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A REVIEW OF CERTAIN ADJUSTMENTS MADE TO NATIONAL
AND PER CAPITA INCOME IN THE CALCULATION OF THE
SCALE OF ASSESSMENTS

Note by the Statistical Division

INTRODUCTION

1. In paragraph 7 of resolution 46/221 B, the General Assembly requested the Committee on Contributions, inter alia, to continue its work on the improvement of the methodology for the preparation of future scales of assessments with regard to alternative income concepts, man-made disasters, problems of refugee host countries and the situation of those countries (a) whose economies depend on one or a few products or income sources, (b) which suffered a real loss of income as a result of deteriorating terms of trade, (c) which experience serious balance-of-payments (trade) problems or a negative net flow of resources, and (d) which have limited capacity to acquire convertible currencies.

2. This request reflects the continuing concerns of the General Assembly that national and per capita income data do not represent well the capacity to pay of Member States. Similar concerns, sometimes dealing with different specific issues, have been expressed by the General Assembly in the past and corresponding requests for a further review have been made to the Committee and discussed at many of its sessions. In response to these requests of the General Assembly, numerous studies compiling large amounts of statistical information have been prepared in order to help the Committee in its deliberations.

3. Without a clear perception of the past discussions, it is not possible to deal well with the specific concerns expressed in resolution 46/221 B. Therefore, the present document reviews in section I the documentation and

Development Planning 3/ which used them, inter alia, to distinguish between developed and developing countries and to identify least developed countries.

9. The number of indicators considered by the Committee was reduced considerably as a result of discussions over time. For the session of the Committee in 1984, the then Statistical Office prepared a document that comprised only 18 indicators. These were grouped together by six different concerns that included lack of economic development, lack of educational development, insufficient health facilities, large burden of external debt and insufficient international reserves and disadvantageous development of the terms of trade. The concerns and indicators, which were contained in document A/CN.2/R.423, are presented in table 1 below. The table also includes the weights used by the Committee for each of the concerns in order to derive composite indicators. The document included data for the most recent years, which were updated in a subsequent document in 1981. 4/

10. Aware of the difficulty to reach agreement on a long list of indicators and conscious of the resource cost involved in indicators that were thought to be correlated with the longer list of indicators and therefore could be considered as representative of the six concerns, the indicators in the short list are identified with an asterisk in table 1. The Committee, however, took no final decisions on the short list.

Table 1. List of socio-economic concerns and indicators

I. Economic development (30 per cent):

- *(a) Percentage share of manufacturing to total GDP;
- (b) Percentage share of three main export commodities to total export;
- (c) Percentage share of active population employed outside agriculture;
- (d) Number of commercial vehicles per capita;
- (e) Number of telephones per 1,000 persons;
- (f) Number of scientists and engineers per million inhabitants;
- (g) Transported tonnage kilometres by railways per capita;
- (h) Energy consumption per capita.

II. Education (10 per cent):

- *(a) Percentage of population literate;
- (b) Enrolment ratio in the first and second levels of education.

III. Health (20 per cent):

- *(a) Life expectancy at birth;
- (b) Number of physicians per 1,000 inhabitants;
- (c) Number of infant survivals;
- (d) Number of hospital beds per 1,000 inhabitants;
- (e) Per capita food consumption (daily caloric intake).

IV. External debt and international reserves (30 per cent):

- *(a) External debt as a percentage of export earnings;
- *(b) International reserves as a percentage of imports;
- (c) Energy imports as a percentage of domestic use;
- (d) Food imports as a percentage of domestic use.

V. Terms of trade (10 per cent):

- *(a) Ratio of price index of exports to price index of imports.

* Included in short list. See para. 10 above.

B. Methodology for incorporation of indicators into the assessment-scale formula

11. As the ranking approach used by the Committee was not found to be operational, the Statistical Office developed a methodology through which indicators could be inserted into the assessment-scale formula. They were included in the assessment-scale formula in a manner very similar to the incorporation of the low per capita income deduction and thus extended the low per capita income deduction to deductions for other concerns. Implicit in this treatment is that the low per capita income deduction was a deduction that took into account general deficiencies in the socio-economic development of the country, while any deduction resulting from the incorporation of additional indicators would deal with specific concerns raised.

