UNITED NATIONS

BRIEFING ON METHODOLOGY FOR PREPARING THE SCALE OF ASSESSMENTS

Methodology for the preparation of the scale of assessments for the period 2007-2009

During its sixtieth session, the General Assembly considered the methodology to be used in preparing the scale of assessments for 2007-2009 but did not decide on the approach to be used.

Review of the scale of assessments for 2007-2009 by the Committee on Contributions

Legislative basis for the review of the scale of assessments for 2007-2009 by the Committee on Contributions

The Committee on Contributions reviewed the scale of assessments for 2007-2009 based on:

- The Charter of the United Nations
- The rules of procedure of the General Assembly
- General Assembly resolution 58/1 B

Legislative basis for the scale review

A. Charter of the United Nations

The second paragraph of Article 17 of the Charter provides that:

> "The expenses of the Organization shall be borne by the Members as apportioned by the General Assembly."

Legislative basis for the scale review

B. Rules of procedure of the General Assembly

Rule 160 of the rules of procedure of the General Assembly provides, among other things, that:

"The Committee on Contributions shall advise the General Assembly concerning the apportionment, under Article 17, paragraph 2, of the Charter, of the expenses of the Organization among Members, broadly according to capacity to pay. …"

Legislative basis for the scale review

C. General Assembly resolution 58/1 B

In General Assembly resolution 58/1 B of 23 December 2003, the Assembly, *inter alia*, requested:

"… the Committee on Contributions, in accordance with its mandate and the rules of procedure of the General Assembly, to continue to review the methodology of future scales of assessments based on the principle that the expenses of the Organization shall be apportioned broadly according to capacity to pay;"

Review of the scale methodology by the Committee on Contributions

Following its review of the scale methodology, the Committee on Contributions recommended that:

- the 2007-2009 scale should be based on the most current, comprehensive and comparable data on gross national income (GNI)
- GNI data should be converted to US dollars using market exchange rates (MERs), except where that would cause excessive fluctuations/distortions in GNI, when price-adjusted rates of exchange (PAREs) or other alternative should be used.

The Committee decided to consider the base period, the debt-burden adjustment , the low per capita income adjustment and the question of automatic annual recalculation of the scale further at future sessions in the light of any guidance from the General Assembly.

Review of the scale methodology

- The Committee on Contributions had before it alternative proposals from Japan and Mexico for the methodology to be used in preparing the 2007-2009 scale.

- The Committee also considered alternative approaches suggested by some if its members.

- The Committee reviewed GNI data for Member States.

Review of the scale methodology

- In order to identify the impact of new GNI data on the scale for 2007-2009, the Committee considered the application of that data to the methodology used in preparing the scales of assessments for 2001-2003 and 2004-2006

- The results were included in the report of the Committee on Contributions (A/61/11) for information

Methodology used in preparing the scales of assessments for 2001-2003 and 2004-2006

Current scale methodology

The following elements and criteria were applied in preparing the United Nations scales of assessments for 2001-2003 and 2004-2006:

a) Estimates of gross national product (GNP)/gross national income (GNI);

b) Average statistical base periods of six and three years;

c) 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 (PAREs) or other appropriate conversion rates should be employed, taking due account of General Assembly resolution 46/221 B;

d) The debt-burden approach employed in the scale of assessments for 1995-1997 (debt-stock approach);

