United Nations

Report of the Committee on Contributions

Sixty-seventh session (11-29 June 2007)

General Assembly

Official Records
Sixty-second Session
Supplement No. 11 (A/62/11)

General Assembly
Official Records
Sixty-second Session
Supplement No. 11 (A/62/11)

Report of the Committee on Contributions

Sixty-seventh session
(11-29 June 2007)

United Nations • New York, 2007

Note

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

ISSN 0251-8430

Summary

At its sixty-seventh session, the Committee on Contributions, in accordance with the mandate given to it by the General Assembly in its resolution 61/237, reviewed the following elements of the methodology of the scale of assessments in order to reflect the capacity of Member States to pay (chap. III):

(a) Income measure;

(b) Conversion rates;

(c) Base period;

(d) Debt-burden adjustment;

(e) Low per capita income adjustment;

(f) Floor;

(g) Ceilings;

(h) Other suggestions and other possible elements for the scale methodology;

(i) Annual recalculation;

(j) Large scale-to-scale increases in rates of assessment.

With regard to multi-year payment plans (chap. IV), the Committee noted the completion by Georgia and the Niger of payments under their plans and considered that multi-year payment plans have had a consistently positive impact in reducing arrears.

With regard to the application of Article 19 of the Charter (chap. V) the Committee:

(a) Encouraged all Member States requesting an exemption under Article 19 that are in a position to do so to consider presenting a multi-year payment plan;

(b) Recommended that the following Member States be permitted to vote in the General Assembly until the end of the sixty-second session of the Assembly: the Central African Republic, the Comoros, Guinea-Bissau, Liberia, Sao Tome and Principe, Somalia and Tajikistan.

The Committee decided to hold its sixty-eighth session from 9 to 27 June 2008 (chap. VI).

[6 July 2007]

Contents

Chapter I

Attendance

1. The Committee on Contributions held its sixty-seventh session at United Nations Headquarters from 11 to 29 June 2007. The following members were present: Kenshiro Akimoto, Meshal Al-Mansour, Petru Dumitriu, Gordon Eckersley, Paul Ekorong à Dong, Bernardo Greiver, Ihor V. Humenny, Eduardo Iglesias, Vyacheslav A. Logutov, Gobona Susan Mapitse, Richard Moon, Hae-yun Park, Eduardo Ramos, Henrique da Silveira Sardinha Pinto, Lisa P. Spratt, Thomas Thomma and Wu Gang.

2. The Committee elected Mr. Greiver as Chairman and Mr. Ramos as Vice-Chairman.

3. The Committee expressed its appreciation to its former Secretary, Mark E. M. Gilpin, for his long and distinguished service in the Committee, and welcomed the Acting Secretary, Mya M. Than.

Chapter II
Terms of reference

4. The Committee on Contributions conducted its work on the basis of its general mandate, as contained in rule 160 of the rules of procedure of the General Assembly; the original terms of reference of the Committee contained in chapter IX, section 2, paragraphs 13 and 14, of the report of the Preparatory Commission (PC/20) and in the report of the Fifth Committee (A/44), adopted during the first part of the first session of the General Assembly on 13 February 1946 (resolution 14 (I) A, para. 3); and the mandate contained in Assembly resolutions 46/221 B of 20 December 1991, 48/223 C of 23 December 1993, 53/36 D of 18 December 1998, 54/237 C of 23 December 1999, 54/237 D of 7 April 2000, 55/5 B and D of 23 December 2000, 57/4 B of 20 December 2002, 58/1 A of 16 October 2003, 58/1 B of 23 December 2003, 59/1 A of 11 October 2004, 59/1 B of 23 December 2004, 60/237 of 23 December 2005, 61/2 of 12 October 2006 and 61/237 of 22 December 2006.

5. The Committee on Contributions had before it the summary records of the Fifth Committee at the sixty-first session of the General Assembly relating to agenda item 122, entitled “Scale of assessments for the apportionment of the expenses of the United Nations” (A/C.5/61/SR.37) and the verbatim records of the 28th and 84th plenary meetings of the General Assembly at its sixty-first session (A/61/PV.28 and A/61/PV.84), and had available the relevant reports of the Fifth Committee to the Assembly (A/61/562 and A/61/562/Add.1).

Chapter III
Methodology for the preparation of the scale of assessments

6. The Committee on Contributions recalled that, in its resolution 55/5 B, the General Assembly had established the elements of the methodology used in preparing the scale of assessments for the period 2001-2003. The General Assembly had also decided, inter alia, that the elements of the methodology should remain fixed until 2006, subject to the provisions of its resolution 55/5 C, in particular paragraph 2 of that resolution, and without prejudice to rule 160 of the rules of procedure of the General Assembly. Pursuant to that decision, the Committee had used the same methodology in preparing the scale of assessments for the period 2007-2009.

7. The Committee also recalled that, in its resolution 58/1 B, as reaffirmed by its resolution 61/237, the General Assembly had requested the Committee, in accordance with its mandate and the rules of procedure of the General Assembly, to review the methodology of future scales of assessments based on the principle that the expenses of the Organization should be apportioned broadly according to capacity to pay. On the basis of those mandates, the Committee proceeded with its initial review of the elements of the methodology of the scale of assessments at its sixty-seventh session in order to reflect the capacity of Member States to pay. The Committee decided to undertake at its sixty-eighth session an in-depth study of the methodology that would form the basis of a comprehensive report to be submitted to the General Assembly at the main part of its sixty-third session.

8. In this first approach to reviewing the elements of the scale methodology, the Committee was guided by the general mandate given to it under rule 160 of the rules of procedure of the General Assembly, to the effect that it should advise the General Assembly on the apportionment of the expenses of the Organization among Member States broadly according to capacity to pay, as well as the requests contained in resolution 58/1 B and the mandate of the Assembly provided in resolution 61/237.

A. Elements of the methodology for the preparation of the scale of assessments

9. The Committee recalled that the same methodology used in preparing the scale of assessments for the past two scale periods had been used in preparing the scale of assessments for the period 2007-2009. The Committee also noted that the current scale had been adopted by the General Assembly mainly based on information contained in the Committee's report on its sixty-sixth session, with some additional adjustments.

10. A detailed description of the methodology used in preparing the current scale is contained in the annex. In the absence of any further guidance from the General Assembly, the Committee reviewed the elements of the current methodology further. It also considered alternative approaches suggested by members of the Committee and other possible elements for changes in the scale methodology.

1. Income measure

11. At its fifty-sixth session, in 1996, the Committee recalled and reaffirmed its earlier recommendation that future scales of assessments should be based on estimates of gross national product (GNP).[1] The Ad Hoc Intergovernmental Working Group on the Implementation of the Principle of Capacity to Pay had also recommended the use of GNP as a first approximation of capacity to pay, based on data reliability, availability, comparability and simplicity.[2] That approach had since been maintained by the Committee and accepted by the Assembly in the context of the adoption of the scales for the periods 1998-2000, 2001-2003, 2004-2006 and 2007-2009, although under the terminology of the System of National Accounts, 1993 (1993 SNA), GNP was known as gross national income (GNI).

12. The Committee discussed the comparability of data between countries reporting under the 1993 System of National Accounts and those reporting under the 1968 System. Information available to the United Nations Statistics Division indicates that, as at 31 December 2006, 109 countries and territories, representing an estimated 92.5 per cent of the total world GDP in 2004 and 65.6 per cent of world population, had implemented the 1993 SNA. Because of improvements in data collection, it was estimated that use of the 1993 SNA could result in increases in measured GDP of approximately 3 per cent, depending on the size and structure of the economy. The Committee noted that universal adoption of the 1993 SNA would provide for a more equitable and comparable measure of Member States' capacity to pay. The Committee discussed various ways to increase the adoption of the 1993 SNA, including dissemination of information. However, the Committee acknowledged that it would also depend on the resources available in the various countries and that it would ultimately be up to individual countries to decide whether they wished to adopt it.

13. At its sixty-sixth session, the Committee recommended that the scale of assessments for the period 2007-2009 be based on the most current, comprehensive and comparable data available for GNI and, in that context, the Committee had before it a comprehensive database for the period 1999-2004 for all Member States on various measures of income in local currencies, population, exchange rates and total external debt stocks, repayments of principal, and total and per capita income measures in United States dollars. The primary source for income data in local currencies was the national accounts questionnaire completed for the United Nations by the countries concerned. For those countries for which full replies to the questionnaire had not been received, data had been collected or estimates prepared by the United Nations Statistics Division based on information from other national and international sources, notably the regional commissions, the International Monetary Fund (IMF) and the World Bank.