12. The generalized incorporation of additional indicators into the assessment-scale formula is presented in table 2 below. The first part of the formula refers to the low per capita income deduction while the remaining part makes deductions for other indicators. For each of the indicators norms or limits (I_0) are included similar to the per capita income limit (Y_{CO}) in the low per capita income deduction. Furthermore, weights (w_i) are assigned to each of the indicator deductions in order to arrive at composite deductions that are added to a weighted (weight w_0) deduction for per capita income.

Table 2. Generalized formulation of the incorporation of additional socio-economic indicators into the assessment-scale formula

$$Y^a = a*Y*[w_0*(1-Y_c/Y_{co}) + \sum_i w_i*(1-I_i/I_0)]$$

in which :

- Y = National income
- Y^a = Assessable income
- Y_c = Per-capita income
- Y_{co} = Per-capita income limit

- I_i = Indicator i
- I_0 = Indicator limit
- w_i = Weight of deduction based on indicator i
- w_0 = Weight of per capita income deduction

13. The weights generally applied were 50 per cent for per capita income and 50 per cent for the remaining indicators, divided equally between them. A variety of norms have been applied by the Committee in dealing with the incorporation of the indicators.

14. In spite of the many efforts by the Committee to utilize these additional indicators, it did not reach agreement on their incorporation into the assessment-scale methodology, thus leaving national and per capita income as the only viable indicators in spite of their own shortcomings.

15. There were many reasons why it was difficult to use the indicators. Annual data for the indicators were generally lacking for a large number of countries and there were large time-lags in the availability of such data. Furthermore, while the methodology developed by the Statistical Office was operational, it proved to be extremely difficult to reach agreement on which indicators to select, how to weight them into composite indicators and finally how to set norms for each indicator, as was done, e.g., for the low per capita income deduction. Selection of a reduced list of indicators, however, was essential as it would have been very resource-intensive to incorporate all indicators selected by the Committee.

16. Furthermore, many Committee members and the General Assembly had difficulties with the incorporation of additional indicators on the grounds that they might already have been reflected in the general deduction for low per capita income or even in national income itself. A further objection was that deductions made on the basis of the indicators represented potential expenditures to eliminate concerns, while countries might not actually have made those expenditures.

C. Alternative income concepts

17. In order to overcome these difficulties, the Statistical Office developed alternative income concepts following the national accounts compilation methodology.

18. According to the present national accounts methodology, national income is defined by deducting from the value of output of production activities in a country the cost of production in the form of materials, services, labour cost and also payments minus receipts of interest, dividends and other property income between the country and other countries. Alternative income concepts continue this orientation, but make further deductions for other payments. The alternative income concepts are based solely on actual payments and not on what the country potentially should pay to eliminate concerns, as was done in the case of the indicator approach. A further advantage of the alternative income approach is that it would eliminate doublecounting, as actual payments can be deducted only once.

19. In 1989 in document A/CN.2/R.533, a number of alternative income concepts were presented that were thought to reflect the concerns expressed by

the Committee and the General Assembly in the past. They included national disposable income, debt-adjusted income, sustainable income and income adjusted for changes in national wealth. Short definitions of each are provided in table 3. The document included data for each of the alternative concepts, except for changes in national wealth. The information was updated in 1990 in document A/CN.2/544.

Table 3. Alternative income concepts discussed by the Committee on Contributions

1. Debt-adjusted income is defined as national income minus repayment of external debt (according to some members: plus incurrence of new debt).
2. Disposable income is defined as national income plus current transfers received from abroad minus transfers paid to other countries, mainly including transfers of revenues of resident migrant workers from their host country to their home country (i.e. country of citizenship).
3. Sustainable income is defined as national income minus expenditures that are needed to sustain such income into the future. (In the quantification of this concept the Statistical Office has made deductions for government expenses on health, education, housing and support of economic activities).
4. Monetary income is defined as national income minus imputed income of subsistence production in agriculture and other activities.
5. Income adjusted for changes in national wealth is defined as national income minus interest cost of investments needed to replace capital assets damaged as a result of natural and man-made disasters.

