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Summary record of the 2nd meeting
Held at Headquarters, New York, on Monday, 6 October 2008, at 10 a.m.

Chairman: Mr. Bródi .... (Hungary)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Ms. McLurg

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08-53612 (E)

The meeting was called to order at 10.15 a.m.

Agenda item 122: Scale of assessments for the apportionment of the expenses of the United Nations (A/63/11 and A/63/68)

1. **Mr. Greiver** (Chairman of the Committee on Contributions), introducing the report of the Committee on Contributions on its sixty-eighth session (A/63/11), said that the Committee had proceeded under its general mandate to advise the General Assembly on the apportionment of the expenses of the Organization and, pursuant to the Assembly's request in resolution 61/237, had undertaken an in-depth study of the methodology of the scale of assessments in order to reflect developments in the capacity of Member States to pay. The Committee would continue its detailed review at its sixty-ninth session on the basis of guidance from the General Assembly in order to make recommendations on a scale methodology for 2010-2012.

2. The Committee had reaffirmed its previous recommendation that the scale of assessments for the following period should continue to be based on the most current, comprehensive and comparable gross national income (GNI) data. Universal adoption of the 1993 System of National Accounts 1993 (SNA) would provide for a more comparable measure of capacity to pay. While more Member States had adopted the 1993 SNA, the General Assembly should encourage those that had not yet done so to follow suit.

3. Conversion rates based on market exchange rates (MERs) should continue to be used for the scale of assessments, except where that would cause excessive fluctuations and distortions in income. The Committee had revised the criteria used to identify cases in which MERs should be reviewed in order to take into account the significant fluctuation of exchange rates against the United States dollar in recent periods. Discussion had continued on the possible use of purchasing power parity (PPP) to derive alternative conversion rates. Some members had felt that, with more frequent data collection, PPP could provide more comprehensive coverage of the economic capacity of Member States and could help address one disadvantage of MERs, which was that they were overly influenced by speculative currency flows. Other members had expressed concern that data were not sufficiently current, comprehensive or comparable and that PPP reflected capacity to consume rather than capacity to pay. The use of a currency basket, namely the special drawing rights (SDRs) used by the International Monetary Fund, had been discussed as a potentially more balanced approach to replace the United States dollar as a single conversion base. Some members had pointed out, however, that the analysis of that mechanism had not found any noticeable attenuating effects on the impact of fluctuations of the United States dollar on assessment rates.

4. In discussing the base period, the Committee had remained of the view that it would be sounder to use a single period, but noted that the current system of averaging scales for base periods of three and six years had been a compromise reached by the General Assembly. With respect to the debt-burden adjustment, data on public debt had become more readily available. Some members had felt that public external debt should be used in the methodology since public debt had to be repaid from the government budget. Other members had argued that total debt stock must be used because private debt influenced a Member State's overall capacity to pay.

5. The Committee had considered alternative definitions of the low per capita income adjustment threshold to address the discontinuity experienced by Member States that moved up through the threshold between scale periods. The different approaches being considered were to delay or phase in the increase related to funding the adjustment; to create a range below and above the threshold where Member States would neither receive nor pay for any benefit; and to set the threshold on the basis of world median per capita GNI or in real terms instead of using average world per capita income. Those options would be further analysed on the basis of information from the United Nations Statistics Division. The Committee would further consider all of the matters mentioned, as well as annual recalculation and large scale-to-scale increases, in the light of guidance from the General Assembly.

6. The General Assembly had endorsed the Committee's conclusions concerning multi-year payment plans in its resolution 57/4 B and had subsequently reaffirmed paragraph 1 of that resolution on numerous occasions. The Secretary-General had submitted a report on the status of such plans (A/63/68) in response to the Committee's requests for information. The results of the Committee's review were contained in chapter IV of its report, which also

contained updated information on the status of implementation of the plans as at 27 June 2008. Multi-year payment plans continued to be a viable means for Member States to reduce their unpaid assessed contributions and to demonstrate their commitment to meeting their financial obligations to the United Nations. Noting that no new plans had been submitted, the Committee recommended that the General Assembly should encourage other Member States in arrears to consider submitting them.