14. In reviewing the statistical information provided, the Committee was guided by the mandate provided in General Assembly resolution 48/223 C to base the scale on reliable, verifiable and comparable data and to use the most recent figures available.

---

[1] *Official Records of the General Assembly, Fiftieth Session, Supplement No. 11A* and corrigendum (A/50/11/Add.2 and Corr.1), chap. IV.C, para. 28.

[2] A/49/897.

15. Upon inquiry, the Committee was informed that, in striking the balance between timeliness and the criteria set out by the Assembly, the Secretariat continued to feel that it was most appropriate to base the scale on data with a time lag of two years (t-2). Even with a time lag of two years, it was necessary to supplement data from the national accounts questionnaire and other official sources with materials from other national and international sources, notably the regional commissions, the International Monetary Fund (IMF) and the World Bank. In some cases, it was also necessary to include estimates prepared by the United Nations Statistics Division. In addition, it should be kept in mind that some countries finalized national accounts data with a time lag of two years and that the debt figures from the World Bank required for the calculation of the scale of assessment were only available with a time lag of two years.

16. In its discussions, the Committee also considered service or informal economies and the difficulty of collecting data on them.

17. **The Committee recommended that the scale of assessments for the next assessment period continue to be based on the most current, comprehensive and comparable GNI data. In the light of the foregoing, the Committee encouraged Member States who have not yet done so to adopt the 1993 SNA.**

2. Conversion rates

18. In its resolution 55/5 B, the General Assembly decided that the scale of assessments for the period 2001-2003 should be based on a number of elements and criteria, including conversion rates based on market exchange rates (MERs), except in cases where that would cause excessive fluctuations and distortions in the income of some Member States.

19. The Committee recalled that previous scales had used MERs except where that would cause excessive fluctuations and distortions in the income of some Member States, when price-adjusted rates of exchange (PAREs) or other appropriate conversion rates were used.

20. The MERs used to convert GNI data in national currency to United States dollars were generally annual averages of rates communicated by Member States of IMF and published in *International Financial Statistics*. When MERs were not available from *International Financial Statistics* or the IMF economic information system, United Nations operational rates or other information were used in the initial set-up for the scale.

21. In considering which MERs should be replaced for the 2007-2009 scale, the Committee reviewed the cases of those countries for which per capita GNI had increased by over 50 per cent or decreased by over 33 per cent. In so doing, it looked in particular at cases where the MER valuation index (MVI) was greater than 1.2 or less than 0.8 — reflecting an overvaluation or undervaluation, respectively, of more than 20 per cent. Some members of the Committee were of the view that the level of the threshold figures of plus 50 per cent or minus 33 per cent in changes in per capita GNI in United States dollars was low, and some members suggested increasing the threshold figure to plus 75 per cent or minus 50 per cent as the majority of the countries receiving adjustments seemed to fall between those parameters. Other members believed that the current threshold and MER valuation index figures were reasonable and should continue to be used in future. The

Committee noted that the MVI was used solely as a point of reference to guide the Committee in identifying which MERs should be replaced when their use resulted in excessive distortions or fluctuations in GNI figures after conversion to United States dollars.

22. The Committee discussed further the concept of purchasing power parity (PPP). Some members felt that it could prove to be a useful partial adjustment to measuring capacity to pay since the cost of living in Member States differed significantly. Those members noted that that technique was improving and that 135 Member States could now provide accurate information. They wished to review at the sixty-eighth session of the Committee the feasibility of using PPP in the light of a new study on that concept by the World Bank, expected to be completed in 2007.

23. Other members expressed serious reservations about the use of PPP in preparing the scale of assessments. In their view, PPP reflected capacity to consume rather than capacity to pay. They also had serious concerns about the variable quality of the data given that PPP was not available for many countries and, where available, was based on extrapolations and estimates based on surveys, some of which dated back to the 1980s. In their view, PPP did not measure capacity to pay in United States dollars because it included goods and services that were not tradable internationally. In view of those and other concerns, they considered that the use of PPP would not meet the criterion that data used in the scale should be reliable, verifiable and comparable. Some were of the opinion that that was only a theoretical approach and should not be used as a substitute for exchange rates. They also noted that the Committee had not been mandated by the General Assembly to discuss PPP.

24. Another alternative discussed was the use of a currency basket — namely, the special drawing rights (SDRs) (the weighted average of four major currencies calculated and used by IMF) — to replace the United States dollar as a single conversion base, which in the view of some members could provide a more balanced approach. Some members, however, expressed doubt about the usefulness of that approach for comparison purposes and felt that it would needlessly complicate the work of the Statistics Division; they felt that since the budget of the United Nations was expressed in United States dollars then the United States dollar should be the currency used to convert GNI. The Committee would examine the feasibility and the implications of that alternative at its sixty-eighth session in the light of further Secretariat analysis.

25. **The Committee recalled and reaffirmed its recommendation that conversion rates based on MERs be used for the scale of assessments, except where that would cause excessive fluctuations and distortions in the GNI of some Member States expressed in United States dollars at MERs, in which case PAREs or other appropriate conversion rates should be employed.**

3. Base period

26. The Committee recalled that the methodology used in preparing the current scale of assessments was based on the average of the results of machine scales using base periods of three and six years.

27. Data on GNI, converted into United States dollars, was averaged over a designated base period, using the most recently available data at the time that the scale was considered by the Committee. The base period used had varied over time

from 1 to 10 years. The scales for the last three scale periods 2001-2003, 2004-2006 and 2007-2009 had all used the average of the results of machine scales using base periods of three and six years.

28. While that approach was a compromise between those arguing for shorter and those arguing for longer base periods, it gave greater weight to the most recent three-year period since the related data were included in both machine scales. For example, in the current scale, data for the period 2002-2004 were included in both machine scales while data for 1999-2001 were included in only one.

29. Accordingly, the Committee considered that it would be technically sounder to use a single base period. Members suggested a variety of periods, including three, four, five and six years. Those favouring a shorter base period considered that it would better reflect Member States' current capacity to pay. Other members preferred a longer base period, on the grounds that it would promote greater stability and predictability in the scale by evening out excessive fluctuations from year to year. The Committee noted that the current method had been a compromise reached by the General Assembly between those favouring short and long base periods. Some members were of the view that the base period, once established, should not be subject to frequent change.

30. Some members recalled the Committee's earlier view that the base period should be a multiple of the scale period[3] so that data from some years would not be used more frequently than data from others. Over one or several scale periods, that recommendation would avoid using data from some years more frequently than data from other years. There were diverging opinions as to whether that view retained its validity, and base periods of different lengths were considered. Others noted that there should be a correlation between the length of the scale period and the length of the base period.

31. **The Committee decided to keep under review the issue of the base period in the light of its general mandate and would welcome further guidance by the General Assembly.**

4. Debt-burden adjustment

32. The debt-burden adjustment had been an element of the scale methodology since 1986. It was intended to reflect the impact of having to repay the principal on external debt on the capacity to pay of some Member States. Interest on that debt was already reflected in the data for GNI. The debt-burden adjustment was a separate step that was effected by deducting notional annual repayments of external debt, as defined in step II of the scale methodology (see annex), from Member States' GNI. While some members of the Committee had expressed reservations about the adjustment, others had argued that it was necessary for measuring the real capacity to pay of Member States.

33. The Committee noted that the General Assembly had decided to use debt-stock data for the scales for the period 2001-2003, which it had also applied for the periods 2004-2006 and 2007-2009. The size of the adjustment in the current scale was lower than it had been in previous scales except for the 1998 scale, which was based on the debt-flow approach. That change in the size of the adjustment was due

[3] Ibid., *Fiftieth Session, Supplement No. 11* (A/50/11), chap. III.C, para. 18.

to decreasing debt levels relative to GNI, as shown in the most recent World Bank figures.