20. While the Committee generally preferred the alternative income concept over the indicator approaches, it did not initially act on any of the concepts because of conceptual and data problems. It expressed some preference for the concept of national disposable income, but at the same time found its implementation difficult because of the effects such income measure would have on the assessment scale of some countries with a large migrant population temporarily employed abroad. While illustrative estimates of sustainable income were presented, the Committee felt that much more thought should go into the type of deductions that needed to be made in order to arrive at an acceptable income concept.

21. The Committee did agree to propose the use of debt-adjusted income, which makes deductions for debt servicing. However, the General Assembly decided, by resolution 45/256, not to follow the Committee's recommendation but to use

for the preparation of the 1992-1994 scale of assessments the ad hoc approach used for the previous scale. For the ad hoc approach, deductions were made on the basis of information on the stock of external public and private debt as available in the World Tables compiled by the World Bank. The debt service deduction was calculated on the assumption that each country would repay its debt in eight years and thus 12 per cent of debt outstanding was deducted from national income. This procedure was questioned by many members, who thought deductions should not be based on potential payments but rather on actual debt service payments as published by the International Monetary Fund in its balance-of-payments statistics.

II. FEASIBILITY OF IMPLEMENTING CONCERNS RAISED IN GENERAL
ASSEMBLY RESOLUTION 46/221 B

A. Structural balance-of-payments deficits

22. Under this heading are grouped together a number of concerns which are all interrelated and which have been discussed by the Committee many times in the context of the indicator approach and the use of PARE.

23. The questions of dependency of countries on one or a few products, negative net flow of resources and limited capacity to acquire convertible currencies were all discussed and data were compiled in the context of the indicator approach. Specific indicators dealing with these concerns are included in table 1 above, i.e. percentage share of three main export commodities to total exports (I (b)) and international reserves as a percentage of imports (IV (b)). As was mentioned above, operational use of the information by the Committee was made difficult because data were not available for a sufficiently large number of countries and often only with delays of several years. Not much has changed with regard to data availability since the topic of additional indicators was discussed in the 1980s, and this also applies to the specific indicators needed to incorporate structural balance-of-payments concerns in the assessment-scale methodology. Further pursuit of this issue by the Committee therefore may not be very effective at present.

24. The issue of deteriorating terms of trade was also one of the indicators mentioned in table 1 (V (a)) on which data were compiled. Later on, this concern was dealt with in the context of the PARE methodology. In two documents prepared for the Committee in 1987 and 1990, 5/ the Statistical Office made adjustments to the PARE conversion rates for changes in the terms of trade. In order to make these adjustments, separate information was used on price indices for exports and imports. This information was not readily available for many countries. Furthermore adjustments made for the remaining countries resulted in only minor modifications (+/- 5 per cent) of the conversion rates and corresponding assessment rates. Furthermore, some Committee members expressed doubts about the appropriateness of the incorporation of terms-of-trade adjustments. In view of this, and also because the data situation has changed very little since, further pursuit of this issue would be unlikely to produce more promising results than before.

B. Man-made disasters

25. The income adjusted for changes in national wealth was developed in document A/CN.2/R.533 in 1989 in an effort to address representations by countries which asked the Committee to take into account natural and man-made disasters that had taken place within their boundaries. The document suggested that deductions be made for interest payments on loans that would be needed to replace the damaged wealth. No data supporting this concept were provided, however, as no standardized data are available for a sufficiently large number of countries.

26. Prior to that, in 1980, the Statistical Office presented for the Committee's review the results of a survey of national wealth estimates based on the responses from questionnaires sent to countries during 1979, 6/ The survey was followed up in 1981 by a quantitative study conducted by the Statistical Office which showed how national wealth estimates could be used in the assessment-scale methodology. 7/ The Committee, after reviewing these documents during its sessions in 1980 and 1981, concluded that incorporation of wealth estimates would undoubtedly broaden the statistical base for the measurement of the capacity to pay, but that such data could not be used at present as they were available only for 28 Member States. However, the matter should be kept under review.

27. Taking into account the effects of man-made and natural disasters is conceptually feasible. However, incorporation of such effects would require not only data on the changes in national wealth as a result of the disasters but also information on national wealth itself; the latter data are as difficult to obtain as it was in 1979 when the wealth survey was carried out. Furthermore, adjustment of the data of countries experiencing changes in wealth as a result of natural or man-made disasters can only be carried out on a country-by-country basis and would generally involve detailed studies that could not be easily carried out by the Statistical Office as part of its servicing of the Committee. The studies would be very labour-intensive and even if results would become available, reliability of the results would be in serious doubt.

