The methodology used for the preparation of the United Nations scale of assessments for the period 2022-2024

The methodology for the United Nations regular budget scale of assessments for the period 2022-2024

- Introduction

- Main Components of the Methodology

- Data Sources

- Step by Step Calculation - Example

Introduction

- The **aim** of this presentation is to provide an **overview of the methodology** for calculating the scale of assessments for the contribution of Member States to the regular budget of the United Nations.

- **Article 17 of the Charter** of the United Nations provides that Member States have the obligation to bear the expenses of the Organization, as apportioned by the **General Assembly**.

- The **fundamental principle** underlying the apportionment by the Assembly is based broadly on the **capacity of Member States to pay**, in accordance with rule 160 of its rules of procedure.

- The General Assembly in resolution 76/238 (establishing the 2022-2024 scale) reaffirmed that the Committee on Contributions (CoC) as a technical body is required to prepare the scale of assessments strictly on the basis of **reliable, verifiable and comparable data**.

- The CoC (A/78/11, para. 19) noted the trade-offs between timeliness, reliability, verifiability and comparability of the data.

- The **methodology** presented here is based on Annex I of the **Report of the Committee on Contributions** (A/78/11) and was used for the 2022-2024 scale calculations; the same methodology that was used since the 2001-2003 scale.

Main Components of the Methodology

In resolution 76/238, the GA determined the elements of the scale calculation for the 2022-2024 period.

Three main components of the methodology:

Comparative estimates of income		
• National Income	(1946)
• Conversion rates	(1946)
• Base period	(1946)
• *Two base periods: 3 and 6 years*	*(2001)*

Relief Measures		
• Debt burden adjustment	(1986)
• Low per capita income adjustment	(1946)

Limits to scale		
• Floor	(1946)
• LDC ceiling	(1983)
• *No increase for LDC*	*(1983-1997)*
• *Ceiling 0.010 per cent*	*(1998)*
• Maximum ceiling	(1946)

Income Measure

- Income measure is the first approximation of the Member States' (MS) **capacity to pay**.

- Gross National Income (GNI) is used as the income measure.

Exchange Rates

- To establish a comparable measure of income, GNI in national currency is converted to United States dollars (US$) using **market exchange rates** (MERs).

- For MS for which no MERs are available, **United Nations operational rates** (UNOP) of exchange are used instead.

- When MERs cause excessive fluctuations and distortions in the GNI of a particular MS, MERs may be replaced with **price-adjusted rates of exchange** or other **appropriate conversion rates**.

Systematic Criteria

| Step 1:
• Exchange rate fixed
• pcGNI in US$ is unreasonable | Step 2:
pcGNI growth factor ≥ 1.5 times or ≤ 0.67 times world average pcGNI growth factor | Step 3:
MER valuation index (MVI) ≥1.2 times or ≤ 0.8 times world average MVI |

Base Period

- Final scale is calculated based on the arithmetic **average of scales** from the most recent **three-year** and **six-year base periods**.

2014	**2015**	**2016**	**2017**	**2018**	**2019**

Six-year base period

2017	**2018**	**2019**

Three-year base period

Debt Burden Adjustment

- Debt burden adjustment (DBA) is an element of the methodology to **relieve the impact of the repayment** of external debt on the capacity to pay.

- The DBA is applied to MS with a per capita GNI below the World Bank threshold for high-income economies.

- Since interest payments are already accounted for in the GNI, only principal payments on external debt are deducted from GNI.

- Indirect redistribution: new GNI shares are based on the debt-adjusted GNI (GNI_{da}).

Debt Burden Adjustment

- DBA is based on a proportion of the total external debt stock of the MS concerned → debt stock approach.

- It is assumed that external debt is repaid over a period of 8 years.