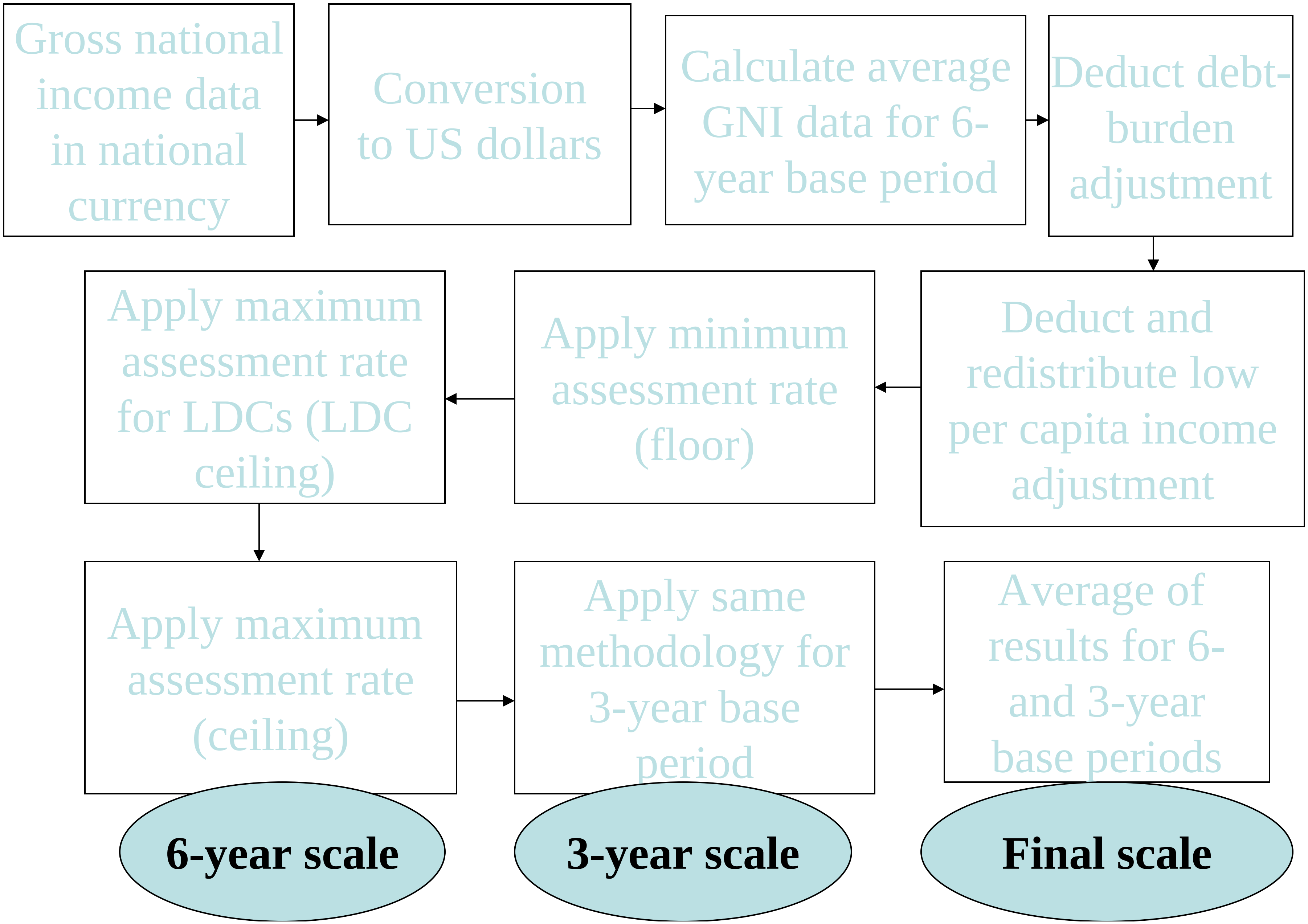
e) A low per capita income adjustment of 80 per cent, with the threshold per capita income limit of the average per capita GNP/GNI of all Member States for the statistical base periods;

f) Minimum assessment rate (floor) of 0.001 per cent;

g) Maximum assessment rate for the least developed countries (LDCs) of 0.010 per cent (LDC ceiling);

h) Maximum assessment rate (ceiling) of 22 per cent.

Elements of the step-by-step methodology used in the preparation of the scale of assessments for 2004-2006



Current scale methodology

Income measure

The concept of GNP of the 1968 SNA has been renamed GNI (Gross National Income) in the 1993 SNA.

Like GNP, GNI is an income concept, which is defined as the total income accruing to the owners of the factors of production who reside in the country regardless of where production takes place. In other words it is equal to GDP plus labor and investment income from abroad less labor and investment income paid abroad.