C. Problems of refugee host countries

28. Taking into account the cost of incurring expenses to help refugees who are temporarily living in a country is a new issue that has not been considered by the Committee before. The issue could be most easily addressed by establishing an alternative income concept which would be derived by deducting from national income the expenses made by the Government of the country on providing a basic but acceptable living standard to the refugees. There are, however, a number of problems with this approach, which do not make it easy to adopt it, as the meaning of the resulting alternative income concept may differ from country to country, depending on how the refugees are treated in the national accounts of each country.

29. In the unlikely situation that refugees are gainfully employed either in subsistence production or in other types of employment, they would be counted as part of national income of the country concerned. In this case, they are not a burden to the country but rather contribute to its economic development and, therefore, there may not be any government expenses at all or if there are, deduction of such expenses would not be meaningful.

30. It is more likely, however, that the refugees are not gainfully employed but are solely dependent on transfers from the Government. In that case deductions are justifiable; however, the meaning of those deductions would differ from country to country. If the refugees are considered as non-residents in the national accounts of the country, government expenses in the form of goods provided would already have been deducted in the calculation of national income, as such expenses would be considered as imports. On the other hand, if such expenses are simply money transfers to non-residents, they are not deducted in the calculation of national income and may only be deducted additionally if an alternative concept of national disposable income was used by the Committee. If the refugees are considered as residents of the country in the calculation of national income, deductions of government expenses in the form of goods provided to the refugees could be made only if a sustainable income concept were used.

31. The other difficulty is the lack of available information. While data are available from the Office of the United Nations High Commissioner for Refugees (UNHCR) on the number of refugees in each country, these data are not standardized and can be extracted from UNHCR reports only with considerable effort. There is also no guarantee that the refugees recorded by UNHCR could be categorized as described in paragraphs 29 and 30 above. Incorporation of such information in the assessment-scale formula would furthermore require quantification of the government expenses and this could be done only either by identifying those expenses in the government budget or by making assumptions about the basic cost of living per refugee. Both types of information would not be easily available.

D. Alternative income concepts

32. A number of conclusions may be drawn from the review of the national income adjustments presented in section I on the basis of the present situation. The most promising of the three approaches to adjusting national income is the use of alternative income concepts. Of the concepts considered, sustainable income has the advantage that it can be defined in such a manner as to approximate the capacity to pay more closely than any of the other alternative income concepts. In this context, it should be noted that debt-adjusted income could be subsumed under sustainable income.

33. The alternative income approach has many advantages over the indicator and ranking approaches. It is the least costly approach in terms of resources needed for statistical compilation, as generally fewer indicators are needed. Agreement could be reached more easily on this approach as it does not involve

the selection of weights and norms as is the case in the ranking and indicators approaches. It avoids doublecounting as it is based on deduction of actual expenditures. It also has statistical advantages as generally more data are available on actual expenditures than on the indicators used in deriving deductions for potential expenditures.

34. However, many conceptual problems need to be overcome, even in the concept of debt-adjusted income. The conceptual problems are the most severe for the most promising alternative income concept of sustainable income. If the Committee was to follow this approach, it would need to identify the expenditures that are to be deducted from national income in order to arrive at a sustainable income concept that is compatible with the concept of capacity to pay. If such agreement was reached, the Committee would then have to decide whether the sustainable income deduction should replace the low per capita income deduction, which is based on the indicator approach. The two approaches are incompatible and if used in combination would lead to doublecounting.

Notes

- 1/ A/CN.2/R.556. See also A/CN.2/R.563.
- 2/ A/CN.2/R.532.
- 3/ E/AC.54/L.81.
- 4/ A/CN.2/R.441.
- 5/ A/CN.2/R.510 and A/CN.2/R.544.
- 6/ A/CN.2/R.426.
- 7/ A/CN.2/R.437.