Total External Debt Stock

87.5 %

12.5 %
DBA: Amount deducted from GNI
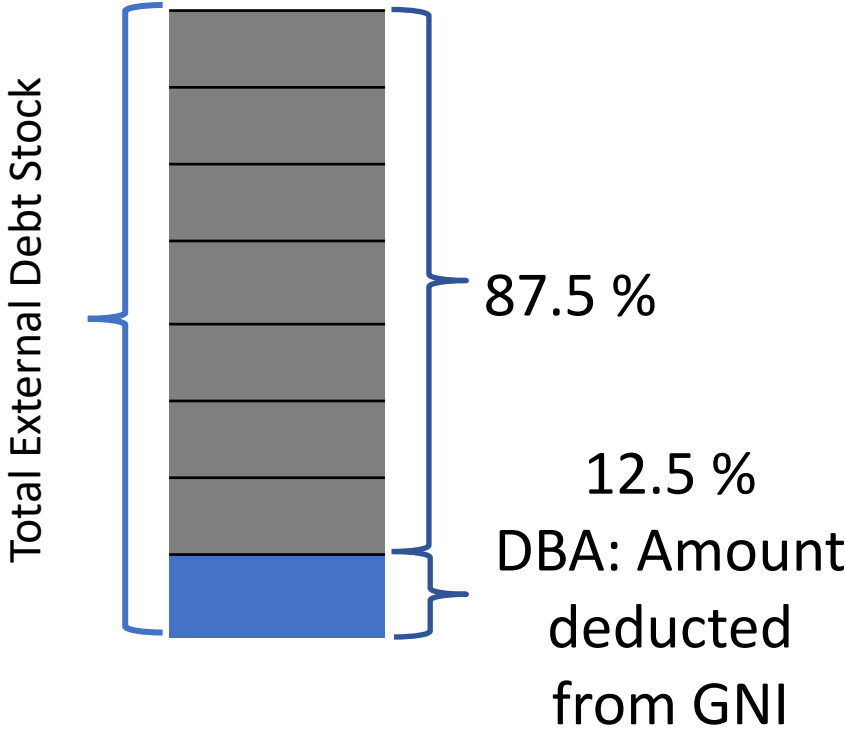
Low Per Capita Income Adjustment

- Income per head of population should be taken into account to prevent anomalous assessments based on comparative estimates of national income (A/78/11, para. 54).

- The Low Per Capita Income Adjustment (LPCIA) provides relief for MS based on per capita GNI (pcGNI).

- It consists of two parameters to set the size of the adjustment:

  - *the threshold to determine which MS benefit from the LPCIA (average pcGNI of all MS)*

  - *the gradient (80 per cent).*

Low Per Capita Income Adjustment

- LPCIA reduces the GNI$_{da}$ share of the affected MS by a factor that is based on the percentage that the pcGNI$_{da}$ is below the established LPCIA threshold, subject to the gradient:

i. Calculate the percentage difference between the pcGNI$_{da}$ and the threshold.

ii. Multiply this percentage with the gradient of 80 per cent.

iii. Reduce the MS GNI$_{da}$ share with this percentage.

iv. Redistribution to MS above the threshold on a pro rata basis of their GNI$_{da}$ share.

- Floor:

  - The minimum assessment rate.