Though conceptually GNI is the same as GNP, with the extension of the production boundary of the 1993 SNA and improved methodology, the level of GDP and GNI under the 1993 SNA may differ somewhat from the level of GDP and GNP under the 1968 SNA.

By May 2005, 102 countries and territories, comprising 92.3 per cent of world GDP, had implemented the 1993 SNA.

Current scale methodology

Data sources for GNI (GNP)

Data on GNI are obtained principally from individual countries' replies to the United Nations Statistics Division (UNSD) national accounts questionnaire, sent annually to the respective national statistical offices and/or institutions responsible for compiling national accounts.

For countries that do not reply, estimates are prepared by UNSD on the basis of available information from national, regional and international sources in order to complete the time series data set.

Current scale methodology

Conversion rates

A crucial step in the scale methodology is the conversion of national income data to US dollars. The following main types of conversion rates are used in the current scale methodology:

- Market Exchange Rates (MERs) as defined by the IMF as:
  - Market rates determined largely by market forces;
  - Official rates determined by government authorities;
  - Principal rates for countries maintaining multiple exchange rates.

- UN Operational Rates of exchanges: established and updated monthly for accounting purposes and applied to UN official transactions.

- Price-Adjusted Rates of Exchanges (PARE): Applied by the Committee on Contributions when it determines that MERs caused excessive fluctuations and distortions in a Member State's GNI. In reviewing GNI data for the 2007-2009 scale to determine which MERs should be replaced, the Committee used the new method outlined in annex II of its report (A/61/11).

Current scale methodology

Review of conversion rates for 2007-2009 scale

Market Exchange Rates (MERs): The Committee on Contributions decided to use MERs for most of the 192 Member States. The main source of market exchange rates is the IMF's International Financial Statistics.

UN Operational Rates: The Committee decided to use UN operational rates for some Member States.

Following its review, the Committee on Contributions decided to adjust the rates for four Member States.

Current scale methodology

Base periods

GNI data for Member States were available to the Committee on Contributions at its sixty-sixth session for the period up to and including 2004. In preparing the table included in its report for information, the average statistical base periods of six and three years used were therefore 1999-2004 and 2001-2004 respectively. For each base period, the average of annual figures (converted to US dollars) was used in preparing the machine scales reflected in the Committee's report.

Current scale methodology

Debt-burden adjustment

The debt-burden adjustment in the current scale methodology uses what has become known as the "debt stock" approach. This involves, for each base period, deducting from the average GNI of each Member State the average of 12.5 per cent of the annual figures for its total external debt - using for the most part the World Bank's database on external debt. This included countries with per capita income of up to $10,065.

Current scale methodology

Low per capita income adjustment

The low per capita income adjustment (LPCIA) is applied to Member States whose average per capita debt-adjusted GNI during the base period being considered is below the average per capita GNI for all Member States ("the threshold"). The threshold for the base period 1999-2004 was \$5,517.84 and for the base period 2002-2004 \$5,849.11.

The adjustment is calculated as 80 per cent ("the gradient") of the percentage by which a Member State's average per capita debt-adjusted GNI is below the threshold. The average debt-adjusted GNI of the Member State is then reduced by the resulting percentage. The total amount of all the adjustments is then distributed pro rata to the Member States whose average per capita debt-adjusted GNI is above the threshold – except, under track 1, for the ceiling country.

Current scale methodology

Low per capita income adjustment (continued)

Two track calculations

In order to illustrate outcomes with and without a ceiling, two separate calculations are made for the LPCIA, floor, LDC ceiling and ceiling stages of the methodology. These two tracks are reflected in different columns of the table in the report of the Committee on Contributions.

Low per capita income adjustment (continued)

- The first track, described above, excludes the ceiling country in the redistribution of points in the last four stages of the machine scale and yielded the final "ceiling" column of the machine scales.

- The second track included the ceiling country in the redistribution of points at the LPCIA, floor and LDC ceiling stages. The results of the second track are reflected, for illustrative purposes, in the “low per capita income adjustment”, “floor rate” and “least developed country ceiling” columns of the same table.