OVERVIEW OF GENERAL ASSEMBLY MANDATES AND COMMITTEE ON CONTRIBUTIONS ACTIVITIES
RELATED TO POSSIBLE ADJUSTMENTS TO NATIONAL AND PER CAPITA INCOME

GENERAL ASSEMBLY MANDATE	MATERIAL EXAMINED BY THE COMMITTEE ON CONTRIBUTIONS	COMMITTEE ON CONTRIBUTIONS Report No. and recommendations <u>a/</u>
<p>Resolution 34/6 of 25 October 1979</p>	<p>1980</p>	<p>1980</p>
<p>To study:</p>	<p>Official Records of the General Assembly, Thirty-fifth Session, Supplement No. 11 (A/35/11)</p>	<p>The Committee reviewed comprehensive statistics on international reserves, external public debt outstanding, new public debt and debt servicing in total and as percentage of items of the current account of the balance of payments including earnings from the export of goods and services, and as percentages of international reserves. It paid particular attention to the information contained in the World Debt Tables. It noted the difficulties encountered in constructing and reaching agreement on composite indicators that would reflect the widely diverse historical patterns of socio-economic development and it therefore requested further studies.</p>
<p>Ways of taking into account conditions or circumstances which adversely affect the capacity to pay of Member States and ways of setting objective criteria by which these conditions or circumstances can be taken into account in the elaboration of the scale of assessments;</p>	<p><u>Conditions or circumstances which adversely affect the capacity to pay of Member States: economic and social indicators of capacity to pay and ability of Member States to secure foreign currency (A/CN.2/R.423)</u></p> <p>A review of 18 socio-economic indicators, including updated information on the number of countries for which they are available for the most recent years. The study also examines the feasibility of combining them into composite indicators for adjustment of national income. The indicators include: share of expenditure on technical and scientific research as percentage of national income, percentage share of three main exports commodities to total exports, per capita energy production, per capita cereal production, number of physicians per 1,000 inhabitants, number of infant survivors per 1,000 births, per capita energy consumption, life expectancy at birth, percentage share of non-agricultural employment, number of telephones per 1,000 persons, percentage of population literate, percentage share of manufacturing in GDP, percentage share of military expenditures in national income, percentage share of manufactured exports in total exports, per capita national wealth, per capita food consumption, value of production of basic industries per capita, per capita net national welfare.</p>	<p>The Committee reiterated its awareness that, in assessing the capacity to pay, particular attention should be paid to those developing countries whose national income depends to a large extent on the export of non-renewable natural resources.</p> <p>After a review of the national wealth estimates, the Committee concluded that, while incorporation of wealth estimates would undoubtedly broaden the statistical base for the measurement of capacity to pay, they could not be used as they were only available for 28 Member States and it was not likely that they would be available for the majority of the membership in the near future.</p>
<p>Ways of taking into account the particular situation of Member States whose earnings depend heavily on one of a few products;</p>	<p><u>Ways of taking into account the particular situation of Member States whose earnings depend heavily on one or a few products (A/CN.2/R.424)</u></p> <p>The document discusses (without data) the situation of Member States whose earnings depend heavily on one or a few products. It distinguishes two separate groups of countries: one group consists of Member States whose exported commodities experienced significant international price rises since 1973 and the second group consists of commodity-oriented economies whose capacity to pay has been</p>	<p>The Committee reiterated its awareness that, in assessing the capacity to pay, particular attention should be paid to those developing countries whose national income depends to a large extent on the export of non-renewable natural resources.</p> <p>After a review of the national wealth estimates, the Committee concluded that, while incorporation of wealth estimates would undoubtedly broaden the statistical base for the measurement of capacity to pay, they could not be used as they were only available for 28 Member States and it was not likely that they would be available for the majority of the membership in the near future.</p>

adversely affected in recent years by sharp declines in export prices of their commodities and by increasing prices of imports.

National wealth (A/CN.2/R.426)

Description of a survey of country practices in the compilation of balance sheet statistics which was carried by the Statistical Office in 1979. Seventy-five questionnaires were received with completed information. Information was sought on the availability of statistics on financial assets and liabilities, producers' fixed assets and consumer durable. The document includes synoptic tables indicating for each country data availability on each of the asset and liability categories.

1981

Possible incorporation of selected economic and social indicators in the determination of the scales of assessment (A/CN.2/R.441)

Includes updates of socio-economic indicators including per capita energy consumption, life expectancy at birth, percentage share of non-agricultural employment, number of telephones per 1,000 persons, percentage of population literate, percentage share of manufacturing in GDP, percentage share of manufactured exports to total exports. The indicators are used to compare the ranks of countries based solely on per capita income with those based on a composite indicator which is constructed by giving a weight of 7.14 per cent to each indicator and 50 per cent to per capita income.