- Two ceilings

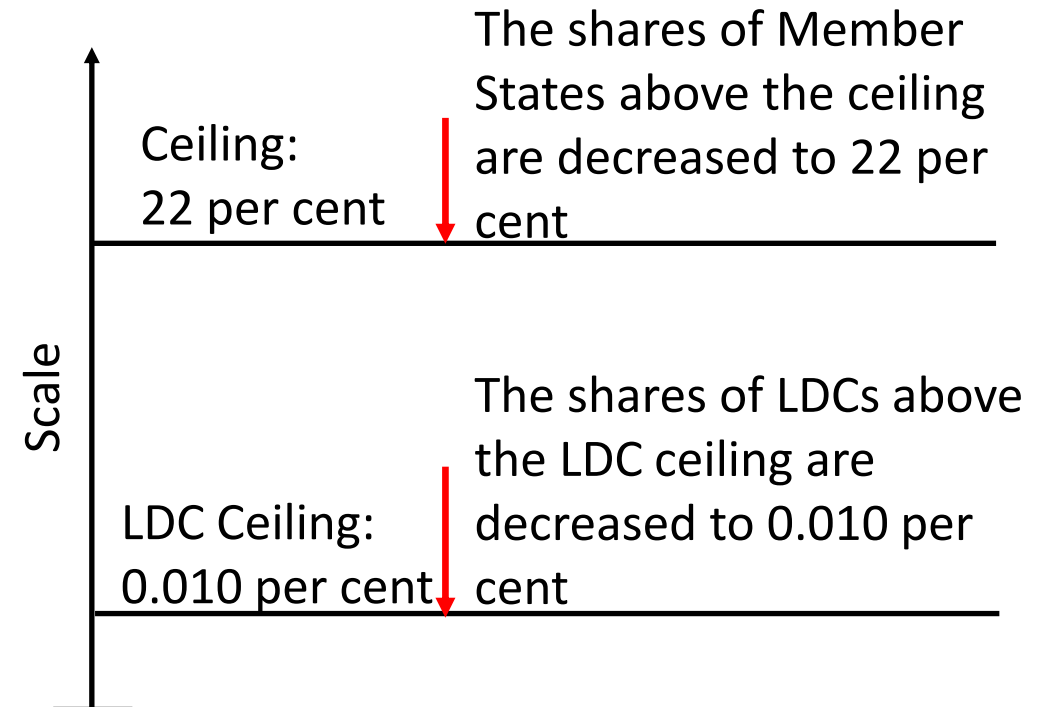 - A ceiling limit for the Least Developed Countries (LDCs).

  - A maximum ceiling.

Floor

- Floor is the **minimum assessment rate.**

- An element of the methodology **since the outset**: it changed from 0.01 to **0.001 per cent since the 1998-2000 scale**.

- The **adjustment** is distributed on a **pro-rata basis** to MS above the floor.

- The floor limit is considered to be the **practical minimum contribution** that MS should be expected to make to the organization.
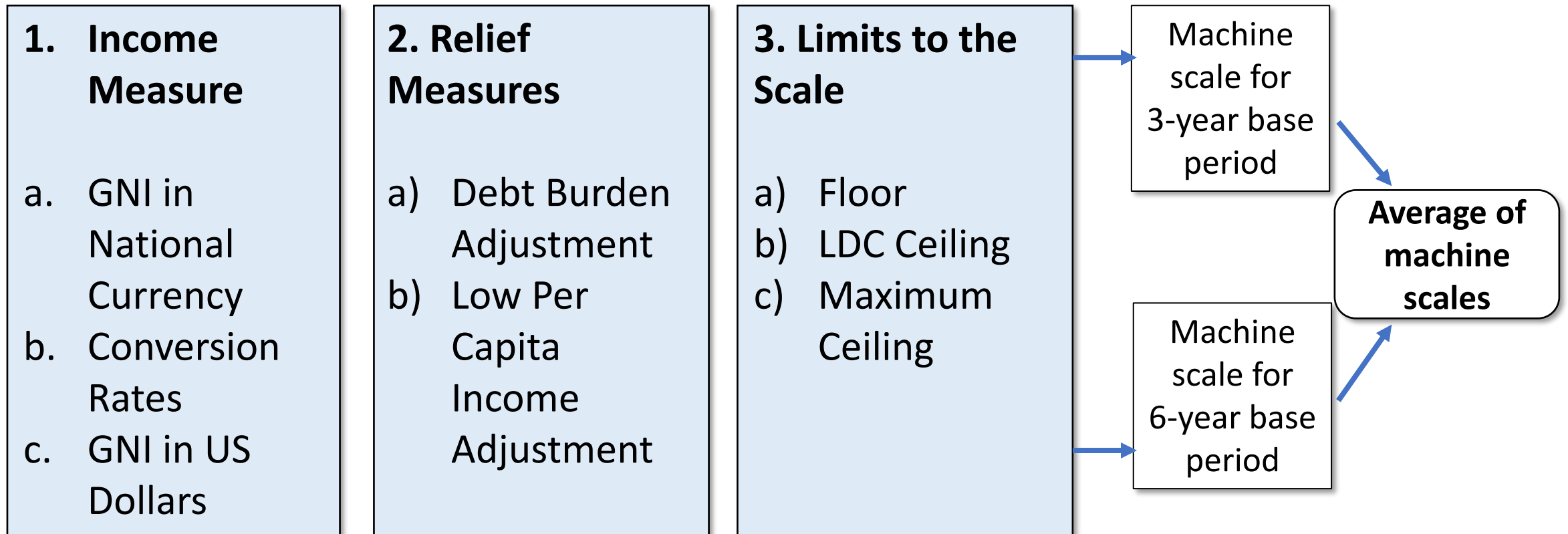
Scale