Low per capita income adjustment (continued)

Least developed country	Member State		Scale approved by Assembly for 2004-2006 (1)	Machine scale in 2003 report (2)	Total gross national income share (3)	Debt burden adjustment (4)	Track 2: Low per capita income adjustment (5)	Track 2: Floor rate (6)	Track 2: Least developed country ceiling (7)	Track 1: Ceiling (8)
*	Equatorial Guinea	3 years	0.002	0.002	0.004	0.004	0.003	0.003	0.003	0.003
		6 years	0.002	0.002	0.003	0.003	0.002	0.002	0.002	0.002
		Average of 3 and 6 years	0.002	0.002	0.004	0.004	0.002	0.002	0.002	0.003
*	Eritrea	3 years	0.001	0.001	0.002	0.002	0.000	0.001	0.001	0.001
		6 years	0.001	0.001	0.002	0.002	0.001	0.001	0.001	0.001
		Average of 3 and 6 years	0.001	0.001	0.002	0.002	0.001	0.001	0.001	0.001
	Estonia	3 years	0.012	0.012	0.023	0.021	0.021	0.021	0.021	0.023
		6 years	0.012	0.012	0.021	0.019	0.017	0.017	0.017	0.019
		Average of 3 and 6 years	0.012	0.012	0.022	0.020	0.019	0.019	0.019	0.021
*	Ethiopia	3 years	0.004	0.004	0.020	0.018	0.004	0.004	0.004	0.004
		6 years	0.004	0.004	0.020	0.018	0.004	0.004	0.004	0.004
		Average of 3 and 6 years	0.004	0.004	0.020	0.018	0.004	0.004	0.004	0.004

Current scale methodology

Minimum rate of assessment (floor)

At this stage, Member States whose share of adjusted GNI is less than the minimum (floor) rate of 0.001 per cent have their rates raised to and fixed at 0.001 per cent. The total amount of this adjustment is distributed as a pro rata reduction for other Member States – except, under track 1, the ceiling country.

Current scale methodology

Maximum rate of assessment for the least developed countries (LDC ceiling)

A maximum rate of assessment (LDC ceiling) of 0.010 per cent is then applied to Member States on the list of least developed countries (LDCs). The points are distributed pro rata to other Member States - except those affected by the floor and, under track 1, the ceiling.

Current scale methodology

Maximum rate of assessment (ceiling)

A maximum rate of assessment (ceiling) of 22 per cent is then applied – currently to only one Member State. Points arising are then distributed pro rata to other Member States (using track 1 figures) – except for those affected by the floor and the LDC ceiling.

Current scale methodology

Final scale

The final results for the base periods of six and three years, from 1999 to 2004 and from 2001 to 2004, were added and divided by two.

Evolution of the elements of the methodology for preparing the scale of assessments

Evolution of the scale methodology

Base period

Initially 1 or 3 years, rising in stages to 10 years by 1983 and going down in stages from 1995 to the current average of 3 and 6 years

Evolution of the scale methodology

Low per capita income adjustment (LPCIA)

Threshold – the level of per capita income at which the LPCIA is applied rose from $1,000 in 1948 to $2,600 in 1992. Since 1995, the total membership average has been applied.

Gradient – the level of the gradient rose in stages from 40 per cent in 1948 to 85 per cent in 1983. Since 1998 the gradient has been fixed at 80 per cent.

Evolution of the scale methodology

Floor

The minimum rate of assessment, or floor, has fallen in stages from 0.040 per cent in 1948 to 0.001 per cent since 1998.

Evolution of the scale methodology

Ceiling

The maximum rate of assessment, or ceiling, has fallen in stages from 39.89 per cent in 1948 to 22 per cent since 2001.

Evolution of the scale methodology

Other elements

Debt-burden adjustment – included since 1986

LDC ceiling – assessments for the least developed countries (LDCs) limited to 0.010 per cent since 1983

Scheme of limits – limits on increase/decrease of assessment rates between scales introduced in 1986 and phased out by 2001.

