United Nations

Report of the Committee on Contributions

Seventieth session (7-25 June 2010)

General Assembly

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Sixty-fifth Session
Supplement No. 11

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Summary

At its seventieth session, the Committee on Contributions reviewed the methodology of the scale of assessments pursuant to rule 160 of the rules of procedure of the General Assembly, Assembly resolution 58/1 B and, specifically, to Assembly resolution 64/248 (see chap. III of the present report).

With regard to the methodology for the scale of assessments, the Committee:

(a) Recalled and reaffirmed its recommendation that the scale of assessments continue to be based on the most current, comprehensive and comparable gross national income data and recommended that the Assembly encourage Member States which have not yet done so to implement the System of National Accounts, 1993;

(b) Concluded that, once chosen, there were advantages in using the same base period for as long as possible;

(c) Decided to further consider, in the context of its review of the methodology, conversion rates, the debt-burden adjustment and the low per capita income adjustment at its next session in the light of any guidance from the Assembly.

The Committee also decided to further consider the questions of annual recalculation and large scale-to-scale increases in rates of assessment at its future sessions in the light of any guidance from the General Assembly.

With regard to multi-year payment plans (chap. IV), the Committee concluded that the system of multi-year payment plans continues to be a viable means available to Member States to assist them in reducing their unpaid assessed contributions and in providing a way for them to demonstrate their commitment to meeting their financial obligations to the United Nations. The Committee emphasized the importance of annual payments exceeding current assessments to avoid a further accumulation of arrears. The Committee noted that no new multi-year payment plans had been submitted and recommended that the General Assembly encourage Member States in arrears for the purposes of the application of Article 19 of the Charter of the United Nations to consider submitting multi-year payment plans.

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-fifth session of the Assembly:

(i) Central African Republic;

(ii) Comoros;

(iii) Guinea-Bissau;

(iv) Liberia;

(v) Sao Tome and Principe;

(vi) Somalia.

The Committee decided to continue reviewing its working methods at its next session.

The Committee decided to hold its seventy-first session from 6 to 24 June 2011.

[25 June 2010]

Contents

I. Attendance

1. The Committee on Contributions held its seventieth session at United Nations Headquarters from 7 to 25 June 2010. The following members were present: Andrzej T. Abraszewski, Joseph Acakpo-Satchivi, Meshal Al-Mansour, Abdelmalek Bouheddou, Elmi Ahmed Dualeh, Gordon Eckersley, Bernardo Greiver, Luis M. Hermosillo Sosa, Ihor V. Humenny, Andrei V. Kovalenko, Richard Moon, Hae-yun Park, Eduardo Ramos, Gönke Roscher, Lisa P. Spratt, Shigeki Sumi, Courtney Williams and Wu Gang.

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

3. The Committee expressed its appreciation to its former Vice-Chairman, Petru Dumitriu, for his years of service in the Committee.

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 mandates contained in Assembly resolutions 46/221 B, 48/223 C, 53/36 D, 54/237 C and D, 55/5 B and D, 57/4 B, 58/1 A and B, 59/1 A and B, 60/237, 61/2, 61/237 and 64/248.

5. The Committee on Contributions had before it the summary records of the Fifth Committee at the sixty-fourth session of the General Assembly relating to agenda item 136, entitled “Scale of assessments for the apportionment of the expenses of the United Nations” (A/C.5/64/SR.2-4 and 22) and the verbatim records of the 16th and 68th plenary meetings of the Assembly at its sixty-fourth session (A/64/PV.16 and 68), and had available the relevant reports of the Fifth Committee to the Assembly (A/64/482 and Add.1).

III. Review of the methodology for the preparation of the scale of assessments pursuant to General Assembly resolution 64/248

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 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 Assembly. Pursuant to that decision, the Committee had used the same methodology in preparing the scale of assessments for the period 2004-2006. The methodology used in preparing the scale of assessments for the previous three scale periods had also been used in preparing the scale of assessments for the period 2010-2012, which was adopted by the Assembly in its resolution 64/248.

7. By its resolution 64/248, the General Assembly recognized that the current methodology can be enhanced, bearing in mind the principle of capacity to pay. The Assembly also recognized the need to study the methodology in depth and in an effective and expeditious manner, taking into account views expressed by Member States, and decided to review, at its earliest opportunity, all elements of the methodology of the scale of assessments, with a view to taking a decision before the end of its sixty-sixth session, to take effect, if agreed, for the 2013-2015 scale period.

8. In the light of its decision, the General Assembly requested the Committee on Contributions, in accordance with its mandate and the rules of procedure of the General Assembly, to make recommendations and report thereon to the Assembly at the main part of its sixty-fifth session. The Assembly also recognized the concern expressed by Member States with regard to conversion rates and requested the Committee on Contributions to review additional criteria to be used to identify cases where market rates of exchange should be replaced with price-adjusted rates of exchange or other appropriate conversion rates for preparing the scale of assessments and to report thereon to the Assembly at its sixty-fifth session in the context of the same report.

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 previous three scale periods had also been used in preparing the scale of assessments for the period 2010-2012, which had been adopted by the General Assembly in its resolution 64/248. A detailed description of the methodology used in preparing the current scale is contained in the annex to the present report. Based on the general mandate given to it under rule 160 of the rules of procedure of the Assembly, as well as the requests contained in Assembly resolutions 58/1 B and 64/248, the Committee carried out a further review of the elements of the current methodology.

1. Income measure

10. The Committee recalled its recommendation that the scale of assessments for the 2010-2012 period be based on the most current, comprehensive and comparable data available for gross national income (GNI). The Committee also recalled its earlier observation that universal implementation of the System of National Accounts, 1993 (1993 SNA) would provide for a more comparable measure of the capacity of Member States to pay, and welcomed the continued progress in the implementation of the 1993 SNA, as reflected in the table below.

	Number of Member States reporting under the 1993 SNA as at 31 December	*Estimated per cent of the total world GNI*
2009	134	95.3 (of 2008 GNI)
2008	122	93.8 (of 2007 GNI)
2007	113	93.3 (of 2006 GNI)

11. The information reviewed by the Committee indicated that, as at 31 December 2009, 134 Member States, representing an estimated 95.3 per cent of the total world GNI in 2008 and 88.5 per cent of the world population, had implemented the 1993 SNA, which now includes all large economies. In this connection, the Committee also recalled that the Statistical Commission had adopted the System of National Accounts, 2008 (2008 SNA) at its thirty-ninth session in 2008 and that countries were in the process of planning for the implementation of its recommendations.

12. In reviewing this element, the Committee recalled that the income measure was a first approximation of capacity to pay. The Committee revisited the recommendations of the Ad Hoc Intergovernmental Working Group on the Implementation of the Principle of Capacity to Pay, which had studied these issues in 1995. The Working Group had examined measures of income to be used as the first approximation of the capacity to pay and agreed that national disposable income is theoretically the most appropriate measure of capacity to pay because it represents the total income available to residents of a country, namely, national income plus net current transfers.