7. The Committee had considered seven requests for exemption under Article 19 of the Charter. Three Member States requesting exemptions had also submitted multi-year payment plans. All Member States that requested exemptions were encouraged to present such plans. The Committee had concluded that the failure of all seven Member States to pay the minimum amount required to avoid the application of Article 19 was due to conditions beyond their control and recommended that they should be permitted to vote until the end of the sixty-third session of the General Assembly.

8. The Committee had noted that seven Member States had been in arrears under the terms of Article 19 but had been permitted to vote until the end of the sixty-second session of the General Assembly. The Secretary-General had accepted in 2007 the equivalent of approximately $1.3 million in currencies other than United States dollars. With respect to working methods, the Committee had welcomed the launching of a public website as well as a secure restricted website to facilitate its intersessional work.

9. **Mr. Berridge** (Secretary of the Committee on Contributions) said that the annual report on the status of multi-year payment plans (A/63/68) indicated that four Member States had earlier completed payments under their payment plans and provided details on the three remaining plans and schedules, namely those submitted by Liberia, Sao Tome and Principe and Tajikistan, and on the status of their implementation as at the end of 2007. Updates on that status — as at 27 June 2008 — could be found in the report of the Committee on Contributions (A/63/11). No other Member States had thus far submitted payment plans or schedules for the elimination of their arrears. The Committee was invited to take note of the report.

10. **Mr. Cazalet** (France), speaking on behalf of the European Union, said that the European Union had always maintained that payment of contributions in full, on time and without conditions was one of the fundamental duties of the Member States. However, in connection with Article 19 of the Charter of the United Nations, it understood that some States faced genuine difficulty in discharging that duty for reasons beyond their control. As multi-year payment plans were an effective way of helping such States to reduce their arrears, it was unfortunate that no further payment plans had been submitted and that no effort had been forthcoming from certain States, including the Central African Republic, Guinea-Bissau and Sao Tome and Principe.

11. The progress made by the Comoros and Liberia was positive, and Tajikistan should be commended for going beyond the commitments assumed in its plan. While the European Union supported the recommendation of the Committee on Contributions that the Central African Republic, the Comoros, Guinea-Bissau, Liberia, Sao Tome and Principe, Somalia and Tajikistan should be permitted to vote in the Assembly until the end of the sixty-third session, it might in the future take a more guarded position on the granting of exemptions under Article 19 of the Charter if the States in question demonstrated a lack of effort.

12. **Mr. Hunte** (Antigua and Barbuda), speaking on behalf of the Group of 77 and China, reaffirmed the Group's position that the resources provided to the United Nations must be commensurate with its mandates. It was therefore crucial for Member States to pay their assessed contributions in full, on time and without conditions. Nonetheless, the Group also rejected any move that might, in violation of the fundamental principle of capacity to pay, force a developing country to accept a scale that was beyond its capacity to pay.

13. The ceiling rate, which had the largest distorting effect on the scale of assessments, had been reduced to 22 per cent in 2000 in order to facilitate the payment of arrears by one Member State and improve the financial situation of the United Nations at that time. Eight years later, the promises that had led to the reduction of the ceiling had still not been fulfilled. The General Assembly must therefore undertake the review provided for in paragraph 2 of its resolution 55/5 C.

14. The Group of 77 and China supported the recommendation of the Committee on Contributions that the scale of assessments should continue to be

based on the most current, comprehensive and comparable GNI data. It generally supported the use of conversion rates based on MERs, except where that would result in excessive fluctuations and distortions, in which case price-adjusted rates of exchange (PAREs) should be used. Purchasing power parity (PPP) was unsuitable as a basis for currency conversion rates because it was based on hypothetical currency conversion rates, reflected capacity to consume rather than to pay, and did not take into account cultural and social preferences in consumption. The Group would therefore not support any proposal to use PPP in preparing the scale of assessments. It would also oppose any attempts to undermine the principle of the low per capita income adjustment, which had been an integral part of the scale methodology since 1948. The Group supported the debt-burden adjustment based on the debt stock approach, the maximum assessment rate of 0.010 per cent for least developed countries and the floor rate of 0.001 per cent.

