluctuations and distortions in the income of some Member States, in which case PAREs or other appropriate conversion rates should be employed. At its sixty-fifth session, the Committee had considered a multi-layered proposal for a more systematic approach to deciding which MERs should be replaced in preparing the next scale of assessments. That approach, which was described in some detail in paragraphs 17 to 26 of the Committee’s report, would involve examining cases of Member States whose levels of per capita GNI in United States dollars seemed clearly out of line with economic reality and Member States with a large proportionate change in per capita GNI in United States dollars, comparing data for the last three years of the base periods for the new and current scales. The Committee had decided that, in reviewing the scale of assessments for the period 2007-2009, it would use the proposed new approach in considering which MERs should be replaced. It had concluded that relative PARE was in general the most technically sound method of adjusting MERs, although other solutions might be needed in specific cases.

4. The scales of assessments for the periods 2001-2003 and 2004-2006 had been based on the average of the results of machine scales using base periods of three and six years. The Committee had considered the possibility of averaging the data for the two periods and running one machine scale. It had also considered the use of a single base period. There had been no agreement on either proposal, and the Committee had therefore decided to consider the question further at its next session in the light of any decisions by or guidance from the General Assembly.

5. The debt-burden adjustment had formed part of the methodology for preparing both the current and previous scales. However, members of the Committee had divergent views on the validity of the adjustment and on its application, with some members favouring a debt-flow approach in place of the debt-stock approach currently utilized. Regarding the possible use of the adjustment for the next scale, the Committee had noted with concern that changes in coverage by the World Bank and the Organization for Economic Cooperation

and Development (OECD) meant that debt data were not available for several countries after 2002. It had requested the Statistics Division to make every effort to obtain the necessary data for the countries concerned.

6. With regard to the low per capita income adjustment, some members of the Committee considered that the threshold below which the adjustment was applied should be the average per capita debt-adjusted GNI of all Member States, rather than Member States' average per capita GNI as in the current scale methodology. The Committee had also examined the problem caused by the discontinuity experienced by Member States that moved up through the threshold. Such Member States not only ceased to benefit from the adjustment but must also help to pay for it. The Committee had decided to consider questions related to the adjustment further at its next session based on additional information from the Statistics Division.

7. Concerning the minimum level of assessment, some members felt that the current floor of 0.001 per cent imposed an excessive burden on some Member States. However, others considered that it constituted a reasonable minimum to expect States to pay for membership of the Organization. In addition, some members had questioned the rationale for having a maximum rate of assessment for the least developed countries, since the ceiling for those countries, currently 0.010 per cent, benefited only a handful of Member States, which already benefited from other adjustments.

8. The Committee had also examined other possible elements for the scale methodology, including a systematic measure to phase in large scale-to-scale increases over the scale period. However, there had been no agreement on the need for such a measure. The Committee had decided to consider the matter further only if mandated to do so by the General Assembly. Some members supported annual recalculation of the scale, which, in their view, would better approximate Member States' capacity to pay and make increases in rates of assessment more gradual. Others considered it more likely that annual recalculation would lead to an annual renegotiation of the scale and would make Member States' assessments less stable and predictable. The Committee had decided to study the question further at its future sessions.

9. The results of the Committee's review of multi-year payment plans were contained in chapter IV of its report. In considering the matter, the Committee had had before it the related report of the Secretary-General (A/60/66). It had also been provided with updated information on the status of payment plans as at 24 June 2005. Five Member States — Georgia, the Niger, the Republic of Moldova, Sao Tome and Principe, and Tajikistan — had submitted payment plans as at 31 December 2004. The Committee had noted with appreciation that the Republic of Moldova had now completed payments under its plan. Georgia and the Niger had made full payments under their plans in 2005, while Tajikistan had almost met its commitments. Sao Tome and Principe had made its planned payments in 2002 but had since fallen behind. A payment plan had been submitted by Iraq in April 2005 but had subsequently been rendered moot by the transfer from the United Nations Iraq account of the bulk of the amount outstanding from that Member State. In addition, the Committee had been informed that the Government of Liberia intended to make a contribution of $50,000 every two months beginning in October 2005. However, the first payment had not yet been received. The Committee recognized the considerable efforts made by those Member States that had honoured the commitments made in their payment plans and urged those that had not to make every effort to do so.