13. The gross national disposable income (GNDI) of a country measures the income available to it for final consumption and gross savings. It is derived from the GNI by subtracting current transfers payable to non-resident units and adding the corresponding current transfers receivable by resident units from the rest of the world. At the aggregate level for the world, the two measures of income are identical. However, given the lower reliability and availability of that income measure, the Working Group had considered that its use in the scale of assessment would be impracticable at that time. Instead, the Working Group recommended that gross national product (GNP) (renamed GNI) be used for scale calculations for reasons of data availability, comparability and simplicity. The Committee reviewed the status of the availability of the GNDI data as submitted by countries through the national accounts questionnaire as shown below.

Availability of GNDI data
(as at October 2009)

	2004	*2005*	*2006*	*2007*	*2008*
Number of countries providing GNDI data	112	109	107	88	31
Share in 2010-2012 scale	86.167	86.061	85.893	77.956	32.127

14. The Committee noted that the number of countries for which GNDI data is available has decreased significantly over the latest years owing to very slow release of this data by countries. Furthermore, unlike the case for GNI (information for which is available from the World Bank and the International Monetary Fund (IMF)), information for GNDI is not available from those sources. Consequently, the Committee considered that it is still not feasible to use GNDI for the scale of assessments.

15. The Committee had also considered in the past alternative income measures in terms of defining adjustments to GDP to better reflect the capacity to pay. At its current session, the Committee re-examined the possibility of utilizing socio-economic indicators for such adjustments. This approach consists of

theoretical measures combining national income with socio-economic indicators (including level of education, health quality, available infrastructure and poverty) in the form of indices. While the Committee noted the availability of measures such as the United Nations Development Programme (UNDP) human development index and different views were expressed on this issue, it recognized there were difficulties in using such indicators for purposes of preparing the scale of assessments.

16. At its last session, the Committee had extensively discussed the issue of availability of data, taking into account the criteria set by the General Assembly in its resolution 48/223 C to base the scale on reliable, verifiable and comparable data. At the seventieth session, the Statistics Division confirmed that the practical limitations previously reported in connection with reducing the two-year time lag still remained.

17. **The Committee reaffirmed its previous recommendation that the scale of assessments should be based on the most current, comprehensive and comparable data available for GNI, and encouraged Member States to submit the required statistical information under the 1993 SNA and to take further steps to implement the 2008 SNA as recommended by the Statistical Commission.**

2. Conversion rates

18. In its resolution 64/248, the General Assembly decided that the scale of assessments for the period 2010-2012 should be based on a number of elements and criteria, including conversion rates based on market exchange rates (MERs), except where that would cause excessive fluctuations and distortions in the income of some Member States, when price-adjusted rates of exchange or other appropriate conversion rates should be employed, taking due account of its resolution 46/221 B. In that resolution, the Assembly requested the Committee to make recommendations based on uniform exchange rates, for example: (a) IMF rates for members of the Fund; (b) rates based on IMF technical advice for other countries; and (c) United Nations operational rates for countries for which information from the first two sources was not available. The Assembly also requested the Committee to provide detailed explanations for exchange rates not based on any of the criteria listed under (a) to (c) above.

19. In its resolution 64/248, the General Assembly recognized the concern expressed by Member States with regard to conversion rates and requested the Committee on Contributions to review further criteria to be used to identify cases where market rates of exchange should be replaced with price-adjusted rates of exchange or other appropriate conversion rates for preparing the scale of assessments and to report thereon to the Assembly at its sixty-fifth session.

20. In light of that request of the General Assembly, the Committee recalled the evolution of the systematic criteria currently in use under this element of the methodology. The Committee recalled that, in considering which MERs should be replaced for the 2007-2009 scale, the Committee had 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 during the previous two consecutive three-year reference periods, namely 1999-2001 and 2002-2004. In so doing, it had looked in particular at cases where the MERs valuation index (MVI) was greater than 1.2 or less than

0.8, reflecting a possible excessive appreciation or depreciation, respectively, of more than 20 per cent. The Committee had reviewed that element of the methodology at its sixty-eighth session and had noted that the overall number of cases which would need to be reviewed in detail resulting from application of the existing criteria to updated data reflected a significant increase. In that respect, the number of cases which would need to be examined totalled 59, as compared to 25 in 2006, primarily reflecting the significant fluctuation of exchange rates against the United States dollar in recent periods. The Committee had noted that a detailed review of 59 cases, as generated by application of the existing criteria, would not be feasible.

21. In order to moderate the impact of recent exchange rate fluctuation, the Committee had decided on revised criteria based on world averages. The revised criteria focused on the review of cases of those countries whose per capita GNI growth factor was more than 1.5 times or less than 0.67 times the world average per capita GNI growth factor, and where MVI was more than 20 per cent above or below the world average MVI. The Committee had noted that no single criteria would automatically solve all problems satisfactorily, and any criteria would be used solely as a point of reference to guide the Committee in identifying Member States whose MERs should be reviewed. Based on past practice and legal advice, the Committee would recommend replacement of a MER only in such cases where the related review determined that its use would result in excessive distortions or fluctuations in GNI figures after conversion to United States dollars. If the Committee should be unable to come to such a determination, and therefore fail to agree on a different conversion rate, the Committee would be obliged to use the relevant MERs in the case of the concerned Member State.

22. In considering which MERs should be replaced for the 2010-2012 scale, the Committee used the approach set out below:

(a) Member States were identified for which per capita GNI growth factor, using MERs for conversion to United States dollars, was greater than 1.5 times or smaller than 0.67 times the world average per capita GNI growth factor between the two reference periods of 2002-2004 and 2005-2007. For those Member States, a country-by-country assessment of possible exchange rate overvaluation or undervaluation was conducted by examining whether their MVI was greater than 1.2 or less than 0.8 times the average MVI across all Member States between the same periods. The application of the criteria resulted in a list of countries for review. The Committee examined information about the economic and financial situation of those countries;

(b) The Committee also considered the situation of countries where:

(i) Per capita GNI levels in United States dollars using MERs did not reflect the economic reality in the country, possibly owing to a fixed exchange rate;

(ii) The increase in the rate of assessment using updated GNI data converted with MERs under the current scale methodology would be 50 per cent or more;

(iii) MERs were replaced in the preparation of the previous scale;

(iv) Any other factor was deemed to warrant review.

23. The Committee conducted a review of the above approach for identifying cases where MERs should be replaced in preparing the scale of assessments. Some

members recalled that, in deciding on the systematic criteria at its sixty-eighth session, the Committee had noted that previously no single criteria would automatically solve all problems satisfactorily, and any criteria would be used solely as a point of reference to guide the Committee in identifying Member States whose MERs should be reviewed. In their view, a case-by-case examination of the economic and financial situation of each Member State identified was required in order to determine whether the income data reflected economic reality or was distorted by MERs. They stressed that it was not the Committee's purview to make judgements on the currency policies of sovereign Member States and national banks by introducing automaticity in the application of MVI. These members considered MVI to be a diagnostic tool.