34. The data used for both variants of the debt-burden adjustment were provided by the World Bank Global Development Finance database for debt reporting system countries. During the period 1999-2004, that source covered 135 countries for debt stock and between 133 and 134 countries for debt flow. The countries covered were developing countries that were members of and borrowers from the World Bank and had per capita GNI below a given threshold. In 2006, the World Bank set the threshold at $10,725. Currently, all countries for which debt figures were available were automatically considered for the debt-burden adjustment.

35. Limitations in the data available at the time that the adjustment was introduced led the Committee to recommend to the General Assembly that it base the adjustment on a proportion of the total external debt stock of the Member States concerned. For that purpose, it was assumed that debt was repaid over eight years, so that the adjustment to national income data was 12.5 per cent of total external debt stock. That became known as the debt-stock approach. Total debt stocks included public and publicly guaranteed long-term debt, private non-guaranteed long-term debt, the use of IMF credit and estimated public and private short-term debt. Principal repayments were part of total debt flows, which also included disbursements, net flows and transfers on debt and interest payments, and consisted of the amounts of principal repaid in foreign currency in the year specified.

36. A reassessment of the repayment period of principal showed that, based on actual data, the repayment period of total external debt had declined from 9.9 years in 1999 to 6.9 years in 2005. During the same period, the repayment period of public and publicly guaranteed debts had declined from 12.9 years to 8.7 years. Since both data on debt stocks and debt flows were available for 135 countries, the Committee would further review the possibility of using actual data instead of continuing with the current assumption of an 8-year repayment period. For those countries that did not have actual debt data, estimates could be made based on projected future payments using the accrual method.

37. In the past, the Committee had decided to use total debt rather than public debt in its analysis because of the availability of data on total debt only and the lack of distinction between public and private debt in the data available from the Organization for Economic Cooperation and Development (OECD). However, given that the data on public debt and publicly guaranteed debts had greatly improved and that data were currently available for 135 countries, some members proposed to consider, at the sixty-eighth session of the Committee, whether to base the adjustment on public debt only instead of on total debt. They considered that the use of public external debt was preferable to the use of total external debt since public debt had to be repaid from the government budget, whereas private debt could be defaulted on through bankruptcy of private enterprises. They noted that the use of public external debt had been intended when that element of the methodology was introduced in 1986. Other members expressed the view that the use of total debt stock was necessary.

38. Members of the Committee had divergent views on the debt-burden adjustment. Some members argued that the debt-burden adjustment was technically unsound because it mixed income and capital concepts. Those members felt that since the national income figures (GNI) that were the starting point for the scale of

assessments accounted fully for interest payments on external debt on an accrual basis, regardless of whether those payments were actually made on time, there was no need to retain that element of the methodology. Some members considered that the adjustment was an essential part of the methodology, reflecting an important factor in the capacity to pay of Member States, and that it should therefore be retained.

39. One member felt that, since IMF was collecting data of public debts, both domestic and foreign, for all countries including developed countries, the time was ripe for considering enlarging the scope of application of adjustment of GNI by debt beyond the current methodology to include all public debts, both domestic and foreign, of all Member States. In that member’s view, that approach could reduce the impact of the ceiling.

40. **The Committee decided to consider the question of the debt-burden adjustment further at future sessions in the light of any guidance provided by the General Assembly.**

5. Low per capita income adjustment

41. The low per capita income adjustment had been an important element of the scale methodology from the outset. The adjustment currently had two parameters: a threshold level of per capita GNI to determine which countries would benefit; and a gradient to set the size of the adjustment. Since the adoption of the 1995-1997 scale, the threshold, which had previously been a set dollar amount, had been the average per capita GNP/GNI for the membership. The gradient had grown over the years, from 40 per cent in 1948 to 85 per cent in 1983. Since the calculation of the scale for the period 1998-2000, the gradient had been fixed at 80 per cent.

42. A related issue considered by the Committee at its sixty-sixth session was the discontinuity experienced by Member States that moved up through the threshold of the adjustment between scale periods. Instead of benefiting from the adjustment, such countries must share the cost. At its sixty-sixth session, the Committee had recalled the problem of the discontinuity faced by Member States that had moved up through the threshold of the adjustment between scale periods. Such Member States had not only ceased to benefit from the adjustment but had also helped to pay for it. One alternative approach proposed was to delay or phase in the increase related to having to help to pay for the adjustment by a few years.

43. Another remedial measure considered would be to distribute percentage points arising from the low per capita income adjustment to all Member States. Prior to 1979, the amount of the adjustment was distributed pro rata to all Member States, including those below the low per capita income adjustment threshold. As a result, all Member States, except those affected by the ceiling or the floor, had shared the cost of the adjustment. That approach had smoothed the effect of the adjustment on those moving up through the threshold and so it was a potentially practical way to address the problem of discontinuity. However, it could also theoretically result in a Member State slightly below the threshold becoming a net absorber unless that was corrected. Owing to concerns about that effect, since 1979 the scale methodology for the low per capita income adjustment had redistributed points only to Member States that were above the threshold. Some members of the Committee suggested reverting to the pre-1979 method, while others had the opposite view.

44. Another way of distributing the percentage points of those countries benefiting from the low per capita income adjustment would be to apply an "indirect redistribution" that would be similar in concept to the debt-burden adjustment. Countries below the low per capita income adjustment threshold would be entitled to write off part of their income, while countries above the threshold would not have to absorb the relief given to the countries below the threshold. Shares would then be calculated based on the reduced assessable income without direct redistribution.

45. Some members, recalling that the terms of reference of the Committee called for the consideration of comparative income per head of population in order to prevent anomalous assessments resulting from the use of comparative estimates of national income, noted that an allowance for low per capita national income had been part of the methodology since the preparation of the first scale of assessments. A formula to implement that had been set up in 1948 and refined from time to time over the years to better reflect the capacity of Member States to pay.

46. Some members noted, however, that that had produced the effect of accumulating relief in Member States whose share of world GNI exceeded 1 per cent and that that trend had strengthened in the past 10 years. There was an issue of whether the total relief had been fairly distributed among all Member States below the threshold.

47. In the light of the above, some members proposed to set a limit on the low per capita income adjustment.

48. Some members believed that the formula was based on transparent, technical and objective criteria that were applied equally on all Member States whose per capita GNI was lower than the determined threshold, and that therefore the current methodology should be retained. Those members argued that the proposal to set a limit on the low per capita income adjustment would be discriminatory, arbitrary and without any technical justification. They believed that the GNI figure, which was the starting point for the methodology, already took into account the size of the economy. Those members also stressed that the amount of the low per capita income adjustment per country directly depended on the size of population of eligible countries. A study would be done on the relationship of total debt-adjusted GNI to per capita GNI in the scale at the sixty-eighth session of the Committee, using an illustrative scale reflecting the weighted average share for each Member State of the two GNIs.

49. Some members expressed interest in exploring various alternatives for establishing the threshold, and proposed further consideration of the question based on additional study by the Secretariat.

50. Other members expressed the view that the current threshold should be retained.

51. **The Committee decided to further consider the question of the low per capita income adjustment at future sessions on the basis of additional information from the United Nations Statistics Division and in the light of any guidance provided by the General Assembly.**

6. Floor

52. Some members noted that the floor was inconsistent with the principle of capacity to pay since it increased the burden for those countries whose rates of assessment had to be raised to the floor rate. Some members favoured lowering the floor by expanding the number of decimal points of the scale from the current three digits to four or eliminating it altogether. Other members disagreed, stating that the floor ensured that there was a certain base minimum that Member States should contribute. Those members were of the opinion that the General Assembly had already reduced the minimum level of assessment, or floor, from 0.01 per cent to 0.001 per cent as from 1998, and that the amounts involved were a practical minimum contribution that Member States should be expected to make to the Organization.

7. Ceilings

53. The Committee recalled that the current methodology included a maximum assessment rate, or ceiling, of 22 per cent and a maximum assessment rate for the least developed countries, or least developed countries ceiling, of 0.010 per cent. Some members felt that the ceiling should not be a technical aspect of the scale methodology since it was fixed as a result of political negotiations and was not related to capacity to pay. Another member stated that the ceiling had been established so that the Organization would not be dependent on one country and that there was a correlation between increase in membership and the decrease in the ceiling rate. Other members noted that no such correlation existed.