10. The Committee had concluded that, although results so far were mixed, the system of multi-year payment plans had made a positive contribution in encouraging and assisting Member States to reduce their unpaid assessed contributions and in providing a way for them to demonstrate their commitment to meeting their financial obligations to the United Nations. The Committee therefore recommended that the General Assembly should encourage other Member States in arrears to consider submitting payment plans.

11. The Committee had now considered measures to encourage the payment of arrears at eight successive sessions. However, of its earlier conclusions and recommendations, only those concerning multi-year payment plans had been adopted. In that connection, the Committee recalled and reaffirmed its earlier conclusion concerning the deadline for timely payment of assessments and its recommendation that the General Assembly should encourage Member States with both outstanding assessed contributions and

credits to authorize the Secretariat to apply such credits to the amounts outstanding so as to reduce assessments owed. The Committee had decided not to consider the question further unless it received guidance thereon from the General Assembly.

12. With regard to the application of Article 19 of the Charter of the United Nations, the Committee had noted with concern that the nature and quality of the information provided by Member States requesting exemption under that Article varied widely. In that context, it recommended that the General Assembly should again urge all Member States requesting exemptions to submit as much information as possible in support of their requests. Four of the Member States that had submitted requests for exemption under Article 19 by the deadline had presented multi-year payment plans. While recognizing that such plans were voluntary and should not be automatically linked to other measures, the Committee encouraged all Member States requesting exemption to consider, when possible, the submission of a multi-year payment plan.

13. The Committee had had before it requests for exemption from 10 Member States, namely, the Central African Republic, the Comoros, Georgia, Guinea-Bissau, Iraq, Liberia, the Niger, the Republic of Moldova, Somalia and Tajikistan. Two of those requests, those from Liberia and the Niger, had been received after the time specified in General Assembly resolution 54/237 C. Accordingly, the Committee had decided that it could take no action on them. In order to minimize such occurrences in the future, every effort should be made to remind Member States of the deadline.

14. Regarding the eight remaining requests, the Republic of Moldova no longer fell under the provisions of Article 19, and no action was required by the Assembly. The Committee had concluded that the failure of the Central African Republic, the Comoros, Georgia, Guinea-Bissau, Iraq, Somalia and Tajikistan to pay the minimum amount necessary to avoid the application of Article 19 was due to conditions beyond their control and recommended that they should be permitted to vote in the General Assembly until 30 June 2006. In the case of the Central African Republic and Guinea-Bissau, the Committee had noted their intention to submit multi-year payment plans and encouraged them to do so. It had noted a payment received from the Comoros and urged it to continue to make payments so as to reduce its arrears to the United Nations and to consider the possibility of submitting a multi-year payment plan. It had noted with appreciation that Tajikistan had continued to fulfil its commitments under its payment plan. The Committee, however, considered that, as a technical advisory body, it was not competent to take up the request from Tajikistan that its arrears for peacekeeping activities accrued before 2000 should be written off. As he had indicated earlier, Iraq no longer fell under the provisions of Article 19. Accordingly, the Committee's recommendation on that Member State was no longer relevant.

15. The requests for exemption under Article 19 had been considered by the General Assembly in plenary meeting on 14 July 2005. In its resolution 59/312, the Assembly had agreed that the failure of the Central African Republic, the Comoros, Georgia, Guinea-Bissau, Somalia and Tajikistan to pay the minimum amount necessary to avoid the application of Article 19 was due to conditions beyond their control. It had taken note of the information provided by Liberia and the Niger and, in addition, Sao Tome and Principe and agreed that their failure to pay the minimum amount necessary to avoid the application of Article 19 was also due to conditions beyond their control. It had decided that the nine Member States should be permitted to vote in the General Assembly until it took a final decision on their requests at the main part of its sixtieth session.

16. As at 24 June 2005, only one Member State, Chad, had been in arrears in the payment of its assessed contributions to the United Nations under the terms of Article 19 and had had no vote in the General Assembly. He was pleased to report that Chad had subsequently paid the amount necessary to restore its vote. Lastly, the Committee had noted that the Secretary-General had accepted the equivalent of over $800,000 in two currencies other than United States dollars that were acceptable to the Organization.