24. Other members outlined that MVI is designed to assist in evaluating whether GNI in United States dollars using MERs increases or decreases excessively due to inappropriate MERs, thus helping to distinguish between changes in GNI that are explained by economic growth and those that are not. They further pointed out that the current price-adjusted rates of exchange (PARE) methodology was particularly relevant in the light of recent high currency volatility. These members highlighted the technical difficulty for the Committee to assess the level of overvaluation or undervaluation. They considered the current formula to be a reliable tool for assessing and replacing MERs with PARE, unless there were compelling reasons for the Committee to challenge the data of the Statistical Division for the replacement of MERs with PARE.

25. The Committee reviewed the parameters of the systematic criteria in order to assess the sensitivity of its two thresholds. Currently, the criteria identify Member States with (a) a nominal growth rate more than 1.5 times the world average growth or less than two thirds of the world average growth; and (b) an MVI greater than 1.2 times the world average or less than 0.8 times the world average. Based on these parameters, and using the latest income data, 11 Member States would be identified for review. The Committee reviewed the impact of loosening or tightening the two thresholds. The Committee noted that tightening to a nominal growth rate more than twice the world average growth or less than 0.5 times of the world average growth, and an MVI greater than 1.4 times the world average or less than 0.6 times the world average, would result in a list of only two Member States.

26. The Committee agreed that further attention was warranted to refining the systematic criteria as well as developing a set of guidelines for the examination of those cases identified by the systematic criteria. Members expressed differing views, however, as to whether such criteria and guidelines could be formulated so as to provide for automaticity in the replacement of MERs. Based on the initial review, some members noted that such guidelines could include the review of specific information for each applicable Member State, such as revisions to GNI data, positive or negative shocks, commodity price movements, new industries, natural or man-made disasters, technological advances or policy decisions. The Committee requested the Statistics Division to carry out a detailed study, including case studies, of the systematic criteria for the replacement of MERs with PARE and their refinement, with a view to enhancing their transparency and objectivity, and to report to it at its next session.

27. The Committee discussed the issue of using purchasing power parity (PPP) rates instead of MERs to convert GNI data to a common monetary unit, but did not

go in depth at this session. The Committee had discussed this issue extensively at its last two sessions and views were reflected in the relevant reports of the Committee. Some members of the Committee recalled that the World Bank International Comparison Programme had made improvements and that the programme now covered 147 Member States.

28. **The Committee decided to further study this element of the methodology on the basis of additional information from the Statistics Division, and in the light of the guidance of the General Assembly.**

3. Base period

29. 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. Data on GNI, converted into United States dollars, were averaged over each designated base period, using the most recently available data at the time that the scale was considered by the Committee. The resulting three-year and six-year machine scales were then averaged to form a final machine scale.

30. That approach 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 2005-2007 were included in both machine scales while data for 2002-2004 were included in only one. Given the time lag in collection of data, the latest year of the base period reflected a two-year time lag.

31. It was pointed out that an alternative approach in using three-year and six-year periods would be to average the income data for both periods within a single scale. This approach provided slightly different results compared to the current practice of preparing two separate scales (one for the three-year period and one for the six-year period) and then averaging the two scales.

32. The advantages and disadvantages of both shorter and longer periods had been extensively discussed in previous sessions. Notably, the base period used for the scale of assessments has varied, over time, from 1 to 10 years. A shorter base period better reflected the current capacity of Member States to pay. On the other hand, a longer base period increased stability and predictability in the scale by evening out excessive fluctuations from year to year.

33. In reviewing this element, the Committee emphasized that, whether a long or short period is used, stability can be achieved by maintaining the base period, once chosen, for as long as possible. In the absence of other factors, the Committee noted that there was no rationale to change the current combined approach based on both three-year and six-year periods.

34. **The Committee concluded that, once chosen, there were advantages in using the same base period for as long as possible.**

4. Debt-burden adjustment

35. The debt-burden adjustment has 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 2 of the scale methodology (see annex) from the GNI of Member States.

36. The Committee recalled 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, 2007-2009 and 2010-2012. 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 to decreasing debt levels relative to GNI, as shown in the most recent World Bank figures.

37. The data used for both variants of the debt-burden adjustment were provided by the World Bank's Global Development Finance database for countries included in the Bank's debt reporting system. For the period 2003-2008, that source covered the debt stock of 129 countries and the debt flow of 128 countries. The countries covered are developing countries that are members of and borrowers from the World Bank and have GNI per capita below a given threshold. In 2009, the World Bank set the threshold at $11,906. Currently, all countries for which debt figures were available were automatically considered for the debt-burden adjustment.

38. Limitations in the data available at the time that the adjustment was introduced had 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 a period of 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.

39. Some members felt that consideration should be given to using debt-flow data instead of debt stock, because it takes into account actual transactions and therefore may better represent economic reality. Other members felt that the debt-stock approach should be retained because it presents a more logical and adequate picture, since debt flow approach may imply influence or distortion because of refinancing schemes for the current debt. In reviewing the validity of the assumption of an 8-year repayment period, the Committee noted that 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.

40. 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. The Committee noted, however, that the availability of data on public debt and publicly guaranteed debts had improved substantially. In 1985 data were available for only 37 countries, whereas data were now available for 129 countries. Consequently, some members

noted that non-availability of data was no longer a valid reason for not using public debt data for debt-burden adjustment.

41. Some members expressed the view that the use of total debt stock was necessary as total external debt reflects a State's capacity to pay. Private debt presents an important component of the total debt stock, influencing, to a great extent, the overall capacity of Member States to pay. A State has no choice other than to monitor and keep major companies afloat, not only out of investment image and taxation incomes, but also because of social obligations. Clear examples of this were witnessed in the aftermath of the financial crisis of 2008 and 2009. In that context, it appeared obvious to those members that a country's capacity to pay should take into account both private and public debts. Other members 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 and reflected the responsibility of the Government. They noted that the use of public external debt had been intended when that element of the methodology was introduced in 1986.

42. Some members of the Committee expressed reservations about the need for a debt-burden adjustment in the scale of assessment methodology, noting that the debt situation had changed significantly since the introduction of the debt burden adjustment in the 1980s. Others argued that the debt burden adjustment was necessary for measuring the real capacity of Member States to pay, bearing in mind the situation that there are still a number of heavily indebted Member States. They considered that the adjustment should continue to be part of the methodology, reflecting an important factor in the capacity of Member States to pay.

43. The Committee debated the technical soundness of the debt-burden adjustment since it mixed income and capital concepts. From the analysis of information provided by the Statistics Division, the Committee noted that 125 Member States benefit from debt-burden adjustment, while 47 Member States absorb the debt-burden adjustment. The addition of criteria might help to focus the relief under the adjustment to heavily indebted poor countries, a category of indebtedness that post-dated the 1986 adoption of the debt element in the United Nations scale. Others expressed reservations about the addition of such criteria as, in their view, it could complicate this element of the methodology.

44. **The Committee decided to consider the question of the debt-burden adjustment further at its next session in the light of any guidance provided by the General Assembly.**

5. Low per capita income adjustment

45. The low per capita income adjustment has been an important element of the scale methodology from the outset. The adjustment currently has 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, has 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 has been fixed at 80 per cent.