Floor: 0.001 per cent

The shares of Member States below the floor are increased to 0.001 per cent
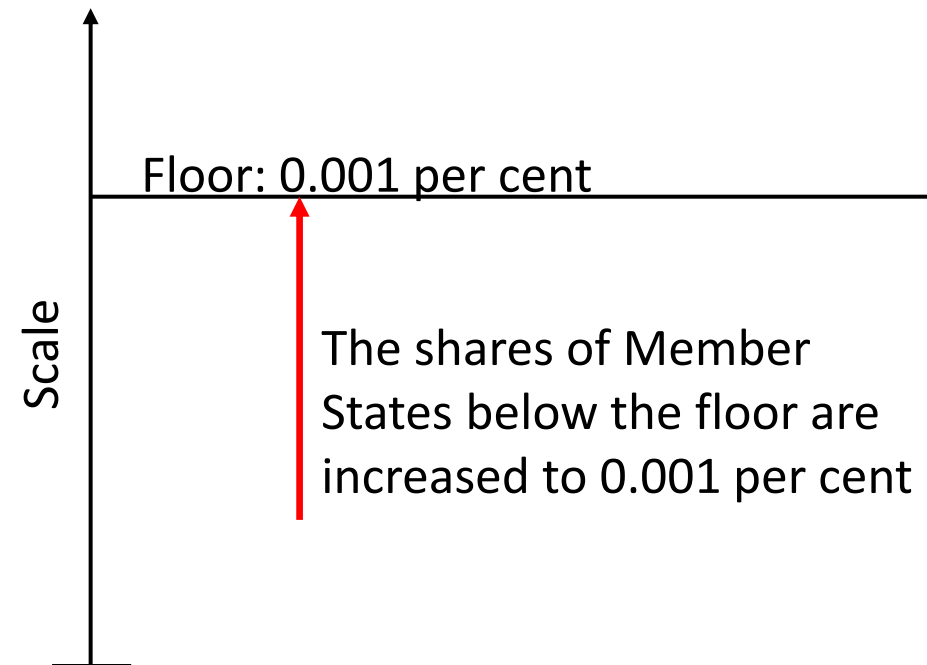
Ceilings

- Ceilings are maximum assessment rates.

- **Two ceilings**: Maximum ceiling and maximum assessment rate for LDCs.

- Pro rata redistribution: LDC ceiling points are distributed to all MS except those at the floor; points at maximum ceiling are distributed to all MS except those at the floor and at the LDC ceiling.

Scale

Ceiling:
22 per cent

The shares of Member States above the ceiling are decreased to 22 per cent

LDC Ceiling:
0.010 per cent

The shares of LDCs above the LDC ceiling are decreased to 0.010 per cent

1. Income Measure	2. Relief Measures	3. Limits to the Scale
a. GNI in National Currency	a) Debt Burden Adjustment	a) Floor
b. Conversion Rates	b) Low Per Capita Income Adjustment	b) LDC Ceiling
c. GNI in US Dollars		c) Maximum Ceiling

Machine scale for 3-year base period

Machine scale for 6-year base period

Average of machine scales

National Income

- Data are provided, in national currency, by MS to UNSD in response to the United Nations annual national accounts questionnaire.

  http://unstats.un.org/unsd/nationalaccount/madt.asp?SB=1&#SBG

- When data are not available from the MS, UNSD prepares estimates based on available information from other sources including: MS publications, UN regional commissions, the World Bank, and the IMF.