B. Other suggestions and other possible elements for the scale methodology

1. Annual recalculation

54. The Committee recalled that it had first considered the proposal for automatic annual recalculation of the scale in 1997 and had revisited the question on a number of occasions since then.[4]

55. Members supporting the idea considered that annual recalculation of the scale would better approximate current capacity of Member States to pay, as each year the scale would be based on the most up-to-date available data. Those members recognized that various technical issues would need to be dealt with but considered that that was feasible, and did not entail a yearly revision of the scale methodology.

56. Other members reiterated their views that annual recalculation was not simply a technical exercise and that it was more likely that it would lead to an annual renegotiation of the scale. They also considered that it would make the annual assessments of Member States less stable and predictable. They asserted that annual recalculation contradicted rule 160 of the rules of procedure of the General Assembly. They also noted that it might involve additional costs, including for travel of members of the Committee, conference services and Secretariat support for annual technical review of data by the Committee. Other members were less convinced of the amount of the costs of annual recalculation and were more

[4] Ibid., *Sixty-first Session, Supplement No. 11* and corrigendum (A/61/11 and Corr.1), chap. III.C, para. 48.

concerned about the availability and credibility of data, and the practical problems posed by the need for collection of data, which could create additional burdens for developing countries.

57. With respect to the concern over availability and credibility of data, other members pointed out that the data to be used for annual recalculation would involve the same time lag as the data currently used and would therefore entail no further difficulties than the existing methodology.

58. **The Committee decided to study the question of annual recalculation further at its future sessions.**

2. Large scale-to-scale increases in rates of assessment

59. 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, including developing countries. In the course of consideration of the scale by the Assembly, a number of members had expressed their concern at those large increases and various proposals had been made to alleviate the situation.

60. A similar concern had led to the addition of a scheme of limits to the scale methodology in the 1986-1998 scales, which had restricted large scale-to-scale increases and decreases faced by Member States. However, the General Assembly had subsequently decided to phase it out over two scale periods. Since the calculation of the 2001-2003 scale, the effects of the scheme of limits had been fully eliminated.

61. As part of the agreement on the scale for the period 2001-2003, the General Assembly had applied transitional measures for some Member States facing particularly large increases in their rates of assessment. Taken together with the application of an additional payment by the United States in 2001, those measures had spread the increase for the countries affected over the three years of the scale period. In the 2001-2003, 2004-2006 and 2007-2009 scales, the Assembly had agreed to the mitigation of some increases through voluntary burden shifting and to voluntary increases in the rate of assessment of some Member States.

62. One proposal considered by the Committee at previous sessions was a phasing-in of large scale-to-scale increases in equal instalments over the three years of the validity of the scale, defining "large" as an increase of over 50 per cent. Some members argued that in many instances, large scale-to-scale increases reflected actual increase in the capacity to pay, that the rates of Member States with very low rates of assessment should increase only by a large percentage, and that introducing an additional threshold would become another cause of discontinuity. Other members argued that Member States facing large scale-to-scale increases could request relief if they deem it necessary.

63. A number of members of the Committee linked the issue of large scale-to-scale increases to the length of the base period, stating that a longer base period would reduce the number of countries affected by scale-to-scale increases.

64. **In the light of the foregoing, the Committee decided to continue to consider the feasibility of application of systematic measures of transitional relief for Member States facing large scale-to-scale increases in their assessment rates in the light of any guidance provided by the General Assembly.**

Chapter IV
Multi-year payment plans

65. In paragraph 1 of its resolution 57/4 B, the General Assembly had endorsed the conclusions and recommendations of the Committee concerning multi-year payment plans,[5] which provided that:

(a) Member States should be encouraged to submit multi-year payment plans, which constitute a useful tool for reducing unpaid assessed contributions and a way to demonstrate commitment to meeting financial obligations to the United Nations;

(b) Due consideration should be given to the economic position of Member States, as not all of them might be in a position to submit such plans;

(c) Multi-year payment plans should remain voluntary and should not be automatically linked to other measures;

(d) Member States considering a multi-year payment plan should submit the plan to the Secretary-General for the information of other Member States and should be encouraged to consult the Secretariat for advice in its preparation, in which context it was suggested that the plans should provide for payment each year of the current year assessments of the Member State and a part of its arrears. Where possible, the plans should generally provide for elimination of the arrears of a Member State within a period of up to six years;

(e) The Secretary-General should be requested to provide information on the submission of such plans to the Assembly, through the Committee;

(f) The Secretary-General should be requested to submit an annual report to the Assembly, through the Committee, on the status of the payment plans of Member States as at 31 December each year;

(g) For those Member States that are in a position to submit a payment plan, the Committee and the Assembly should take the submission of a plan and its status of implementation into account as one factor when they consider requests for exemption under Article 19 of the Charter.

In its resolutions 58/1 B, 59/1 B and 60/237, the Assembly had reaffirmed paragraph 1 of its resolution 57/4 B.

66. In considering the matter, the Committee had before it the report of the Secretary-General on multi-year payment plans (A/62/70), which had been prepared pursuant to the recommendations of the Committee. It was also provided with updated information with regard to the status of payment plans. The Committee reaffirmed the voluntary nature of those payment plans and noted that they should not be automatically linked to other measures. Some members of the Committee were of the opinion that Member States with substantial unpaid assessed contributions which did not yet exceed the contributions of the prior two years due under Article 19 should pay in full and on time. In their view, multi-year plans alone were not sufficient to improve the financial situation of the Organization. Some members also felt that Member States submitting payment plans should be requested to adhere to a six-year period for elimination of arrears. Some members noted that

[5] Ibid., *Fifty-seventh Session, Supplement No. 11* (A/57/11), paras. 17-23.

the payment plans were by their nature unenforceable and represented a “soft contract” between the Member State and the Organization to pay off their debt as soon as possible. Other members feared that without further encouragement those plans might not be forthcoming in future.

67. The Committee was informed that the Secretariat had included in the *Journal of the United Nations* an announcement that the Committee would be considering multi-year payment plans at its sixty-seventh session and inviting any Member State intending to submit such a plan to contact the Secretariat for further information. No new payment plans had been submitted.

A. Status of payment plans

68. The table contained in paragraph 23 of the Secretary-General’s report (A/62/70) summarizes the status of the five payment plans covered as at 31 December 2006, submitted by Georgia in 2003 (fourth plan), Liberia in 2006 (second plan), the Niger in 2004 (first plan), Sao Tome and Principe in 2002 (first plan) and Tajikistan in 2000 (first plan). The Committee was also provided with updated information, as at 29 June 2007, but excluding the plans proposed by Georgia and Niger, which had fully paid their arrears and no longer fell under the provisions of Article 19 of the Charter.

Status of payment plans at 29 June 2007

(United States dollars)

	Liberia			
	Payment plan	*Assessments at 31 December*	*Payments/credits*	*Outstanding at 31 December*
1999				1 147 524
2000		31 506	70 192	1 108 838
2001		16 166	630	1 124 374
2002		17 137	5 465	1 136 046
2003		17 124	1 636	1 151 534
2004		20 932	2 899	1 169 567
2005		24 264	202	1 193 629
2006	150 000	23 024	100 453	1 116 200
2007[a]		28 070	49 900	1 094 370
2008				
2009				
2010				
2011				
2012				
2013				

	Sao Tome and Principe				Tajikistan			
	Payment plan	*Assessments at 31 December*	*Payments/ credits*	*Outstanding at 31 December*	*Payment plan*	*Assessments at 31 December*	*Payments/ credits*	*Outstanding at 31 December*
1999				570 783				2 436 208
2000		13 543	48	584 278	65 251	63 507	205 389	2 294 326
2001		14 254	157	598 375	67 822	18 727	266 251	2 046 802
2002	27 237	15 723	29 146	584 952	67 822	22 205	303 961	1 765 046
2003	42 237	17 124	929	601 147	67 822	19 439	296 628	1 487 857
2004	59 237	20 932	1 559	620 520	67 822	26 183	400 955	1 113 085
2005	74 237	24 264	202	644 582	67 822	29 111	65 985	1 076 211
2006	89 237	23 024	453	667 153	203 466	26 583	107 156	995 638
2007[a]	114 237	28 070	0	695 223	203 466	31 092	310 990	715 740
2008	134 237				203 467			
2009	153 752				203 467			
2010					203 467			
2011								
2012								
2013								

[a] As at 29 June 2007.