46. The Committee recalled that its terms of reference 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 and that it had decided at its last session to review further the modalities and impact of the low per capita income adjustment at future sessions in the light of any guidance from the General Assembly.

47. The Committee also recalled that at its last two sessions, it had focused on the review of alternative definitions of the low per capita income adjustment threshold.

48. In reviewing this element, some members noted that the current approach had produced the effect of accumulating relief to Member States with a significant share of world GNI. Consequently, there was an issue of whether the total relief had been fairly distributed among all Member States below the threshold. Other members pointed out that the shares of Member States of world GNI were not part of the low per capita income adjustment methodology and that the introduction of this factor undermined the basis of that adjustment as a per capita concept. They pointed out that the magnitude of the relief was in direct correlation with the percentage by which a country's average debt adjusted per capita GNI was below the threshold. Some members stated that the formula was based on transparent, technical and objective criteria that were applied uniformly to all Member States whose per capita GNI was lower than the determined threshold, and that the current methodology should therefore be retained.

49. The Committee noted that the distribution of per capita GNI was highly asymmetric and that 70 per cent of the Member States have per capita GNI below the world average. Some members favoured the approach of using the median in fixing the low per capita income adjustment threshold, noting that this had technical merit in that it was a more robust measure for this type of data distribution as it was less sensitive to a few extreme data points. Other members noted that the median approach, which is limited to the mechanical determination of the middle of the range, does not take into account actual values of the per capita GNI and their impact on the eligibility of the low per capita income adjustment. They stressed that having over 70 per cent of Member States below the threshold should not be considered inadequate, because it is technically valid and reflects the actual uneven distribution of income in the world.

50. The Committee discussed creating a neutral zone in which Member States would neither receive nor pay for any benefit. For example, the zone could be established to cover Member States falling within 10 per cent below and 10 per cent above the threshold. In particular, this could help to address the issue of the discontinuity experienced by Member States that had moved up through the threshold of the adjustment between scale periods. Instead of benefiting from the adjustment, such countries had had to share the cost. Some members pointed out that adoption of a neutral zone will shift transitional issues elsewhere.

51. The Committee also recalled its consideration of the alternative approach of fixing the low per capita income adjustment threshold in real terms instead of setting it at the current average world per capita income for the scale base period. Under this approach, the average per capita GNI of a specific reference year could be used, but it could be updated according to the world inflation rate so as to keep its real value constant over time. In that way, a country's individual position with respect to the low per capita income adjustment threshold would be rendered independent of the performance of other countries. Some members saw merit in this approach since it would probably lead to a gradual reduction in the number of beneficiaries of the low per capita income adjustment over time. Other members

pointed out that the current method of determination of the threshold was objective and transparent and should be retained.

52. Some members saw merit in using PPP data as part of the low per capita adjustment. Under this approach, GNI data would be converted using PPP rates and the resulting data would be averaged to obtain a threshold for the adjustment. Those members saw merit in using the PPP concept to set a threshold for the low per capita income adjustment because different countries with the same per capita income could have very different purchasing power. Other members expressed reservations about the use of PPP in determining the low per capita income adjustment since, in their view, it led to anomalies in the per capita GNI of countries.

53. **The Committee reaffirmed that the scale methodology should continue to take into account comparative per capita income and decided to review further the low per capita income adjustment at future sessions in the light of any guidance from the General Assembly.**

6. Floor

54. The Committee recalled that the General Assembly had reduced the minimum level of assessment, or floor, from 0.01 per cent to 0.001 per cent as from 1998. For 2010, Member States at the floor (0.001 per cent) were assessed $21,146 for the regular budget, compared to the assessment of $106,508 at the floor (0.01 per cent) for the regular budget for 1997.

55. The Committee noted that Member States raised to the floor were inevitably assessed in excess of their relative capacity to pay according to the preceding steps in the scale methodology that provided relief. For the current scale, 30 Member States, of which 20 were on the list of least developed countries, had been raised to the floor. The Committee considered that the amounts involved could be considered to reflect a practical minimum contribution that Member States should be expected to make to the Organization.

7. Ceilings

56. 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. The Committee noted that the scale of assessments methodology had always included a maximum ceiling, and that the current level had been decided by the General Assembly in 2000. The Committee also noted that the application of the maximum ceiling and the least developed countries ceiling resulted in the redistribution of points in the scale of assessments.

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

1. Annual recalculation

57. The Committee recalled that at its sixty-ninth session, it had decided to carry out a detailed study of the question of annual recalculation at its next session. The Committee 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.

58. Annual recalculation would involve a recalculation of relative income shares before the second and third years of each scale period, involving the replacement of data for the first year of the base period(s) with newly available data for the year following the initial base period(s). In the case of the scale for the period 2010-2012, for example, for which the base periods were 2002-2007 and 2005-2007, data for 2008 would replace both data for 2002 in the six-year base period and for 2005 in the three-year base period. Based on these recalculated income shares and the established scale methodology, the scale for 2011 would be adjusted accordingly. Similarly, for 2012, the scale would be adjusted by replacing data for 2003 and data for 2006 in the six-year base period and three-year base period respectively with data for 2009.

59. The Committee recalled that rule 160 of the rules of procedure of the General Assembly provides that: "The scale of assessments, when once fixed by the General Assembly, shall not be subject to a general revision for at least three years unless it is clear that there have been substantial changes in relative capacity to pay." Following the discussion on the issue of annual recalculation at the sixty-ninth session of the Committee, the Chairman sought the advice of the Office of Legal Affairs as to whether it would be consistent with rule 160 for the Assembly to fix a scale methodology for three years while the actual scale of assessments would be subject to an annual update based upon revised data using the methodology or criteria that the Assembly had agreed upon.

60. In responding, the Assistant Secretary-General for Legal Affairs recalled that the legal regime governing the apportionment of expenses is set out in Article 17 (2) of the Charter, which provides that: "The expenses of the Organization shall be borne by the Members as apportioned by the General Assembly." It was pointed out that this provision does not set out any procedure to be followed by the Assembly in apportioning expenses among Member States and that such procedures can therefore be determined by the General Assembly at its discretion. In the exercise of that discretion, the Assembly had adopted rule 160 of its rules of procedure.

61. The Assistant Secretary-General for Legal Affairs noted that the rule clearly envisions that the scale of assessments shall be fixed by the General Assembly, and once it is determined, the Assembly is not empowered to make ad hoc or annual revisions to the rates of assessment based upon any particular methodology that the Assembly has agreed upon. Under this rule, once rates of assessment have been fixed they can only be revised within the three-year period if there is a clear change in the relative capacity of Member States to pay for the expenses of the Organization. However, it was also pointed out that, pursuant to rule 163 of the rules of procedure, the Assembly can, by specific decision, amend or vary the terms of rule 160 or its application in specific cases.