17. **Mr. Sach** (Controller), introducing the Secretary-General's report on the unpaid assessed contributions of the former Yugoslavia, contained in document A/60/140, recalled that in a letter dated 27 December 2001 to the President of the General Assembly, the Secretary-General had drawn attention to the question of the unpaid assessed contributions of the former Yugoslavia. There had been a number of developments since that time, including the consideration of the matter by the Fifth Committee in 2002, the entry into

force on 2 June 2004 of the Agreement on Succession Issues between the five successor States of the Socialist Federal Republic of Yugoslavia, and the application to the amounts outstanding of credits arising in respect of periods for which it had been assessed.

18. In light of those developments, and in light of the successive deferments of consideration of the Secretary-General's letter, it had been decided to issue document A/60/140, which recalled the various points raised earlier with respect to the matter. A total of $16,135,838 was currently outstanding from the former Yugoslavia. Credits of $26,000 and $37,712 respectively were also outstanding under the Working Capital Fund and the accounts of the United Nations Transition Assistance Group. The report distinguished between the outstanding debts of the former Yugoslavia at the date of the dissolution of the Socialist Federal Republic of Yugoslavia and those outstanding on 1 November 2000, when the former Yugoslavia had ceased to be a Member of the United Nations.

19. In accordance with the rules of general international law regarding the succession of States in respect of State debts, the United Nations might decide to request the five successor States to pay that part of the debts of the former Yugoslavia that had accrued prior to the dissolution of the Socialist Federal Republic of Yugoslavia. Under the rules of general international law, that part of the debt that had accrued subsequently would not pass to the charge of another State. However, since the previous Government of the Federal Republic of Yugoslavia (now renamed Serbia and Montenegro) had repeatedly claimed to represent the former Yugoslavia, Serbia and Montenegro might be considered to be estopped from denying responsibility for amounts arising after the dissolution of the Socialist Federal Republic of Yugoslavia.

20. In annexes to the report, the representatives of the five successor States had expressed the view that the full amount of the unpaid assessed contributions should be written off. During the debate in the Fifth Committee in 2002, the representative of Ghana had proposed that amounts arising after the dissolution of the Socialist Federal Republic of Yugoslavia should be written off and that the amount arising earlier should be divided between the five successor States. The General Assembly would need to consider whether to adopt one of the above approaches or to consider other alternatives.

21. Introducing the Secretary-General's report on multi-year payment plans (A/60/66), he recalled that in its resolution 56/243 A, the General Assembly had recognized that multi-year payments might be helpful in allowing Member States to demonstrate their commitment to pay arrears, thereby facilitating consideration by the Committee on Contributions of applications for exemption under Article 19 of the Charter of the United Nations. The Assembly had requested the Secretary-General to propose guidelines and recommendations for such payments through the Committee on Contributions.

22. After reviewing the Secretary-General's report, contained in document A/57/65, the Committee on Contributions had agreed on a number of conclusions and recommendations, which were contained in paragraphs 17 to 23 of the Committee's report on its sixty-second session (A/57/11). Those conclusions and recommendations had subsequently been endorsed by the General Assembly. In its report, the Committee had agreed that Member States should be encouraged to submit multi-year payment plans, and that the Secretary-General should be requested to provide information on the submission of such plans to the Assembly and to submit an annual report on their status.

23. The report before the Fifth Committee represented the Secretary-General's response to those requests. Four payment plans had been submitted prior to the adoption of General Assembly resolution 57/4 B: by Georgia, the Republic of Moldova, Sao Tome and Principe, and Tajikistan. Georgia had subsequently submitted a further revision of its plan, and a new plan had been submitted by the Niger in 2004. In addition, the Central African Republic had indicated its intention to submit a payment schedule, and Guinea-Bissau had indicated that it was keeping the possibility of doing so under continuous review.

24. The report also provided information on the status of the five existing payment plans at 31 December 2004. Of those five, the payments by Tajikistan had once more significantly exceeded the amounts in its plan. Payments by Georgia and the Niger had also exceeded the planned payments, and the Republic of Moldova had almost met the aggregate amount of payments planned for 2001-2004, although

they had fallen short in 2004. Sao Tome and Principe had paid significantly less than the amounts planned for 2003 and 2004. As noted in the report, the General Assembly might wish to take note of the present report and encourage Member States with significant arrears of contributions to consider submitting a multi-year payment plan.