The use of national wealth estimates to supplement national income statistics as a measure of capacity to pay (A/CN.2/R.437)

Actual data on national wealth and its components are examined as a follow-up to the survey of country practices on the compilation of balance sheets that was carried out by the Statistical Office in 1979. The study contains a further

1981

Ibid., Thirty-sixth Session, Supplement No. 11 (A/36/11)

After extensive examination of 18 socio-economic indicators as additional measures of the capacity to pay, the Committee concluded that at present it would not be possible to use these indicators in a systematic way, because of limited availability of such data for all Member States and the difficulties encountered in their utilization. Nevertheless, it considered them as valuable supplementary information for use in the review of individual cases and therefore requested the Statistical Office to update them on an annual basis. It also requested to provide data on external public debt, international reserve and export earnings that had been used by the Committee in previous sessions.

Having re-examined in greater detail at this session the availability and comparability of national wealth data among countries, the Committee decided to keep this method under review.

evaluation of data obtained through the survey, identifying per country the availability of asset information by type and by sector. It also includes quantitative information on the level of national wealth and as percentage of national income of each country.

Resolution 2033 A of 18 December 1961

In the measurement of the capacity of Member States to pay, the following elements should be taken into account, inter alia:

- (a) Conditions of circumstances which adversely affect the capacity of Member States to pay;
- (b) The particular situation of Member States whose earnings depend heavily on one or a few products;
- (c) The ability of Member States to secure foreign currency;
- (d) The concept of accumulated national wealth.

1982

Recent data on selected socio-economic indicators (A/CN.2/K.455)

Updating of 15 of the 1977 list of selected socio-economic indicators: percentage share of expenditure for research of national income, percentage share of three main exports commodities to total exports, per capita energy production, per capita cereal production, number of physicians per 1,000 inhabitants, per capita food consumption, number of infant survivals per 1,000 births, per capita energy consumption, life expectancy at birth, employment, number of telephones per 1,000 persons, percentage of population literate, percentage share of manufacturing in GDP, percentage share of defence in national income. The information was given in three annexes. Annex I presents the number of countries for which the socio-economic indicators are available, annex II presents information by country and annex III presents statistics on external public debt as percentage of goods and services, international reserves and national income for countries that have been classified "developing" countries by the World Bank.

Alternative methods to assess the relative capacity to pay (A/CN.2/K.457)

Deals with following methods to adjust the low per capital income formula with additional indicators and adjustments:

1. Adjustments are made for seven development concerns, i.e. lack of industrial development, infrastructure, education, health facility, insufficient food supply and malnutrition, external public debt service, military expenditure through five indicators, i.e. manufacture

1982

Ibid., Thirty-seventh Session, Supplement No. 11 (A/37/11)

Considering the limited time available for work on the methodology during a session at which a new scale is prepared, the Committee briefly examined the two papers and decided to defer further methodological work until 1983.

With regard to the incorporation of the socio-economic concerns and corresponding indicators into the assessment-scale methodology, some members saw merit in such incorporation, others thought that it would lead to doublecounting as national income already reflected such concerns and a third group thought it unwise to involve the Committee in determining norms that were needed for appropriate incorporation of the additional indicators.

Some members thought that deductions should be made not only for construction on infra-structural works in developing countries but also for industrial countries that need to invest heavily in the maintenance of existing infrastructures.

GENERAL ASSEMBLY MANDATE

MATERIAL EXAMINED BY THE
COMMITTEE ON CONTRIBUTIONS

COMMITTEE ON CONTRIBUTIONS
Report No. and recommendations 2/

exports as percentage of total exports, number of telephones per 1,000 inhabitants, literacy rate, daily calorie intake, external public debt as percentage of national income. Adjustments are made on the basis of the difference between the actual value of indicators and an acceptable minimum and each concern is weighted into the formula by giving a 0.5 weight for the low per capita income deduction and 0.1 for each of the additional indicators.

.. Replacement of the low per capita income deduction by deductions for actual public and private expenditures made by countries on infrastructure, health, education and basic nutritional needs.