69. The Committee noted that Tajikistan had significantly exceeded the payments scheduled in its payment plan, Liberia had paid the first three instalments of its payment plan, and Sao Tome and Principe had not made any payments since 2002 and had fallen short of its payment plan.

B. Conclusions and recommendations

70. **The Committee concluded that the system of multi-year payment plans, endorsed by the General Assembly in 2002, 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.**

71. **The Committee also noted with appreciation the full payments by Georgia and the Niger in 2007 under their multi-year payment plans. The Committee recognized the considerable efforts made by those Member States to honour the commitments that they had made when they submitted their plans.**

72. **While recognizing that the submission of multi-year payment plans was voluntary and not automatically linked to other measures, the Committee emphasized the importance of Member States that had submitted such plans meeting the commitments that they had made.**

73. **On the basis of the positive experience to date, the Committee recommended that the General Assembly encourage other Member States in arrears for the purposes of application of Article 19 of the Charter of the United Nations to consider submitting multi-year payment plans.**

74. Some members noted that since the original terms of some payment plans were not being met, the length of the payment term might need to be adjusted in order to conform more with the Member States' capacity to pay.

Chapter V
Application of Article 19 of the Charter

75. The Committee recalled its general mandate, under rule 160 of the rules of procedure of the General Assembly, to advise the Assembly on the action to be taken with regard to the application of Article 19 of the Charter. It also recalled the Assembly's decisions in its resolution 54/237 C concerning procedures for consideration of requests for exemption under Article 19 and the results of its recent review of that subject.

Requests for exemption under Article 19

76. The Committee recalled that the General Assembly, in its resolution 54/237 C, had urged all Member States in arrears requesting exemption under Article 19 to provide the fullest possible supporting information, including information on economic aggregates, Government revenues and expenditure, foreign exchange resources, indebtedness, difficulties in meeting domestic or international financial obligations and any other information that might support the claim that failure to make necessary payments had been attributable to conditions beyond the control of the Member States. The Assembly had also decided that requests for exemption under Article 19 must be submitted by Member States to the President of the Assembly at least two weeks before the session of the Committee so as to ensure a complete review of the requests. The Committee also noted that those requests for exemption made at the highest level of the Governments showed the seriousness of the commitment by the Member States to settle their arrears. **It therefore encouraged all Member States submitting such requests in future to follow that example**.

77. The Committee noted that eight requests for exemption under Article 19 had been received by the time specified in the resolution. One of the requests was later withdrawn. Eight requests had also been made in 2005 and 2006 within the time frame specified: 10 in 2004, 9 in 2003, 7 in 2002, 3 in 2001 and 7 in 2000.

78. The Committee noted the increasingly large accumulations of debt of some Member States, which were up to 40 times their annual assessments. Attempts should be made by those Member States to stop the growth of those arrears prior to submitting a payment plan.

79. In considering the requests, the Committee had before it information provided by the seven Member States concerned and the Secretariat. It also met with representatives of the Member States, a representative of the African Union and representatives of relevant units of the Secretariat and the United Nations Development Programme (UNDP).

80. **Given the complex nature of the problems surrounding the requests for exemption under Article 19, the Committee decided to review at its sixty-eighth session the legislative mandates and basic principles underlying the application of Article 19 provisions in order to establish basic guidelines for considering future requests for exemption.**

1. Central African Republic

81. The Committee had before it the text of a letter dated 24 May 2007 from the President of the General Assembly to the Chairman of the Committee on Contributions transmitting a letter dated 23 May 2007 from the Permanent Representative of the Central African Republic to the United Nations addressed to the President of the General Assembly. It also heard an oral representation by a representative of the Central African Republic.

82. In its written and oral representations, the Central African Republic indicated that, despite free and democratic elections in 2005, the country still had security problems. Over 300,000 displaced persons on the border with the Sudan and another 3,000 on the border with Chad posed enormous risks of instability in the region. The debt-burden ratio was 77 per cent of GDP in 2005. The Government of the Central African Republic was trying to work with donor institutions to try to obtain relief. However, the security situation had created major obstacles to achieving its goal.

83. The Government recognized its obligations to the United Nations and since 15 June 2007 had renewed efforts to meet its commitments. However, given the social, security and economic problems still faced by the country, it would not be possible to submit a workable and realistic multi-year payment plan at the present stage.

84. The Committee was provided with information by the Secretariat concerning the situation in the Central African Republic. The humanitarian situation had deteriorated. Expansion of the rebellion in the northern part of the country and continued fighting in the north-west had created a general sense of insecurity and had resulted in over 300,000 internally displaced persons. Although there had been some increase in Government revenues, most of the economic growth was in the south of the country. The economic and social situation in the north was still very poor, with no sign of improving. The country was trying to take steps to better manage its economy, which might be possible if the security situation improved. The budget for 2007 targeted a domestic primary surplus of about 1 per cent of GDP.

85. Some members concluded that the grave situation facing the Central African Republic meant that its failure to pay the minimum amount necessary to avoid the application of Article 19 was due to conditions beyond its control and that it should be granted an exemption under Article 19. Other members recalled that the country had not made a contribution since 1998 and had not fulfilled its earlier stated intentions to submit a schedule for the payment of its arrears. Given that the country was already projecting a budget surplus of 1 per cent, they believed that the Government should show its commitment by making some payment so as to reduce, or at least avoid, a further increase in its unpaid assessed contributions.

86. **The Committee concluded that, on balance, the failure of the Central African Republic to pay the minimum amount necessary to avoid the application of Article 19 was due to conditions beyond its control. It therefore recommended that the Central African Republic be permitted to vote until the end of the sixty-second session of the General Assembly.**

87. Some members of the Committee expressed reservations about the decision, in view of the Central African Republic’s continued failure to submit the multi-year payment plans promised in previous years. They also noted that future

considerations of requests for exemption might not be favourable in the light of the country's lack of commitment to addressing its arrears, in spite of the improving financial situation.

2. The Comoros

88. The Committee had before it the text of a letter dated 25 May 2007 from the President of the General Assembly to the Chairman of the Committee on Contributions transmitting a letter dated 23 May 2007 from the Chargé d'affaires a.i. of the Permanent Mission of the Comoros to the United Nations addressed to the President of the General Assembly. It also heard an oral representation by a representative of the Comoros.

89. In its written and oral representations, the Comoros indicated that the country was undergoing a post-conflict transition following a long separatist and political crisis. In spite of the fact that the Government, with the help of the international community and its own limited resources, had established all the democratic political institutions stipulated by the new Constitution, the scars of the seven years of political turmoil were still vivid. Conflicts between the three autonomous unions and the federal Government had resulted in a postponement of the elections that were to be held in June 2007. Owing to its fragile financial situation and political post-conflict circumstances, the Comoros had not been able to pay its annual contribution.

90. The Committee was provided with information by the Secretariat concerning the situation in the Comoros. During the last three years, occurrences of natural disasters, such as volcanic eruptions, earthquakes and tidal waves, had escalated, causing substantive damages and further undermining already fragile livelihoods and posing grave environmental threats. The national preparedness and risk-reduction arrangements were inadequate. Disagreements in power-sharing within the three autonomous regions had undermined the fabric of the union and hindered their ability to form normal institutions for the collection of taxes and internal/external defence. In addition, the economy was weak in 2006 because of low prices for vanilla, which was the main export, and lower levels of tourism.

91. The Committee noted the information provided concerning the situation of the Comoros. It noted that although the payment made by the Comoros in 2005 had been slightly in excess of its total annual contributions for that year, it had made a smaller payment in 2006, which had demonstrated the commitment of the Comoros to reduce its arrears but was insufficient to cover its annual contributions.

92. Some members of the Committee also felt that the problems of the Comoros were more systemic in nature and did not constitute exceptional circumstances. Hence, they did not feel that the Committee should continue granting an exemption if no other payments were forthcoming in the future.

93. **In the light of the country's situation and the aforementioned developments, the Committee concluded that the failure of the Comoros to pay the minimum amount necessary to avoid the application of Article 19 was due to conditions beyond its control. It therefore recommended that the Comoros be permitted to vote until the end of the sixty-second session of the General Assembly.**

3. Guinea-Bissau

94. The Committee had before it the text of a letter dated 24 May 2007 from the President of the General Assembly to the Chairman of the Committee on Contributions transmitting a letter dated 22 May 2007 from the Permanent Representative of Guinea-Bissau to the United Nations addressed to the President of the General Assembly. It also heard an oral representation by the Permanent Representative of Guinea-Bissau.