National Income

- UNSD disseminates the national accounts data in two separate databases:
  - National Accounts Statistics, Main Aggregates and Detailed Tables (MADT) database, available at: http://data.un.org/Explorer.aspx?d=SNA

  - National Accounts Statistics, Analysis of Main Aggregates (AMA) database, available at: http://unstats.un.org/unsd/snaama/Introduction.asp

- The data in national currency from the AMA database are used in the scale calculations.

Exchange Rates

- Exchange rates are used for the conversion of national currencies to United States dollars.

- Market exchange rates (MERs) from the IMF International Financial Statistics, database available at: http://www.elibrary.imf.org/browse?freeFilter=false&pageSize=10&sort=datedescending&t_7=urn%3ASeries%2F041

- For non-members of IMF, there are no market exchange rates available and the rates used are average annual United Nations operational (UNOPs) rates of exchange, available at: http://treasury.un.org/operationalrates

External Debt Data

- Data are obtained from the World Bank International Debt Statistics Database, available at: https://datatopics.worldbank.org/debt/

- The database covers members of and borrowers from the World Bank that have per capita GNI below the World Bank threshold for high-income economies, which was $12,536 in 2019.

- In addition to the 121 MS covered in the database, 5 other MS provided data through their Permanent Missions for the calculation of the adopted scale of 2022-2024.

- Total external debt stock data are used for the debt relief adjustment.

Population Estimates

- Data are obtained from the biennial publication: **World Population Prospects** prepared by the Population Division of the Department of Economic and Social Affairs. Further details on the methodology can be found at: http://esa.un.org/unpd/wpp

- Midyear estimates of total population are used to calculate per capita GNI (pcGNI).

- These estimates are supplemented, as required, by national estimates for countries and areas not included in the World Population Prospects.

Overview of the data preparation process for the 2022-2024 scale calculations

GNI data available up to 2019

Data relevant for the 2014-2019 base period are finalized

2020						2021											
Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec

CoC

General Assembly

Population Data available July 2019

Debt Data available up to 2019

Exchange rates available up to 2019

Calculation of the Scale for the CoC

Adoption of the 2022-2024 Scale of Assessments

United Nations | Department of Economic and Social Affairs

Example of Australia and Bangladesh using the six-year base period 2014-2019

Step 1: Comparable Measures of Income

GNI in national currency

National currency to US$

GNI in US Dollars
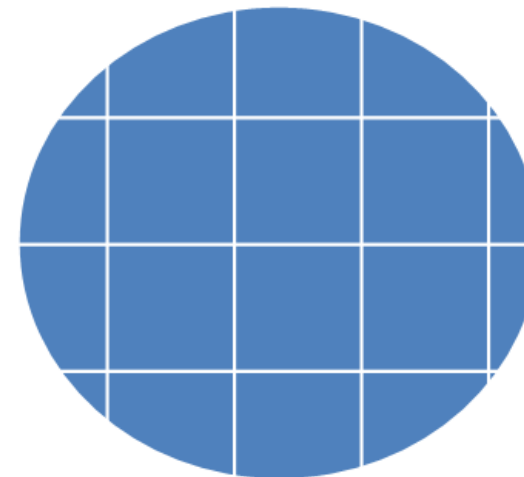
Step 1: World GNI in US Dollars

The average world GNI for the six-year base period 2014 to 2019 is $80,795,296 million

Step 1: MS' Share in World GNI

Rest of the World
$79,214,163
(98.043%)

1.957%

Australia
$1,319,362 million
(1.633%)