25. **The Chairman** drew attention to a letter dated 12 October 2005 which he had received from the President of the General Assembly (A/C.5/60/2), transmitting a letter from the Permanent Representative of the Niger to the United Nations addressed to the President of the General Assembly regarding a request for exemption under Article 19 of the Charter of the United Nations.

26. **Mr. Kirn** (Slovenia), speaking on behalf of the five successor States of the Socialist Federal Republic of Yugoslavia, said that the five States were fully aware of the urgent need to resolve the issue of the unpaid assessed contributions of the Socialist Federal Republic of Yugoslavia, during the current session. The five successor States welcomed the Secretary-General's report, which provided a good basis for reaching an acceptable agreement on the issue, but regretted that it did not include the views and recommendations of the five States. The Governments of the five States would need to examine the report very carefully, and certain questions relating to the financial part of the report would require further clarification from the Secretariat. In view of the short interval of time between the issuance of the report and its consideration by the Committee, the five States proposed that consideration of the issue should be deferred until the Committee's resumed session.

27. **Mr. Ozawa** (Japan) said that as the Organization's second-largest contributor Japan attached great importance to the issue of the scale of assessments. A comprehensive review of the issue was required in order to reach agreement on a scale structure that was more equitable and fair, and Japan would do its utmost to ensure that the status and responsibilities of Member States were duly taken into account.

28. Japan's present assessment of 19.468 per cent was very high in relation to its gross national income (GNI) share, which had stood at 14.7 per cent in 2003. Japan had continued to pay its dues on an unconditional basis despite its massive fiscal deficit and its continued need to reduce its national expenditure. A growing number of Japanese people were expressing frustration at the current situation, arguing that Japan's contribution was not fully appreciated within the Organization, that the Organization's system of burden-sharing was not fair, and that Japan's concerns were not given due regard. Those concerns were legitimate, and were closely related to the Organization's current problems.

29. Committee members should ask themselves whether the current methodology truly reflected the principle of the capacity to pay, and whether it was fair that the combined assessed contribution of four of the five permanent members of the Security Council should be far lower than the assessed contribution of Japan, which was not a member. The Japanese Government was ready to meet financial responsibilities that were commensurate with its capacity to pay and its status in the Organization. However, unless it could give the Japanese people clear and convincing answers to those two questions, their commitment to the United Nations might begin to waver. His delegation would seek a system that better reflected each Member State's capacity to pay and the principle that Member States with a special status must assume special responsibilities, and would present concrete proposals to that effect during the current session.

30. **Mr. Iossifov** (Russian Federation) said that, in accordance with the Charter of the United Nations, the fair apportionment of the expenses of the Organization was the exclusive prerogative of the General Assembly. Moreover, the General Assembly had established the principle that Member States must pay their assessed contributions in full, on time and without any conditions. Strict compliance with that principle was the basis for the Organization's financial stability.

31. It was hard to overestimate the importance of the "capacity-to-pay" principle, which allowed every Member State to vote, regardless of the size of its financial contribution to the Organization's budget. Russia attached great importance to the work of further improving the methodology used for the scale of assessments. Although the existing methodology did not require major changes, work to adjust certain of its elements should be continued, and the main focus of that work should be to ensure that assessed contributions reflected Member States' true economic situation.

32. The Russian Federation supported the recommendations in the report of the Committee on Contributions (A/60/11), and called on that Committee to continue its work in areas such as debt-burden adjustments, low per-capita-income adjustments and the problem of discontinuity, in order to ensure the fairest possible apportionment of the Organization’s financial burden, in accordance with the principle of the capacity to pay and the relevant General Assembly resolutions.

33. The current methodology was broadly consistent with the need to reflect current capacity to pay and to mitigate short-term fluctuations in GNI, and there was no effective alternative to that approach. Moreover, the importance of stability and predictability should not be underestimated, and the existing three-year cycle for assessment scale review was the best method. His delegation had noted the status of the multi-year payment plans by certain Member States and, in view of the positive assessment of the Committee on Contributions of the use of such plans, hoped that those States would make every effort to reduce their arrears.

Organization of work

34. **The Chairman**, noting that the Committee’s full programme of work for the current session would be discussed at its next meeting, drew attention to the programme of work for the current week, from 17 to 21 October 2005. If he heard no objection, he would take it that the Committee wished to adopt the programme of work for the current week.

35. *It was so decided.*

The meeting rose at 11.05 a.m.