95. In its written and oral representations, Guinea-Bissau pointed to its economic and financial problems. Although the Government of Guinea-Bissau was cognizant of its financial obligations to the Organization, it had not been possible to meet them owing to the fact that the Government had been unable to benefit to date from the structural reforms undertaken to generate adequate resources to meet its basic expenditures. Over the last two years, the difficult financial situation had been exacerbated by a cholera epidemic that had spread throughout the country. Due to a recent shortfall in funding from external sources, such as the World Bank and other major donors, and a lower than expected outcome from the Geneva Donors round table held in November 2006, it had had to resort to funding recurrent costs, including for salaries of civil servants, through short-term loans from commercial banks.

96. The Government of Guinea-Bissau was also facing an extremely high debt burden, which was almost four times its national income (389.9 per cent) and amounted to over $1 billion. Notwithstanding that critical situation, the Permanent Representative of Guinea-Bissau informed the Committee that the Government of Guinea-Bissau was willing to submit, as requested, a multi-year payment plan in order to continue on the path towards the steady reduction of arrears, as it had started to do from 1995 to 1997.

97. The Committee was provided with information by the Secretariat concerning the situation in Guinea-Bissau. The overall situation in the country was characterized by high vulnerability. In the 2006 United Nations Development Programme Human Development Index, Guinea-Bissau was ranked as the fifth least liveable country in the world. It ranked 173 out of 177 on the Human Development Index. Years of conflict had left the country in an unstable and critical condition. The Government had been unable to provide basic services, including health care, schooling, water and electricity, to mention a few, for its citizens. In addition, 65 per cent of the population lived below the poverty line, 36 per cent faced food insecurity and 30 per cent of children under age 5 were malnourished. There were areas in the north of the country that remained inaccessible due to landmine contamination. Guinea-Bissau continued to host at least 8,000 refugees from Senegal. The Government was unable to secure its borders due to lack of resources. The inability to pay the salaries of its civil servants had fostered growing discontent and led to strikes and riots. The lack of diversification and development of other export produce had left the country heavily and almost totally reliant on cashew nut exports, which had not performed well recently.

98. Some members noted the failure of Guinea-Bissau to make any financial contributions to the United Nations since 1997 and urged the submission of a multi-year payment plan. Other members noted the country's economic and social problems as a result of poor tax collections.

99. **The Committee concluded that the failure of Guinea-Bissau to pay the minimum amount necessary to avoid the application of Article 19 was due to conditions beyond its control. It therefore recommended that Guinea-Bissau be permitted to vote until the end of the sixty-second session of the General Assembly.**

4. Liberia

100. The Committee had before it the text of a letter dated 23 May 2007 from the President of the General Assembly to the Chairman of the Committee on Contributions transmitting a letter dated 21 May 2007 from the Permanent Representative of Liberia to the United Nations addressed to the President of the General Assembly. It also heard an oral representation by a representative of Liberia.

101. In its written and oral representations, Liberia pointed to the fact that the lifting of the embargo on timber in the second half of 2006 and that on diamonds in April 2007 would assist the development of the economy and contribute to a better infrastructure in the country. Also, since 2006, with the inauguration of a new Government and the end of the conflict, Liberia had been making steady progress in consolidating peace, stability and democracy, as well as promoting economic recovery, with the sustained support of international partners.

102. Notwithstanding the encouraging developments since its last report to the Committee, Liberia still faced significant reconstruction and development challenges arising from 14 years of civil strife, including pervasive poverty, food insecurity, high unemployment, massive illiteracy and debilitated basic services, including potable water, health services and education, and inadequate delivery thereof. Insecurity due to a rise in crime and also the unsettled issue of ex-combatants and high unemployment remained some of the threats to the reintegration of returning populations.

103. In spite of those problems, which were beyond its control, the Government of Liberia had always been mindful of meeting its financial obligations to the Organization. Payments totalling $250,000, inclusive of $150,000 made under a revised payment plan submitted in 2006, had been made since 2000, in order to reduce its arrears to the Organization. The lack of steady and timely payments thus far had not been due to a disregard of its obligations but rather due to conditions beyond its control. The Government would submit a revised multi-year payment plan beginning in July 2007.

104. The Committee was provided with information by the Secretariat concerning the situation in Liberia. Although Liberia's humanitarian situation had witnessed significant improvements since the inauguration of the democratically elected Government of President Ellen Johnson Sirleaf, the 14-year conflict had left a majority of Liberians in a state of high vulnerability. Many Liberians were still without health care, safe water and appropriate sanitation, shelter and education. Unemployment was estimated at about 85 per cent, about three quarters of the population lived on less than $1 per day, and approximately 90 per cent of the population was considered to be food insecure. The Government of Liberia, with the help of United Nations agencies and non-governmental organizations was helping the country to consolidate its new found peace and to help to provide the basic necessities for the population of Liberia. However, much remained to be done with

the help of the international community to ensure the sustainability of the peace achieved to date.

105. The Committee welcomed the submission of a payment plan covering 2006 and noted with appreciation the receipt of a third instalment payment of $50,000 in June 2007, which had been made in spite of the serious economic difficulties of Liberia. The Committee felt that an exemption was highly justified in order to encourage Liberia's continued efforts in that regard.

106. **The Committee concluded that the failure of Liberia to pay the minimum amount necessary to avoid the application of Article 19 was due to conditions beyond its control. It therefore recommended that Liberia be permitted to vote until the end of the sixty-second session of the General Assembly.**

5. Sao Tome and Principe

107. The Committee had before it the text of a letter dated 25 May 2007 from the President of the General Assembly to the Chairman of the Committee on Contributions transmitting a letter dated 25 May 2007 from the Minister Counsellor of the Permanent Mission of Sao Tome and Principe to the United Nations addressed to the President of the General Assembly. It also heard an oral representation by the Permanent Representative of Sao Tome and Principe.

108. In its written and oral representations, Sao Tome and Principe stated that the reason for its request for exemption from the provisions of Article 19 of the Charter was due to many circumstances beyond the control of the Government. The economy of Sao Tome and Principe was not improving and its arrears had mainly resulted from the fact that the country was one of the Member States most affected by the 0.01 per cent floor. Although oil had been discovered in its exclusive economic zone, it had not been proven to be economically viable. There was still some political instability even though the recently concluded regional elections offer hope of stability. The country remained heavily indebted, with a total debt of $360 million and a population of only 150,000. The rate of inflation was 22 per cent and many people still lived on $1 a day. There were also social problems related to HIV outbreaks. Sao Tome and Principe was in arrears not only with the United Nations but with other organizations, such as the African Union. It had income from bonds from neighbouring countries, such as Nigeria, for the exploration and development of oil but did not have access to it as that income is held in Trust Funds with the Federal Reserve Bank in the United States. It was in the process of negotiations with the Paris Club for full debt relief. The Government remained committed to meeting its obligations to the United Nations and would renew its efforts, as indicated in 2002, to present a new multi-year payment plan to the Committee on Contributions in the very near future.

109. The Committee was provided with information by the Secretariat concerning the situation in Sao Tome and Principe. The political situation was still fragile. The country had a history of instability and political coups that were resolved only with intervention by neighbouring countries. Although oil had been discovered, the country could not yet benefit from the investments from foreign oil companies since most of the funds were held in the Federal Reserve Bank in the United States, which showed an attempt by the Government to use them in a transparent and accountable way for the benefit of the country. The country also remained vulnerable to health-care issues with recurrent outbreaks of cholera and continuing food insecurity. Per

capita GDP was $407. It ranked 127 among 177 countries in the human development index. The debt to GDP ratio was high, almost 600 per cent, as a result of a lack of private savings. If negotiations with the Paris Club were successful, the debt burden would be reduced.

110. The Committee believed that the accumulation of the arrears of the country was due to its assessments far exceeding its capacity to pay in the past, thereby resulting in arrears that were many times its current annual assessments. It also felt that unless some minimum payments were made the debt burden would continue to increase and urged the Government to submit a multi-year payment plan as soon as possible.