Bangladesh
$261,771 million
(0.324%)
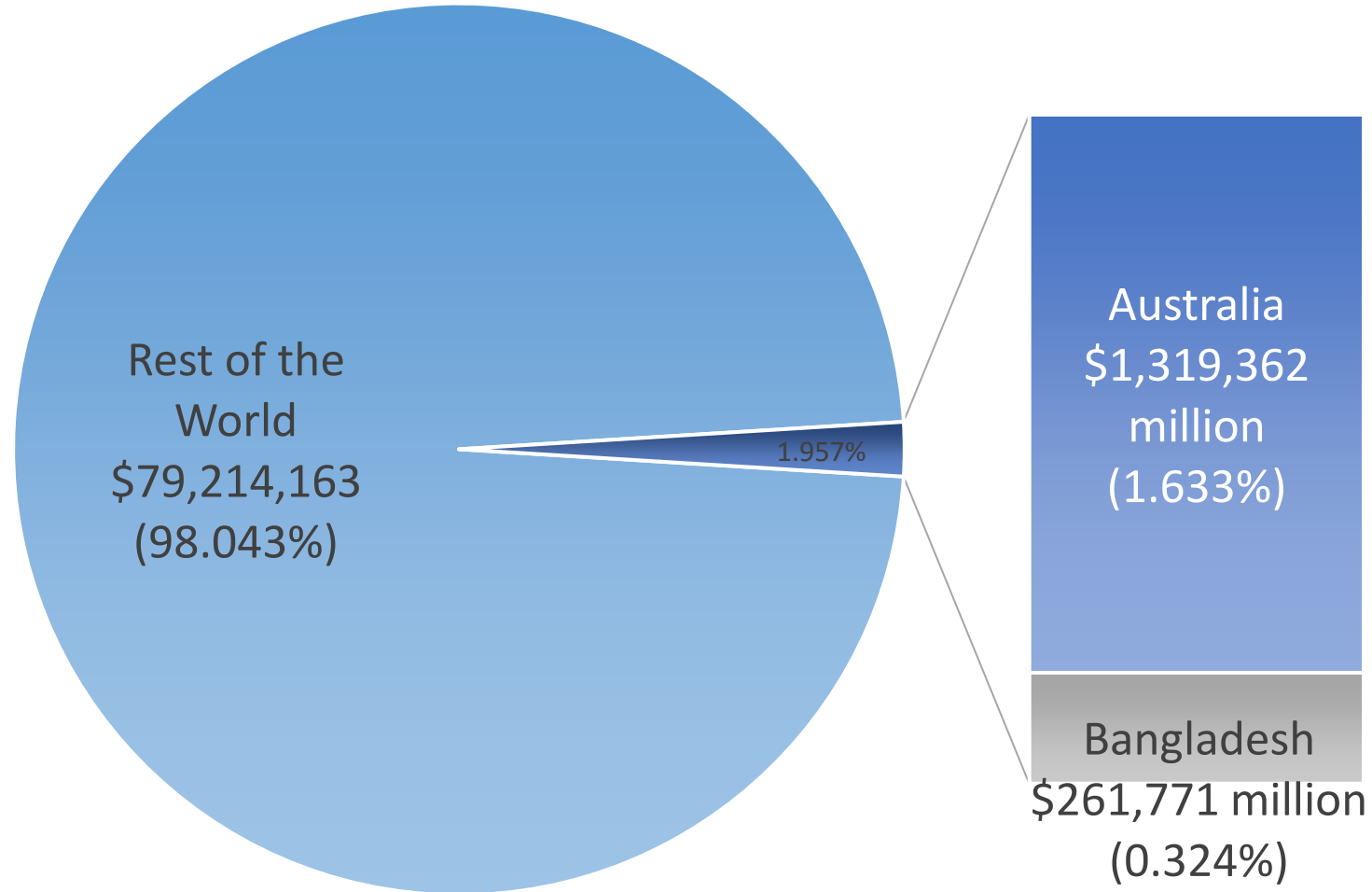
Step 2: Debt Burden Adjustment