3. Introduction of tax progression into the transfer of low per capita income deductions to countries with high per capita income. In each case modified assessment rates are calculated for 10 selected countries.

General Assembly mandate resolution 37/125 of 17 December 1992.

Reiterates mandate in resolution 36/231 A

In the measurement of the capacity of Member States to pay, the following elements should be taken into account, inter alia:

- (a) Conditions or circumstances that adversely affect the capacity of Member States to pay;
- (b) The particular situation of Member States whose earnings depend heavily on one or a few products;
- (c) The ability of Member States to secure foreign currency;
- (d) The concept of accumulated national wealth.

1983

Alternative methods to assess the relative capacity to pay (A/CN.2/R.457/Rev.1)

Revision of document A/CN.2/R.457 prepared in 1982.

1983

Ibid., Thirty-eighth Session, Supplement No. 11 (A/38/11)

The Committee noted that, when using composite indicators, varying norms and weights would result in very different levels of adjusted assessable income. Furthermore, lack of data introduced distortions for those countries for which no data were available. Also, indicators such as external public debt, international reserves reflect recent circumstances outside the base period used in the establishment of the scale of assessments. In general, the integration of socio-economic indicators was thought to be extremely complex and therefore further study was recommended.

1984

1984

Resolution 36/33 of 25 November 1983

Ibid., Thirty-ninth Session, Supplement No. 11 (A/39/11)

Recent data on selected socio-economic indicators (A/CN.2/K.47)

Reiterated mandate in resolution 37/125 B

The Committee agreed that five different concerns should be taken into account, i.e. economic development, educational development, health, external debt and international reserves and changes in the terms of trade. To reflect those concerns it considered a long and short list of socio-economic indicators. The short list of indicators included:

Update of a list of selected long-term and short-term indicators for 54 countries whose current rates of assessment were 0.04 per cent and above. Included are two annexes: annex I presents for each of the socio-economic indicators from 1975 to 1981 the number of countries for which this information is available; annex II presents in tabular form the actual statistics in respect of each of the long-term and short-term socio-economic indicators classified by country. The long-term indicators included are: percentage share of manufacturing exports in total share of manufacturing exports in total exports, per capita energy consumption, percentage share of three main export commodities in total exports, percentage share of economically active population outside agriculture, number of telephones per 1,000 persons, percentage of population literate, life expectancy at birth, per capita food consumption. Short-term indicators included are: public debt service, central government surplus or deficit, international reserves, terms of trade.

- (a) manufacturing as a percentage of total GDP;
- (b) manufacture exports as a percentage of total exports;
- (c) three main export commodities as a percentage of total exports;
- (d) percentage share of active population employee outside agriculture;
- (e) number of telephones per 1,000 persons;
- (f) literacy rate;
- (g) per capita daily calorie intake. The short list was considered by several members as an adequate reflection of the concerns mentioned, given the close correlation between the values of the indicators of the short and long lists.

It incorporated the short list of indicators into the modified assessment-scale formula which had previously been developed by applying alternative weights and norms for each of the additional indicators. In one alternative economic development was given a weight of 30 per cent, educational development 10 per cent, health 20 per cent, external debt and international reserves 30 per cent and terms of trade 10 per cent. With regard to the norms the Committee applied alternatively average values for all countries members of the Organisation for Economic Cooperation and Development with the lowest assessment rates and for the Group of 77.

When analysing the effects of incorporation of the socio-economic indicators the Committee noted that the majority of developed countries would experience lower assessment rates and the majority of developing countries would experience higher assessment rates. This phenomenon implies that the low per capita income deduction is generally larger than a deduction based on composite indicators.

Study of alternative assessment methodologies based on the use of socio-economic indicators (A/CN.2/K.47)

This paper deals with the incorporation of selected socio-economic indicators into the assessment-scale methodology. It presents operational formulas which could supplement or replace the assessment-scale formulas and also includes quantification of the effects of incorporating additional indicators on the assessment scale.