62. The procedure for amending a rule of procedure of the General Assembly is set out in those rules. In accordance with rule 163, the rules of procedure "may be amended by a decision of the General Assembly, taken by a majority of the members present and voting, after a committee has reported on the proposed amendment". Paragraph 1 (c) of annex II to the rules of procedure further provides that "whenever any Committee contemplates making a recommendation for the adoption by the General Assembly of any amendment to the rules of procedure of the General Assembly, the matter shall, at some appropriate stage of its consideration by that

Committee, be referred to the Sixth Committee for advice on the drafting of such amendment and of any consequential amendment".

63. Another procedural aspect of the proposal is how decisions concerning the annual adjustments to the scale would be made. At present, the Committee on Contributions considers the scale every three years and, on the basis of its recommendations, the General Assembly approves a scale for the following three years. Authority to implement annual adjustments to the scale might, for example, be delegated to the Committee on Contributions in the same way that such authority has been granted to the International Civil Service Commission in respect of certain issues in its area of competence. Alternatively, the adjusted scale for each year could go through the same process of review in the Assembly as the three-year scale does at present. In reporting on this aspect at its fifty-eighth session, the Committee noted that should such a delegation of authority be granted by the Assembly, the recalculated scales for the second and third years would be known by June or July of the previous year. If, on the other hand, the Assembly made the final decision, they would probably not be known until nearly the end of the previous year.

64. In light of the above, the Committee noted that a practical prerequisite to the implementation of annual recalculation would be the amendment of rule 160 by the General Assembly. In addition, the delegation of authority to the Committee would provide a foundation for the technical implementation of annual recalculation, without requiring annual renegotiation of the scale of assessments. Although there were various views expressed by members of the Committee, the main potential benefits and drawbacks of annual recalculation are outlined below.

Benefits	*Drawbacks*
Better approximation of the current capacity of Member States to pay, as each year the scale would be based on the most up-to-date data available.	Annual assessments of Member States could be less stable and predictable, and the formulation of national budgets more complicated.
Minimize the impact of the 2-year time lag in data collection.	Peacekeeping assessments would be issued only to the end of the calendar year (that is, for a maximum of 6 months); consequential impact on the Organization's short-term cash flow; administrative consequences (such as additional assessments and reports).
May help in some cases to address the issue of large scale-to-scale increases by smoothing out adjustments annually over the three-year period.	May pose problems for international organizations using the United Nations scale of assessments since they are having a lag of 1 year in the implementation of the United Nations scale of assessment.
	Implications would depend, in part, upon decisions such as the length of the Committee's annual session, the degree of delegation to the Committee, and other work modalities.

65. **The Committee agreed to study the question of annual recalculation further at its future sessions, in the light of any guidance provided by the General Assembly.**

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

66. In its resolution 61/237, the General Assembly 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.

67. 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. 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.

68. Some members pointed out that in the light of the large decreases in the assessment rates of the main contributing Member States of the Organization as a result of the use of GNI for 2008 in calculating the scale, the assessment rates of the majority of other Member States, notwithstanding positive or negative performances of their national economies, shall be raised. In this regard, they proposed that the Committee revisit the issue of the application of the scheme of limits in the scale methodology. Other members recalled that the Committee had reaffirmed last year that the scheme of limits was not a practical option to deal with the problem of large scale-to-scale increases and decreases. They stressed that the scheme of limits has been rightfully abolished as it distorts the capacity to pay of Member States.

69. Some members expressed the view that annual recalculation was the obvious solution to large scale-to-scale increases. Large scale-to-scale increases could be minimized by recalculating the scale each year, instead of every three years. Other members noted that the review of annually updated data from the Statistics Division still showed significant increases for some Member States. In their view, annual recalculation would not eliminate the problem of large scale-to-scale increases.

70. Some members also linked the issue of large scale-to-scale increases to the length of the base period, noting that a longer base period would reduce the number of countries affected by large scale-to-scale increases.

71. At previous sessions, the Committee had considered phasing in large scale-to-scale increases in equal instalments over the three years of the validity of the scale, defining “large” as an increase of more than 50 per cent. At this session, some members expressed support for a similar approach, possibly with a focus on increases or decreases of more than 100 per cent. Some members also pointed out that any Member State which moved up from the floor would reflect a minimum increase of 100 per cent. Further analysis based on case studies might be needed as to whether 50 per cent was the correct basis for considering this problem and the underlying reasons for large percentage increases.

72. Some members argued that in many instances, large scale-to-scale increases reflected an actual increase in the capacity to pay, and that introducing thresholds or limits would become another cause of discontinuity. It was also emphasized that the scale of assessments reflected relative capacity to pay, and as such increases could occur even when the income data of a particular Member State reflected little or no improvement. Mitigating these effects would impose unwarranted burdens on the

rest of the United Nations membership, which would be obliged to pay assessments above their relative capacity to pay as otherwise defined by the scale methodology.

73. Some members noted that the problem of discontinuity could be addressed through the consideration of other proposals, such as the implementation of a neutral zone which would effectively delay the increase or decrease when Member States passed the low per capita income adjustment threshold.

74. In its resolution 64/248, the General Assembly encouraged Member States in arrears with their assessed contributions to the United Nations to consider submitting multi-year payment plans, and, in this context, requested the Committee on Contributions to make recommendations with a view to mitigating large scale-to-scale increases for those Member States that had fulfilled their multi-year payment plans and to report thereon to the Assembly at its sixty-fifth session in the context of its report on the review of the scale methodology. Five Member States (Georgia, Iraq, the Republic of Moldova, the Niger and Tajikistan) have fulfilled multi-year payment plans. **The Committee recognized the efforts made by these Member States in implementing multi-year payment plans. The Committee also noted that the Assembly may wish to consider the above measures, and the possible priority mitigation of increases in their assessment rates, in future, through voluntary burden shifting for Member States which have fulfilled payment plans.**

75. **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.**

C. Representations by Member States

76. The Committee had before it a letter dated 1 June 2010 from the President of the General Assembly to the Chair of the Committee on Contributions transmitting a letter dated 18 May 2010 from the Permanent Representative of Spain to the United Nations, on behalf of the European Union, related to the presentation of views regarding the methodology for the preparation of the scale of assessments. It also heard an oral representation by the Permanent Representative of Spain to the United Nations. **The Committee took note of the representation.**

77. The Committee had before it a letter dated 17 June 2010 from the Chair of the Group of 77 and China to the Chair of the Committee on Contributions related to the review of the methodology for the preparation of the scale of assessments. **The Committee took note of the representation.**

IV. Multi-year payment plans

78. In paragraph 1 of its resolution 57/4 B, the General Assembly endorsed the conclusions and recommendations of the Committee concerning multi-year payment plans (see A/57/11, paras. 17-23), which provided that:

(a) Member States should be encouraged to submit multi-year payment plans, which constituted 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, and that, 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 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 in considering requests for exemption under Article 19 of the Charter.

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

79. In considering the matter, the Committee had before it the report of the Secretary-General on multi-year payment plans (A/65/65), 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.

80. 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 seventieth session and inviting any Member State that intended to submit such a plan to contact the Secretariat for further information. No new payment plans had been submitted.