Member States

World GNI

World debt adjusted GNI

World
$80,795,296
million

Debt deducted $933,494 million

World debt adjusted income $79,861,802

68

125
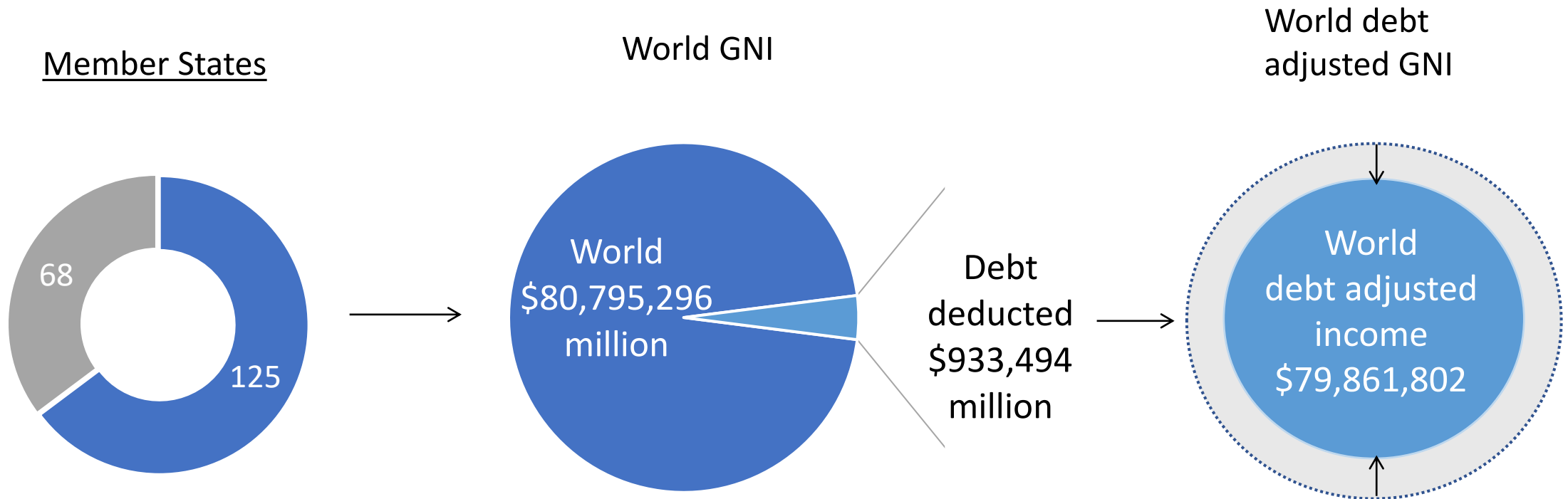
■ Member States subject to DBA

■ Member States not subject to DBA

Step 2: Debt Burden Adjustment

GNI shares at step 1

Australia
$1,319,362 million
(1.633%)

Bangladesh
$261,771 million
(0.324%)

Rest of the World
$78,286,151 Million
(98.027%)

Shares after the DBA application

Australia
$1,319,362 million
(1.652%)