EVOLUTION OF THE SCALE METHODOLOGY

Summary of the evolution of the elements in the methodology used to prepare the scale of assessments for the period 2004-2006

Scale of assessments	Statistical base period	Low per capita income allowance: Per capita income limit (United States dollars)	Low per capita income allowance: Gradient (percentage)	Ceiling (percentage)	Floor (percentage)	No increase for least developed countries	Debt relief	Scheme of limits
1946-1947	1938-1940	Individual allowances made on the basis of per capita income levels		39.89	0.04			
1948	1945, 1946 or 1947 single year statistics	1 000	40	39.89	0.04			
1949	"	"	"	39.89	0.04			
1950 (same as 1949 except for minor adjustment)	"	"	"	39.79	0.04			
1951	"	"	"	38.92	0.04			
1952	"	"	"	36.90	0.04			
1953	Average of 1950-1951	"	50	35.12	0.04			
1954	Average of 1950-1952	"	"	33.33	0.04			
1955	Average of 1951-1953	"	"	33.33	0.04			
1956-1957[a]	Average of 1952-1954	"	"	33.33	0.04			
1958	"	"	"	32.51	0.04			
1959-1961	Average of 1955-1957	"	"	32.51	0.04			
1962-1964	Average of 1957-1959	"	"	32.02	0.04			
1965-1967	Average of 1960-1962	"	"	31.91	0.04			
1968-1970	Average of 1963-1965	"	"	31.57	0.04			
1971-1973	Average of 1966-1968	“	“	31.52	0.04			

Scale of assessments	Statistical base period	Low per capita income allowance: Per capita income limit (United States dollars)	Low per capita income allowance: Gradient (percentage)	Ceiling (percentage)	Floor (percentage)	No increase for least developed countries	Debt relief	Scheme of limits
1974-1976	Average of 1969-1971	1 500	60	25.00	0.02			
1977[a]	Average of 1972-1974	1 800	70	25.00	0.02			
1978-1979	Average of 1969-1975	1 800	70	25.00	0.01			
1980-1982	Average of 1971-1977	1 800	75	25.00	0.01			
1983-1985	Average of 1971-1980	2 100	85	25.00	0.01	X		
1986-1988	Average of 1974-1983	2 200	85	25.00	0.01	X	X	X
1989-1991	Average of 1977-1986	2 200	85	25.00	0.01	X	X	X
1992-1994	Average of 1980-1989	2 600	85	25.00	0.01	X	X	X
1995-1997	Average of the average of 1985-1992 and 1986-1992	world average (3 055 and 3 198)	85	25.00	0.01	X	X	50 per cent phase-out
1998-2000[b]	Average of 1990-1995	world average (4 318)	80	25.000	0.001	[c]	X[d]	Full phase-out[f]
2001-2003	Average of results of machine scales using base periods 1996-1998 and 1993-1998	World average (4 957 and 4 797)	80	22.000	0.001	[c]	X[e]	
2004-2006	Average of results of machine scales using base periods 1999-2001 and 1996-2001	World average (5 094 and 5 099)	80	22.000	0.001	[c]	X[e]	

[a] A ceiling on per capita assessments, set at the level of the per capita assessment of the Member State with the highest assessment, was applied to scales of assessment between 1956 and 1976. On the recommendation of the Committee on Contributions, the ceiling was abolished by the General Assembly in its resolution 3228 (XXIX) of 12 November 1974.

[b] Income measure changed from national income to gross national product.

[c] Not a specific part of the methodology, but since the LDC reduction of the floor to 0.001 per cent, there may be some increases in the rates of assessment of the LDCs, but subject to the LDC ceiling of 0.010 per cent.

[d] Calculated using debt-flow data for 1998 and debt-stock data for 1999-2000.

[e] Calculated using the debt-stock method.

[f] Subject to a limitation of 15 per cent on the allocation of additional points to developing countries benefiting from the application of the scheme of limits.