81. The Committee noted that, in its resolution 64/248, the General Assembly encouraged Member States in arrears with their assessed contributions to the United Nations to consider submitting multi-year payment plans, and, in that context, requested the Committee to make recommendations with a view to mitigating large scale-to-scale increases for those Member States that had fulfilled their multi-year payment plans and to report thereon to the Assembly at its sixty-fifth session. The Committee noted with concern that no new multi-year payment plans had been submitted in recent years, despite the encouragement of the Assembly and the proven success of the system.

82. Five Member States have previously fully implemented multi-year payment plans. Tajikistan had paid its arrears and had successfully implemented its multi-year payment plan during the first half of 2009. Both Iraq and the Republic of Moldova had implemented plans in 2005, and Georgia and the Niger had

implemented plans during 2007. Burundi had also paid its arrears in 2003, although not in the context of a multi-year payment plan.

A. Status of payment plans

83. The table contained in paragraph 17 of the report of the Secretary-General (A/65/65) summarizes the status of the two payment plans in place as at 31 December 2009, submitted by Liberia in 2006 (second plan) and Sao Tome and Principe in 2002 (first plan). The Committee was also provided with information updated as at 25 June 2010 (see table below).

Status of payment plans as at 25 June 2010

(United States dollars)

	Payment plan	*Assessments as at 31 December*	*Payments/ credits*	*Outstanding as at 31 December*
Liberia				
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		32 074	100 660	1 047 614
2008		30 943	200 323	878 234
2009		35 400	150 726	762 908
2010[a]		29 830	199 955	592 783
Sao Tome and Principe				
1999				570 783
2000		13 543	48	584 278
2001		14 254	157	598 375
2002	27 237	15 723	29 146	584 952
2003	42 237	17 124	929	601 147
2004	59 237	20 932	1 559	620 520
2005	74 237	24 264	202	644 582
2006	89 237	23 024	453	667 153
2007	114 237	32 074	810	698 417
2008	134 237	30 943	473	728 887
2009	153 752	35 400	682	763 605
2010[a]		29 830	5	793 430

[a] As at 25 June 2010.

84. The Committee noted that Liberia continued to make regular payments, while Sao Tome and Principe had not made any payments since 2002 and had fallen short of implementing its payment plan.

B. Conclusions and recommendations

85. **The Committee recalled the past experience of the successful implementation of the multi-year payment plans of Georgia, Iraq, the Niger, the Republic of Moldova and Tajikistan, and recognized the considerable efforts made by those Member States to honour the commitments that they had made when they submitted their plans. Given that experience, the system of multi-year payment plans continued to be a viable means available to Member States to assist them in reducing their unpaid assessed contributions and in providing a way for them to demonstrate their commitment to meeting their financial obligations to the United Nations.**

86. **The Committee noted the continued successful efforts by Liberia to make regular payments under its multi-year payment plan. The Committee emphasized that it was important that Member States that had submitted such plans meet the commitments they had made. The Committee also emphasized the importance of annual payments exceeding current assessments to avoid a further accumulation of arrears.**

87. **The Committee noted that no new multi-year payment plans had been submitted for several years, and reiterated its recommendation that the General Assembly encourage other Member States in arrears for the purposes of the application of Article 19 of the Charter of the United Nations to consider submitting multi-year payment plans.**

V. Application of Article 19 of the Charter

88. 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 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.

89. The Committee recalled that the General Assembly, in its resolution 54/237 C, 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 State. The Assembly 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. At previous sessions, the Committee had noted that requests for exemption made at the highest level of Government showed the seriousness of the

commitment by the Member State to settle its arrears, and had encouraged all Member States submitting such requests in future to follow that example.

90. The Committee noted that six requests for exemption under Article 19 had been received by the time specified in the resolution. Six requests had also been made in 2009. Seven requests had been made in 2008, while eight requests had been made in 2007, one of which was later withdrawn. Within the time frame specified, 8 requests had been received in 2006 and 2005, 10 in 2004, 9 in 2003, 7 in 2002, 3 in 2001 and 7 in 2000.

91. The Committee noted the continuing increase in the accumulation of arrears of some Member States, and emphasized that attempts should be made by those Member States to stop the growth of those arrears. In such cases it was critical for annual payments to exceed current assessments in order to avoid further accumulation of debt. **The Committee 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.**

92. In considering the requests, the Committee had before it information provided by the six Member States concerned and the Secretariat. It also met with representatives of the Member States and representatives of relevant offices of the Secretariat and the United Nations Development Programme.

A. Central African Republic

93. The Committee had before it a letter dated 24 May 2010 from the President of the General Assembly to the Chair of the Committee on Contributions transmitting a letter dated 18 May 2010 from the Permanent Representative of the Central African Republic to the United Nations addressed to the President of the Assembly. It also heard an oral representation by the Permanent Representative of the Central African Republic.

94. In its written and oral representations, the Central African Republic indicated that it was recovering very gradually from several years of political/military conflicts that had destroyed its economy. The political situation remained precarious. The Central African Republic was struggling to eradicate the ongoing scourges of insecurity, income poverty, the food crisis, malnutrition, poor governance, corruption, climate change, falling commodity prices, raw materials fraud, poor infrastructure, weak political institutions, dishonest practices, lack of funding, unemployment (especially among young people) and other ills. The security situation remained fragile, and donors were reluctant to invest in a high-risk country. Foreign direct investment was negligible and industry was still virtually non-existent. Foreign trade was struggling owing to sluggish economic development. The civil service, as a State monopoly, was experiencing financial difficulty, and the considerable burden that debt placed on the national budget contributed to the frailty of State institutions. Despite having experienced modest economic growth in 2009, the Central African Republic was currently considered an aid orphan. The Central African Republic would nonetheless endeavour to meet its financial obligations to the Organization in the near future. It was committed to making a contribution before the beginning of the General Assembly and was also in the process of drawing up a multi-year payment plan.

95. The Committee was provided with information by the Secretariat concerning the situation in the Central African Republic. A succession of external and domestic shocks in 2008 and 2009 had led to lower real GDP growth as the country was striving to consolidate its economic gains of prior years. The economy remained undiversified and was based mainly on the mining and forestry sectors, with diamonds and timber accounting for about 90 per cent of exports. External aid was expected to increase and provide substantial financial support, which should allow the Government to implement programmes to revive key sectors such as forestry. However, the Government would also need to expand expenditure to meet other commitments, including security sector reform, election-related expenditure and the need to settle outstanding salary arrears. The operational capacity of humanitarian organizations in the country was well established, although subject to underutilization owing to funding gaps. The humanitarian situation had seen a marked deterioration since 2009 on account of small-scale conflicts in some areas of the country. Relief organizations had faced a steady erosion of humanitarian space because of increased insecurity and the targeting of humanitarian operations. The country continued to lack basic services and hospitals had only the most rudimentary equipment and medicine.