15. Of particular concern in apportioning the expenses of the United Nations were the abrupt and sharp increases in the assessed contributions of some developing countries between scale periods. The Group therefore supported the view that large increases should be phased in across the scale periods. Annual recalculation of the scale of assessments was contrary to rule 160 of the rules of procedure of the General Assembly and would be impractical to implement.

16. The Group endorsed the recommendation of the Committee on Contributions to allow the seven States that had applied for Article 19 exemptions to continue voting until the end of the sixty-third session. It appreciated the efforts of those Member States that had submitted multi-year payment proposals, but reaffirmed its position that such mechanisms should be voluntary, should not be used to exert pressure on those Member States, and should absolutely not be included as a factor when considering exemption under Article 19 of the Charter. Finally, the issue of the unpaid assessed contributions of the former Yugoslavia should be settled as soon as possible to resolve a matter that had been pending for 15 years.

17. **Ms. Pataca** (Angola), speaking on behalf of the Group of African States, said that the Group fully recognized that, pursuant to the Charter of the United Nations, the expenses of the Organization were to be borne collectively by all the Member States. As full, timely and unconditional payment of contributions was essential to ensure a predictable cash flow to fund the Organization's programmes and activities, the Group commended the Member States that had consistently demonstrated the political will to meet their financial obligations. It took note of the recommendations of the Committee on Contributions regarding the methodology for the preparation of the scale of assessments, expressed concern at the prospect of large variations from one scale to the next, which would result in harmful increases for developing countries, and reiterated its long-standing position that the scale methodology should be based on the principle of capacity to pay.

18. In accordance with the provisions of Article 19 of the Charter, the General Assembly should continue to extend sympathetic understanding to Member States that fell behind in their payments owing to genuine socio-economic difficulties beyond their control. The current food and energy crisis, as well as the recent turmoil in the global economy, made developing countries particularly vulnerable. Accordingly, the Group supported the requests by the Central African Republic, the Comoros, Guinea-Bissau, Liberia, Sao Tome and Principe, Somalia and Tajikistan to be permitted to vote and participate in the activities of the sixty-third session of the General Assembly.

19. The Group acknowledged the role of multi-year payment plans as a demonstration of the intention of Member States with arrears to settle those arrears within a specified period of time, and encouraged all affected States to consider submitting payment plans. While the Committee on Contributions had indicated that no new payment plans had been submitted for 2008, the Group continued to believe that payment plans should remain voluntary and not be tied automatically to any other measures. Article 19 of the Charter should continue to be the primary vehicle to deal with issues of late and non-payment. Each State with arrears should be allowed to analyse its situation carefully, as not all such States might be in a position to submit a payment plan or to comply with a payment plan submitted under pressure.

20. **Mr. Mukai** (Japan), recalling that Japan was the second largest financial contributor to the United Nations, shouldering nearly one sixth of the Organization's financial burden, said that it continued faithfully to pay its dues, without conditions, despite the difficult financial situation faced by its Government. While Japan supported the principle that

each Member State should pay its assessed contribution according to its capacity to pay, it had found a growing discrepancy over the years between its contribution, as calculated in the scale of assessments, and its GNI. The Organization should find a methodology that better reflected each Member State's current capacity to pay. Lastly, Japan endorsed the recommendations of the Committee on Contributions regarding exemptions under Article 19 of the Charter.

21. **Mr. Chumakov** (Russian Federation) said that the payment of assessed contributions in full, on time and without conditions was essential to enable the Organization to function successfully with the flexibility necessary to cope with mandates which were growing yearly in extent and complexity. However, it was also essential that assessment rates should be established fairly. His delegation praised the work of the Committee on Contributions in examining the elements of the scale methodology, particularly alternatives for the calculation of GNI and the possibility of using purchasing power parity or special drawing rights.