111. **The Committee concluded that the failure of Sao Tome and Principe to pay the minimum amount necessary to avoid the application of Article 19 was due to conditions beyond its control. It therefore recommended that Sao Tome and Principe be permitted to vote until the end of the sixty-second session of the General Assembly.**

6. Somalia

112. The Committee had before it the text of a letter dated 22 May 2007 from the President of the General Assembly to the Chairman of the Committee on Contributions transmitting a letter dated 21 May 2007 from the Permanent Representative of Somalia to the United Nations addressed to the President of the General Assembly. It also heard an oral representation by the Permanent Representative of Somalia.

113. In both written and oral representations, the Permanent Representative of Somalia noted that since 1990, Somalia had endured a serious internal conflict. The conflict created financial crises and grave economic difficulties, which further negatively affected its capacity to pay its contributions. Despite free and fair elections in 2004 that culminated in the formation of the Transitional Federal Government in Somalia, the new Government was faced with a lack of development funding from donor countries, which had led to a lack of salaries for civil servants. Furthermore, the convening of the National Reconciliation Congress had been postponed several times due to the fragility of the political situation and a lack of funds. Somalia was one of the least developed countries and was experiencing its worst humanitarian crisis ever. Millions of people were facing famine, severe malnutrition and drought. Although the new Transitional Federal Government, which had been established in 2004 and 2005, was willing to pay off its arrears, lack of a budget and means of raising revenue made it difficult for the Government to allocate funds. It was dependent on outside sources and intergovernmental organizations to pay salaries. Hence, it was not possible to submit any payment plans.

114. The Committee was provided with information by the Secretariat concerning the situation in Somalia. The transitional federal institutions set up following the National Reconciliation Conference in 2004 had been undermined by serious internal political divisions resulting in a worsening climate of insecurity and lawlessness, exacerbated by the presence of extremist elements. Some 350,000 had been displaced as a result of the heaviest fighting since the 1990s between the Transitional Federal Government and opposition groups. The floods in 2006-2007 were the worst in a decade, causing widespread displacement and loss of

livelihoods. Despite high remittance inflows to Somalia, poverty was widespread — in 2002 around 43 per cent of the population were estimated to live on less than $1 per day and the maternal mortality rate was about 1,600 for every 100,000 live births. The primary school enrolment rate was 22 per cent and girls' enrolment was extremely low. Lack of security hampered the ability of international organizations to provide aid and assistance on which the Government was heavily dependent.

115. **The Committee concluded that the failure of Somalia to pay the minimum amount necessary to avoid the application of Article 19 was due to conditions beyond its control. It therefore recommended that Somalia be permitted to vote until the end of the sixty-second session of the General Assembly.**

7. Tajikistan

116. The Committee had before it the text of a letter dated 24 May 2007 from the President of the General Assembly to the Chairman of the Committee on Contributions, transmitting a note verbale dated 23 May 2007 from the Permanent Representative of Tajikistan to the United Nations transmitting a letter dated 12 May 2007 from the Prime Minister of Tajikistan addressed to the President of the General Assembly. It also heard an oral representation by the Permanent Representative of Tajikistan.

117. In its written and oral representations, Tajikistan made reference to the fact that the economic situation in Tajikistan remained complicated and, in terms of national income and the human development index, Tajikistan was one of the poorest countries in the world. One of the most urgent problems faced by Tajikistan was its external debt, which exceeded almost by half the amount of its consolidated budget. Repayment and the servicing of Government debts diminished the country's ability to implement programmes on poverty reduction and to achieve the Millennium Development Goals. For that reason, in recent years the Government of Tajikistan had had to ask lending countries to restructure or forgive its debts. With regard to the payment of arrears into the United Nations budget envisaged by the multi-year payment plan adopted by the Committee on Contributions, Tajikistan had exceeded the total amount foreseen in the payment schedule. In addition, Tajikistan had recently paid a part of its debt for the current year for peacekeeping operations in the amount of $203,484.

118. The Committee was provided with information by the Secretariat concerning the situation in Tajikistan, a landlocked country of mountainous terrain, only 10 per cent of which was arable, and prone to natural disasters. Recent floods had caused several economic and social problems. The country did not have an appropriate disaster-prevention strategy. Fragile ecosystems were put under further strain by the existence of 55,000 tons of uranium deposits. Recent invasions by locusts had also caused damage to the cotton industry. Although there had been some economic growth recently, with a real GDP growth rate of 7 per cent, substantial external debt remained. Drug-trafficking on the borders with Afghanistan had further led to overall instability. Tajikistan ranked 122 out of 177 on the human development index. The humanitarian situation was fragile.

119. **The Committee noted that the continuing payments made by Tajikistan under its multi-year payment plan had significantly exceeded the total payments foreseen in its schedule for the period 2000-2007. The Committee concluded that the failure by Tajikistan to pay the minimum amount necessary**

to avoid the application of Article 19 was due to conditions beyond its control. The Committee therefore recommended that Tajikistan be permitted to vote until the end of the sixty-second session of the General Assembly.

Chapter VI
Other matters

A. Collection of contributions

120. The Committee noted that, at the conclusion of the current session on 29 June 2007, the following seven Member States were in arrears in the payment of their assessed contributions to the expenses of the United Nations under the terms of Article 19 of the Charter but had been permitted to vote in the Assembly until the end of the sixty-first session pursuant to General Assembly resolution 61/2: the Central African Republic, the Comoros, Guinea-Bissau, Liberia, Sao Tome and Principe, Somalia and Tajikistan. **The Committee decided to authorize its Chairman to issue an addendum to the present report, as necessary.**

121. The Committee also noted that, as at 31 March 2007, a total of over $3.5 billion was owed to the Organization for the regular budget, peacekeeping operations, the international tribunals and the capital master plan.

B. Payment of contributions in currencies other than the United States dollar

122. Under the provisions of paragraph 8 (a) of its resolution 61/237, the General Assembly authorized the Secretary-General to accept, at his discretion and after consultation with the Chairman of the Committee on Contributions, a portion of the contributions of Member States for the calendar years 2007, 2008 and 2009 in currencies other than the United States dollar.

123. The Committee noted that the Secretary-General had accepted in 2006 the equivalent of $931,340.14 from Pakistan in a non-United States dollar currency acceptable to the Organization.

C. Organization of the Committee's work

124. The Committee wished to record its appreciation for the substantive support for its work performed by the Secretariat of the Committee and the Statistics Division.

D. Working methods of the Committee

125. The Committee reviewed its working methods. A preliminary discussion was held and it was decided to revert to the matter at the sixty-eighth session of the Committee.

126. The Committee agreed on the merits of setting up a website, both to assist its intersessional work and to facilitate the dissemination of its reports and other publicly available documents. **In view of the potential budgetary implications, the Committee requested the General Assembly to consider the matter in the context of its forthcoming debate on the proposed programme budget for 2008-2009.**

E. Date of the next session

127. **The Committee decided to hold its sixty-eighth session in New York from 9 to 27 June 2008.**

Annex

Outline of the methodology used for the preparation of the United Nations scale of assessments for the period 2007-2009

1. The current scale of assessments was based on the arithmetic average of results obtained using national income data for base periods of three and six years for the periods 2002-2004 and 1999-2004. The methodology used in the preparation of each set of results took as its starting point the gross national income (GNI) of the Member States of the Organization during the respective base periods. This information was provided by the United Nations Statistics Division and was based on data provided by Member States in response to the annual national accounts questionnaire. Since figures had to be provided for all Member States for all years of the possible statistical periods, when data were not available from the questionnaire the Statistics Division prepared estimates using other available sources, including the regional commissions, other regional organizations, the World Bank, the International Monetary Fund (IMF) and private sources.

2. The GNI data for each year of the base periods were then converted to a common currency, the United States dollar, in most cases using market exchange rates (MERs). MERs, for this purpose, were taken to be the annual average exchange rates between the national currencies and the United States dollar as published in the IMF *International Financial Statistics* or its Economic Information System. Those sources included three types of rates, which, for the purposes of preparing the scale of assessments, were referred to as MERs:

(a) Market rates, determined largely by market forces;

(b) Official rates, determined by Government authorities;

(c) Principal rates, for countries maintaining multiple exchange-rate arrangements.