96. While the Committee noted the situation facing the Central African Republic, it also recalled that the country had not made a contribution in over a decade and had not fulfilled its earlier stated intentions to submit a schedule for the payment of its arrears. Given the signs of economic improvement in recent years, the Committee noted 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. **The Committee recalled that at its last session it had urged the Central African Republic to consider fulfilling its stated intention to implement a multi-year payment plan, and to at least pay amounts equivalent to current annual assessments, bearing in mind that such payments would demonstrate its commitment to addressing its arrears and would be taken into account by the Committee as a factor in its future consideration of requests for exemption. The Committee urged the Central African Republic to begin making such annual payments, so that the updated situation could be taken into account at the time of the General Assembly's consideration of its current request for exemption.**

97. **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-fifth session of the General Assembly.**

B. Comoros

98. The Committee had before it a letter dated 5 May 2010 from the President of the General Assembly to the Chair of the Committee on Contributions transmitting a letter dated 3 May 2010 from the Permanent Representative of the Comoros to the United Nations addressed to the President of the Assembly. It also heard an oral representation by the Permanent Representative of the Comoros.

99. In its written and oral representations, the Comoros indicated that it was aware of its financial responsibilities towards the Organization and would make every

effort to fulfil those obligations in order to maintain its right to vote. The Comoros had been hit hard by the economic, financial and food crises of the past few years. Despite the efforts made by the Government to mitigate the devastating economic and social effects of the crises, the country's economic situation remained very fragile. The slump in sales of its export products and the decrease in remittances from the diaspora had seriously undermined its economic and social recovery efforts. Nevertheless, the Comoros would spare no effort to fulfil its obligations. It intended to submit to the Organization, as soon as possible, a plan for the payment of its contribution arrears.

100. The Committee was provided with information by the Secretariat concerning the situation in the Comoros. The country was dependent on a very limited economic base, resting mainly on three products. The country also had a very limited manufacturing base and no mineral resources. Efforts to develop the tourism industry had not yet fully translated into a significant contribution to economic development. The economy was highly vulnerable to internal and external shocks. Internally, weather patterns had an impact on production levels in the agriculture sector. Externally, with its high dependence on world markets for revenues from its exports and the cost of its imports, the Comoros was vulnerable to external shocks and had suffered from the global food and oil crises and the reduction in world prices of commodities.

101. The Committee noted the information provided concerning the situation of the Comoros. It noted that the payment made by the Comoros in 2005 had been slightly in excess of its total annual contributions for that year and that the country had made smaller payments in 2006, 2007 and 2009, which had demonstrated its commitment to reducing its arrears, although the payments were insufficient to cover its annual contributions. The Committee noted the statement, in the course of the representation, that a multi-year payment plan would be submitted. **The Committee urged the Comoros to submit a plan as soon as possible, and to ensure, to the extent possible, that payments exceeded the level of its annual contributions.**

102. **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-fifth session of the General Assembly.**

C. Guinea-Bissau

103. The Committee had before it a letter dated 16 April 2010 from the President of the General Assembly to the Chair of the Committee on Contributions transmitting a letter dated 15 March 2010 from the Permanent Representative of Guinea-Bissau to the United Nations addressed to the President of the Assembly. It also heard an oral representation by the Permanent Representative of Guinea-Bissau.

104. In its written and oral representations, Guinea-Bissau indicated that the Government was cognizant of its obligation to meet its financial responsibilities to the Organization. However, despite the best efforts made so far, it had not been possible to pay the totality of the arrears. The Government of Guinea-Bissau had been making partial payments in recent years. Those payments represented an

enormous sacrifice for a country experiencing difficulties such as Guinea-Bissau, which was recovering from conflict and was dependent on external resources to balance its budget. The country was faced with enormous economic challenges and political instability. Notwithstanding the difficult financial situation, the authorities would continue to make partial payments within the framework of a multi-year payment plan.

105. The Committee was provided with information by the Secretariat concerning the situation in Guinea-Bissau. Political and socio-economic instability had severely undermined the ability of the Government to provide basic social services for the population, which, combined with population growth, youth unemployment, food insecurity and trafficking in drugs, had resulted in deteriorated living conditions. Guinea-Bissau remained vulnerable to a variety of potential disasters and emergencies, including flooding, civil unrest, and conflict in neighbouring countries. Conditions in the national health system were poor, with insufficient drugs, equipment and material and a lack of trained medical staff. About half of the population was living on less than $1.25 a day. Owing to limited access to safe water and sanitation facilities, the people of Guinea-Bissau were extremely vulnerable to preventable diseases related to water and sanitation problems. The country continued to face significant outbreaks of cholera. Despite some relative improvement in the economic and fiscal situation, the Government was struggling to find adequate resources to address those challenges.

106. **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-fifth session of the General Assembly.**

D. Liberia

107. The Committee had before it a letter dated 24 May 2010 from the President of the General Assembly to the Chair of the Committee on Contributions transmitting a letter dated 19 May 2010 from the Permanent Representative of Liberia to the United Nations addressed to the President of the Assembly. It also heard an oral representation by the Permanent Representative of Liberia.

108. In its written and oral representations, Liberia indicated that grave economic and financial difficulties continued to diminish the country’s capacity to pay. The 14 years of civil conflict had had a serious negative impact on the economy of Liberia and the Government continued to face economic and social challenges. The global financial crisis had affected Liberia’s economy, in particular in the rubber sector, resulting in decreased exports, increased unemployment in rural and urban areas, especially among young people, and a very low level of foreign investment. The regulation of natural resources continued to be problematic owing to the remote locations of operations, poor infrastructure and limited Government capacity. Poverty remained a serious problem for Liberians, given the high rate of unemployment and the low wages, below $2 per day, for those who were able to find work. Despite some positive developments in Liberia and the determination to improve the conditions of life of the Liberian people, many serious economic and social problems continued to confront the country. Liberia was ever mindful that its

membership in the United Nations imposed a responsibility to contribute to the operation of the Organization. The Government was committed to making its annual payment towards reducing its arrears before the end of the fiscal year in June 2010.

109. The Committee was provided with information by the Secretariat concerning the situation in Liberia. Liberia had made significant progress in consolidating and building peace, and in pursuing its post-conflict recovery and reconciliation objectives. Notwithstanding that progress, Liberia still faced significant challenges. The prevailing stability remained extremely fragile and the national budget was insufficient to meet the demands of a country recovering from devastating conflict. Government institutions and programmes lacked sufficient funding and the economic recovery achieved thus far had not provided sustainable employment opportunities for Liberia's young people, demobilized former combatants and deactivated former soldiers. Capacity constraints and declines in revenue as a result of the global financial crisis had hampered the achievement of the expected deliverables under the poverty reduction strategy. For the foreseeable future, the Government would continue to rely heavily on financial support from international donors and financial institutions to implement its national poverty reduction and development strategies. Available resources were insufficient for meeting the operational costs of the police, which still lacked the necessary communications, transport, logistical equipment and infrastructure.