22. The emphasis on capacity to pay, rather than purchasing power, provided the basis for calculating assessments in the fairest possible way, and made the United Nations a unique organization in which every Member State that adhered to the rules on the payment of contributions had voting rights regardless of the size of its contribution to the budget. Having taken into consideration the recommendations of the Committee on Contributions regarding exemptions under Article 19 of the Charter, his delegation had no objection to the recommendation that the seven States concerned should retain the right to vote until the end of the Assembly's current session.

23. His delegation took the view that the methodology for establishing the scale of assessments, which represented a delicate balance among the wishes of the Member States, should not need substantial alteration in the coming few years. It recalled the commitment of the Committee on Contributions to continue its review of the elements used to calculate the scale of assessments at its sixty-ninth session and to present to the Assembly, at the latter's sixty-fourth session, a report on the outcome of that review, in accordance with General Assembly resolution 61/237. The launch of the Committee on Contributions website should improve access to statistical and other information relevant to the scale methodology.

24. **Mr. Safaei** (Islamic Republic of Iran) said that his delegation supported the recommendations of the Committee on Contributions to grant exemptions to the States mentioned in its report under Article 19 of the Charter, enabling them to exercise their right to vote until the sixty-fourth session of the General Assembly.

25. The principle of capacity to pay, repeatedly reaffirmed by the Member States as the fundamental criterion for determining the scale of assessments for the apportionment of the expenses of the United Nations, meant that any adjustment in the scale of assessments should not result in a situation where any Member State, particularly a developing country, was required to pay more than it was able.

26. The current maximum assessment rate, or ceiling, had been the result of a temporary political compromise reached eight years previously with the aim of facilitating the payment of outstanding arrears and improving the financial situation of the Organization. That goal had never been reached, and the rationale for a reduction in the ceiling was no longer valid. The General Assembly should therefore review and revisit its decision, as stipulated in paragraph 2 of its resolution 55/5 C.

27. His delegation supported establishing the scale on the basis of elements realistically reflecting the Member States' capacity to pay, using the most current, comprehensive and comparable GNI data available, including price-adjusted rates of exchange or other appropriate conversion rates applicable in the Member States' interdependent economies. The adjustment for low per capita income was an integral part of the scale methodology and should be maintained. However, purchasing power parity, as mentioned in the report of the Committee on Contributions, did not provide a useful measure of capacity to pay, as it was not reliable, verifiable or comparable.

28. The Committee on Contributions should also be mindful of the effect, particularly on developing countries, of abrupt increases in the rate of assessment from one scale period to another in connection with the guidelines contained in General Assembly resolution 55/5 B. Excessive increases for developing countries should be addressed.

29. **Mr. Ruiz Massieu** (Mexico) said that his delegation wished to reiterate its view that the Committee should discuss the scale of assessments at

its current session in order to ease its workload at the sixty-fourth session and benefit from forward planning.

30. The methodology for the calculation of the scale required some adjustment to ensure that sharp increases in assessment rates from one scale period to the next were avoided, and that Member States close to the per capita GNI threshold benefited from a gradual transition in their assessment rates. While the principle of capacity to pay was sound, the basis for its calculation was not: for 2009, the base period for national income data was 1999-2004, and hardly reflected current circumstances. Moreover, the absence of annual recalculation of the scale deprived Member States of opportunities to plan ahead for the payment of assessed contributions.

31. As reaching agreement on the elements to be used in calculating the scale was difficult, his delegation appealed to all members of the Committee to consider proposals on the basis of their technical soundness rather than their advantages for individual Member States. To take the latter approach was to politicize the issue.

32. Lastly, his delegation concurred with the recommendations of the Committee on Contributions regarding the application of Article 19 of the Charter.

The meeting rose at 11.15 a.m.