For IMF non-members, where MERs were not available United Nations operational rates of exchange were also used.

3. As part of its review process, the Committee on Contributions considered whether these exchange rates resulted in excessive fluctuations or distortions in the income of particular Member States, and in a small number of cases decided to use alternative rates. These included price-adjusted rates of exchange (PAREs) supplied by the United Nations Statistics Division. The PARE methodology was developed by the Statistics Division as a means of adjusting the conversion rates into United States dollars for countries suffering from severe inflation and changes in domestic prices, which cause significant divergence in local currency movements. It is designed to eliminate the distorting effects of uneven price changes that are not well reflected in exchange rates and that yield unreasonable levels of income expressed in United States dollars. PARE rates are derived by extrapolating an average exchange rate for a base period with price changes in the form of implicit price deflators of gross domestic product. In considering the methodology for preparing future scales of assessments at its sixty-fourth and sixty-fifth sessions, the Committee considered a proposed relative PARE methodology, based on inflation rates relative to those of the United States in whose currency assessments are

calculated. The Committee concluded that relative PARE was in general the most technically sound method of adjusting MERs.

4. An average of the annual GNI figures in United States dollars for the base periods was then aggregated with the corresponding figures for other Member States as the first step in the machine scales used for the scale of assessments for 2007-2009.

Summary of step 1

Annual GNI figures in national currency were converted to United States dollars using the annual average conversion rate (MER or other rate selected by the Committee). The average of these figures was calculated for the base period (three or six years). Thus:

$[(GNI_{year\ 1}/\text{conversion rate}_{year\ 1}) + ... + (GNI_{year\ 6}/\text{conversion rate}_{year\ 6})]/6$ = average GNI, where 6 is the length of the base period

These average GNI figures were summed and used to calculate shares of GNI. A similar exercise was carried out for the three-year base period.

5. The next step in the scale methodology was the application of the debt-burden adjustment in each machine scale. In its resolution 55/5 B, the General Assembly decided to base this adjustment on the approach employed in the scale of assessments for the period 1995-1997. Under this approach, the debt-burden adjustment is the average of 12.5 per cent of total external debt for each year of the period (what has become known as the debt-stock method), based on an assumed repayment of external debt within eight years. Data for this adjustment came from the World Bank database on external debt, which included countries with a per capita income of up to $10,725 (using the World Bank Atlas conversion rates). The amount of the debt-burden adjustment was deducted from the GNI of those countries affected. The adjustment therefore increased not the absolute but rather the proportionate GNI of the Member States that either did not benefit from it or whose relative adjustment was lower than the amount of the total adjustment as a percentage of total GNI.

Summary of step 2

The debt-burden adjustment (DBA) for each base period was deducted to derive debt-adjusted GNI (GNI_{da}). This involved deducting an average of 12.5 per cent of the total debt stock for each year of the base period. Thus:

Average GNI-DBA = GNI_{da}

Total GNI_{da} = total GNI - total DBA

6. The next step was the application of the low per capita income adjustment in each machine scale. This involved the calculation of the average per capita GNI during each of the base periods for the membership as a whole and the average debt-adjusted per capita GNI for each Member State for each base period. The overall average figures for the current scale were $5,849 for the three-year base period and $5,518 for the six-year base period, and these were fixed as the starting points, or thresholds, for the respective adjustments. The GNI of each country whose average debt-adjusted per capita GNI was below the threshold was reduced by 80 per cent of

the percentage by which its average debt-adjusted per capita GNI was below the threshold.

7. For each machine scale, the total amount of the low per capita income adjustment was reallocated to those countries above the threshold, other than the Member State affected by the maximum assessment rate or ceiling, in proportion to their relative shares of the total debt-adjusted GNI of that group. For illustrative purposes, a track 2 calculation was undertaken in which the ceiling country was not excluded from the allocation of the adjustment. This permitted the machine scales considered by the Committee to indicate what the relative assessment rates of Member States would be if the ceiling were not applied.

Summary of step 3

The average per capita GNI for each base period was calculated. This was used as the threshold for application of the low per capita income adjustment. Thus:

[(Total $\mathrm{GNI}_{\mathrm{year\ 1}}$/total $\mathrm{population}_{\mathrm{year\ 1}}$) + ... + (total $\mathrm{GNI}_{\mathrm{year\ 6}}$/total $\mathrm{population}_{\mathrm{year\ 6}}$)]/6 = average per capita GNI for the six-year base period

A similar exercise was carried out for the three-year base period.

Summary of step 4

The average debt-adjusted per capita GNI for each Member State for each base period was calculated in the same manner as in step 3, using debt-adjusted GNI.

Summary of step 5

In each machine scale, the low per capita income adjustment was applied to those Member States whose average debt-adjusted per capita GNI was lower than the average per capita GNI (threshold). This adjustment reduced the affected Member State’s average debt-adjusted GNI by the percentage that its average debt-adjusted per capita GNI was below the threshold multiplied by the gradient (80 per cent).

Example: If the average per capita GNI is $5,000 and a Member State’s per capita debt-adjusted GNI is $2,000, then the low per capita income adjustment will be [1 - (2000/5000)] x 0.80 = 48 per cent, that is, 80 per cent (the gradient) of 60 per cent [1 - (2000/5000)], which is the percentage by which the Member State’s debt-adjusted per capita GNI is below the threshold.

Summary of step 6

In each machine scale, the total dollar amount of the low per capita income adjustments was reallocated pro rata to Member States whose average debt-adjusted per capita GNI was above the threshold. In order to illustrate the outcomes with and without a ceiling scale rate, two alternative tracks were applied to this and subsequent steps:

Track 1

The total of the low per capita income adjustments was proportionately reallocated to all Member States whose average debt-adjusted per capita GNI was above the threshold, except the ceiling country. Since the ceiling country would not ultimately share in the reallocation of points arising from the low per capita income adjustment, including it in the reallocation would have the effect of having the beneficiaries of the adjustment share a part of its cost. This would occur when the points added for the ceiling country were reallocated pro rata to all other Member States as part of the reallocation of points arising from application of the ceiling. In machine scales, the results of track 1 calculations appear in the "ceiling" column and subsequent columns, if any.

Track 2

The total of the low per capita income adjustments was proportionately reallocated to all Member States whose average debt-adjusted per capita GNI was above the threshold, including the ceiling country. This yielded, for illustrative purposes, scale figures that would have applied if there had not been a ceiling rate of assessment. In machine scales, the results of track 2 calculations appear in the "low per capita income", "floor" and "least developed countries adjustment" columns.

8. Following these adjustments, three sets of limits were applied to each machine scale. Those Member States whose adjusted share was less than the minimum level, or floor, of 0.001 per cent were brought up to that level. Corresponding reductions were applied pro rata to the shares of other Member States, except, under track 1, the ceiling country.

Summary of step 7

The minimum assessment rate, or floor (currently 0.001 per cent), was applied to those Member States whose rate at this stage is lower. Corresponding reductions were then applied pro rata to other Member States, except, under track 1, the ceiling country.

9. A maximum assessment rate of 0.01 per cent was then applied for each machine scale to those Member States on the list of least developed countries. Increases corresponding to this least developed countries ceiling were then applied pro rata to other Member States, except, under track 1, the ceiling country.

Summary of step 8

Those least developed countries whose rate at this point exceeded the least developed countries ceiling (0.01 per cent) had their rate reduced to 0.01 per cent. Corresponding increases were applied pro rata to other Member States, except, under track 1, the ceiling country.

10. A maximum assessment rate, or ceiling, of 22 per cent was then applied to each machine scale. Increases corresponding to the resulting reduction for the ceiling country were then applied pro rata to other Member States. As indicated above, those increases were calculated in accordance with track 1, i.e., they reflected a distribution of points from the ceiling country that did not include any points arising from the application of the low per capita income adjustment.

Summary of step 9

The maximum assessment rate, or ceiling, of 22 per cent was then applied. Corresponding increases were then applied pro rata to other Member States, except for those affected by the floor and the least developed countries ceiling, using the track 1 approach from step 6 above.

11. An arithmetic average of the final scale figures was then calculated for each Member State, using base periods of three and six years.

Summary of step 10

The results of the two machine scales, using base periods of three and six years (2002-2004 and 1999-2004), were added and divided by two.

07-41828 (E) 250707