110. The Committee noted that Liberia had made regular payments under its payment plan over the past five years, despite its serious economic difficulties. Each of those annual payments was more than three times the annual assessment of Liberia, thereby significantly contributing to reducing its arrears. **The Committee expressed its appreciation for the efforts of Liberia to address its arrears and agreed that an exemption was justified in order to encourage Liberia's continued efforts in that regard.**

111. **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-fifth session of the General Assembly.**

E. Sao Tome and Principe

112. The Committee had before it a letter dated 24 May 2010 from the President of the General Assembly to the Chair of the Committee on Contributions transmitting a letter dated 19 May 2010 from the Permanent Representative of Sao Tome and Principe to the United Nations addressed to the President of the Assembly. It also heard an oral representation by the Permanent Representative of Sao Tome and Principe.

113. In its written and oral representations, Sao Tome and Principe indicated that its request was due to the continued financial constraints of the country, which had placed a burden on the national budget and had generated additional hardships for the people in Sao Tome and Principe. The country was faced with serious difficulties, primarily on account of political instability. As a result, it had been difficult to present an updated and revised schedule of payments under the multi-payment plan system. Sao Tome and Principe had been able to negotiate its debt situation with world partners. The country had about $300 million in public

sector debt and the Government was reviewing the possibility of including its arrears in the debt programme. The country had serious difficulties, but would be doing its utmost to honour its obligations to the United Nations.

114. The Committee was provided with information by the Secretariat concerning the situation in Sao Tome and Principe. Sao Tome and Principe was vulnerable to exogenous shocks and had been hit hard by the increase in international food prices in 2008. The recent global economic downturn resulted in a 30 per cent decrease in fiscal revenues, including lower than expected tourism receipts and donor assistance, lower remittances and postponement of foreign direct investment. Poverty remained the overarching problem. Both the health-care and educational systems were in need of rehabilitation to curb any further deterioration. Malaria remained one of the biggest health problems and there had also been recurrences of cholera. Nevertheless, from a growth rate of 4 per cent in 2009, overall growth was expected to pick up to 6 per cent in 2010. Further, the prospect of off-shore oil production could significantly modify the long-term economic outlook.

115. The Committee noted the situation of Sao Tome and Principe, and recognized the commitment it had made in submitting a multi-year payment plan in 2002. While the first payment under the plan had been made in 2002, no subsequent payments had been made. **The Committee recalled that at its last session it had urged Sao Tome and Principe to at least pay amounts equivalent to current annual assessments, bearing in mind that such payments would demonstrate its commitment to addressing its arrears and would be taken into account by the Committee as a factor in its future consideration of requests for exemption. The Committee urged Sao Tome and Principe to begin making such annual payments, so that the updated situation could be taken into account at the time of the General Assembly' s consideration of its current request for exemption.**

116. **The Committee concluded that, on balance, 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-fifth session of the General Assembly.**

F. Somalia

117. The Committee had before it a letter dated 9 April 2010 from the President of the General Assembly to the Chair of the Committee on Contributions transmitting a letter dated 7 April 2010 from the Permanent Representative of Somalia to the United Nations addressed to the President of the Assembly. It also heard an oral representation by the Permanent Representative of Somalia.

118. In both its written and oral representations, Somalia indicated that, since 1990, the country had endured a serious internal conflict. The conflict had created a financial crisis and grave economic difficulties, which further created a negative effect on Somalia's capacity to pay its contributions. The Government had been faced with lack of internal revenue and of development funding from donor countries, which had led to a lack of money to pay salaries of civil servants and a lack of reconstruction programmes in Somalia. Furthermore, Somalia was one of the least developed countries and was currently going through its worst humanitarian crisis. Millions of people were facing famine, severe malnutrition and drought. The

Government would make all necessary payments as soon as the situation of the country changed for the better.

119. The Committee was provided with information by the Secretariat concerning the situation in Somalia. Despite the efforts of the United Nations and other members of the international community, including regional organizations, to assist the Transitional Federal Government to establish its authority, build new security institutions and revive the local economy, the continuing lack of security in Somalia remained the most critical challenge facing the Transitional Federal Government. Providing adequate security was a precondition for humanitarian access and for underpinning and reinforcing other critical pillars of the peace process, including justice, reconstruction and development. Since 2008, the humanitarian situation in the country had drastically deteriorated, with the number of people in need of humanitarian assistance increasing from 1.5 million in 2008 to 3.2 million in 2010. About 1.4 million people remained displaced. Malnutrition rates continued to be the highest in the world. The environment remained a hostile one for humanitarian organizations and the direct targeting of aid workers had affected the ability to respond to needs in a timely manner. Access constraints had resulted in humanitarian organizations having to withdraw or temporarily suspend activities.

120. **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-fifth session of the General Assembly.**

VI. Other matters

A. Collection of contributions

121. The Committee noted that, at the conclusion of its current session on 25 June 2010, the following six 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-fourth session, pursuant to General Assembly resolution 64/2: the Central African Republic, the Comoros, Guinea-Bissau, Liberia, Sao Tome and Principe, and Somalia. **The Committee decided to authorize its Chair to issue an addendum to the present report, as necessary.**

122. The Committee also noted that, as at 31 May 2010, a total of over $2.4 billion was owed to the Organization for the regular budget, peacekeeping operations, the international tribunals and the capital master plan. That amount reflected a decrease as compared with the amount of $3.4 billion outstanding as at 31 May 2009.

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

123. 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 Chair 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. The Committee noted that the

Secretary-General had accepted in 2009 the equivalent of $73,089 from Ethiopia 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 United Nations Statistics Division. The Committee also expressed its appreciation for the substantive support of the Department of Political Affairs, the Department of Peacekeeping Operations, the Office for the Coordination of Humanitarian Affairs and the United Nations Development Programme in its consideration of requests for exemptions under Article 19.

D. Working methods of the Committee

125. The Committee reviewed its working methods. With regard to intersessional work, the Committee decided that consideration could be given in future to exploring options for increasing interaction of members in between the holding of regular sessions. Possible avenues included online training and other interactive mechanisms for follow-up on various issues. It was also suggested that arrangements should be explored for making restricted documents of the Committee available online. The Committee requested to be informed, in advance, should possible options or arrangements involve additional budgetary implications. **The Committee decided to continue reviewing its working methods at its next session.**

E. Date of the next session

126. **The Committee decided to hold its seventy-first session in New York from 6 to 24 June 2011.**

Annex

Outline of the methodology used for the preparation of the United Nations scale of assessments for the period 2010-2012

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 2005-2007 and 2002-2007. The methodology used in the preparation of each set of results took as its starting point the gross national income (GNI) of the States Members 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). For this purpose, market exchange rates 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 rate, 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 States that were not members of IMF, where MERs were not available, United Nations operational rates of exchange were used.

3. As part of its review process, the Committee on Contributions considered whether those 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 the period 2010-2012.

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:

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

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 $11,455 (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:

$$\text{Average GNI-DBA} = GNI_{da}$$

$$\text{Total } GNI_{da} = \text{total GNI - total DBA}$$

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 $7,530 for the three-year base period and $6,708 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 $GNI_{year\ 1}$/total $population_{year\ 1}$) + …… + (total $GNI_{year\ 6}$/total $population_{year\ 6}$)]/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, the following 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 (2005-2007 and 2002-2007), were added and divided by two.

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