GENERAL ASSEMBLY MANDATE	MATERIAL EXAMINED BY THE COMMITTEE ON CONTRIBUTIONS	COMMITTEE ON CONTRIBUTIONS Report No. and recommendations a/
<p>Resolution 43/223 B of 21 December 1988</p> <p>To seek more comprehensive and systematic information on external debt with a view to ensuring that this factor is adequately taken into account in the calculations for determining the capacity to pay.</p> <p>To examine as a means of improving the current methodology, the possible use of other factors, including the situation of those countries:</p> <ul style="list-style-type: none"> (a) Whose economies depend on one or a few products or income sources; (b) Which suffered a real loss of income as a result of deteriorating terms of trade; (c) Which experience serious balance-of-payments (trade) problems or a negative net flow of resources; (d) Which have limited capacity to acquire convertible currencies. 	<p>1989</p> <p><u>Alternative income concepts to measure the capacity to pay (A/CN.2/R.533)</u></p> <p>The document presents a general review of the national income concept as a basis for deriving the assessment scale for each Member State; it contains a description of the national accounts principles in so far as they affect national income measurement; and provides proposals for alternative income concepts, namely: net disposable income, debt-adjusted income, income adjusted for sustainable development and income adjusted for changes in wealth.</p>	<p>1989</p> <p><u>Ibid., Forty-fourth Session, Supplement No. 11 (A/44/11)</u></p> <p>The Committee observed that the alternative income concepts were not sufficiently developed conceptually and lacked an adequate database. However, it noted that the alternative income approach was a promising one and further studies were merited. The Committee was interested in particular in the concept of debt-adjusted income and disposable income and asked the Statistical Office to improve the database for these.</p> <p>The Committee considered the question of adjustments for external debt in the context of alternative income concepts. It continues its use of debt stock and corresponding debt service/stock ratios. It also reviewed the progress made by IMF, the World Bank, OECD and the Bank for International Settlements to arrive at a more complete debt service statistics, on which work had not yet been finalized.</p>
<p>Resolution 44/197 A of 21 December 1989</p> <p>Further exploration of alternative income concepts.</p> <p>Improvement of the current methodology to examine fully the use of other factors, including the situation of those countries:</p> <ul style="list-style-type: none"> (a) Whose economies depend on one or a few products or income sources; (b) Which suffered a real loss of income as a result of deteriorating terms of trade; (c) Which experience serious balance-of-payment (trade) problems or a negative net flow of resources; (d) Which have limited capacity to acquire convertible currencies. 	<p>1990</p> <p><u>Further development of alternative income measures for use by the Committee on Contributions (A/CN.2/R.544)</u></p> <p>Elaboration of different income concepts, including net disposable income, debt-adjusted income, income adjusted for sustainable development and income adjusted for changes in wealth.</p>	<p>1990</p> <p><u>Ibid., Forty-fifth Session, Supplement No. 11 (A/45/11)</u></p> <p>The Committee noted that disposable income would increase the assessment rates of some developing countries and that income adjusted for sustainable development needs to be elaborated further in conceptual terms. It requested the Statistical Office to continue to improve its database with regard to alternative income concepts so as to permit the further conceptual and quantitative exploration. While recognizing the limitations of the concept of debt-adjusted income, which deducts repayment of debt from national income, the Committee decided to recommend its use in the preparations of the next scale as it represents a considerable improvement over the estimated debt adjustment factors used in the 1989-1991 scale, which were based on debt stock data and presumed debt stock-service ratios.</p>

GENERAL ASSEMBLY MANDATE	MATERIAL EXAMINED BY THE COMMITTEE ON CONTRIBUTIONS	COMMITTEE ON CONTRIBUTIONS Report No. and recommendations ^{a/}
Resolution 45/256 of 21 December 1990	1991	1991
Preparation of the new scale of assessment taking into account the debt adjustment approach used in the preparation of the 1989-1991 scale.	Ibid., Forty-sixth Session, Supplement No. 11 (A/46/11)	As requested by the General Assembly, the Committee employed in the preparation of the new scale the debt-adjustment approach based on debt stock information as published by the World Bank
Improvement of the methodology for the preparation of future scales with regard to:		
(a) The application of debt-adjusted income;		
(b) Alternative income concepts;		
(c) The possible use of factors that take into account the situation of countries;		
(i) Whose economies depend on one or a few products of income sources;		
(ii) Which suffered a real loss of income as a result of deteriorating terms of trade;		
(iii) Which experience serious balance-of-payments (trade) problems or a negative net flow of resources;		
(iv) Which have limited capacity to acquire convertible currencies.		

^{a/} where applicable.