Bangladesh
$256,289 million
(0.321%)
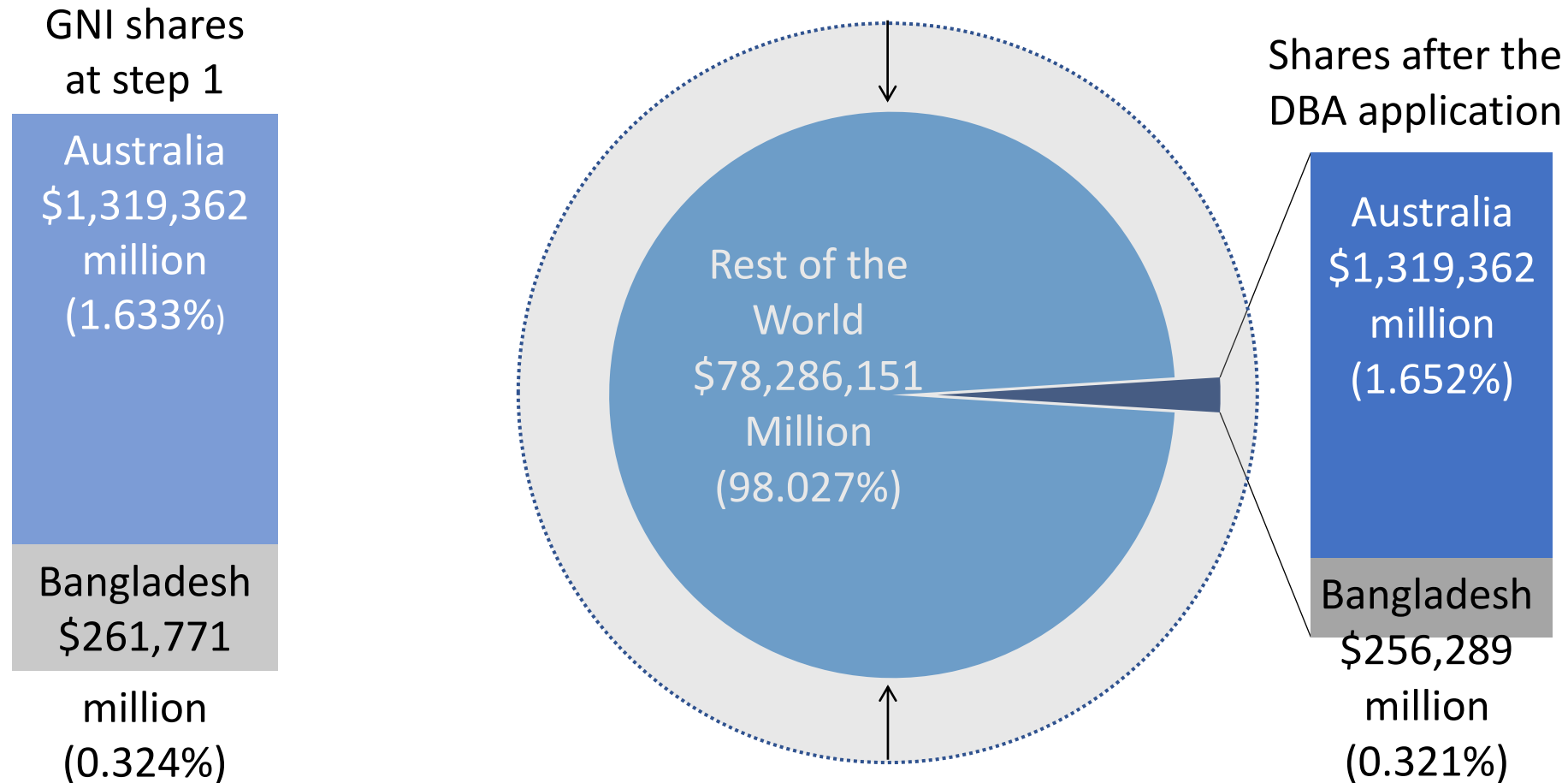
Step 3: LPCIA Threshold

World GNI
$80,795,296
million

÷
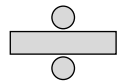
World population
7,492,609,933

=

$10,783
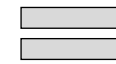
LPCIA threshold
per capita GNI

Step 4: Member State per capita debt adjusted GNI

Member State GNI$_{da}$		Population		Member State pcGNI$_{da}$
Australia: $1,319,362 mil	÷	24,412,935	=	$54,044
Bangladesh: $256,289 mil	÷	158,809,851	=	$1,614
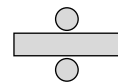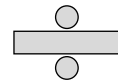
Step 5: Calculating LPCIA

Threshold (world average pcGNI)

1. The percentage difference by which the $pcGNI_{da}$ is below the threshold is calculated.

MS $pcGNI_{da}$

2. That is multiplied by the **gradient** (since 1998-2000 scale: **80 per cent**).

3. MS GNI_{da} share is reduced by a corresponding percentage.

Step 6: Application of the LPCIA

- For each base period, the total LPCIA is reallocated pro-rata to MS whose average pcGNI$_{da}$ is above the threshold.

- For illustrative purposes, to demonstrate the outcomes with and without maximum ceiling rates, two tracks are calculated.

  - Track 1: used in the final scale - The ceiling MS does not absorb any points in the LPCIA and subsequent steps.

  - Track 2: to illustrate a scale without a maximum ceiling - The ceiling MS is part of the calculations and absorbs points, in the LPCIA and the subsequent steps

Step 6: Application of the LPCIA

Shares before LPCIA
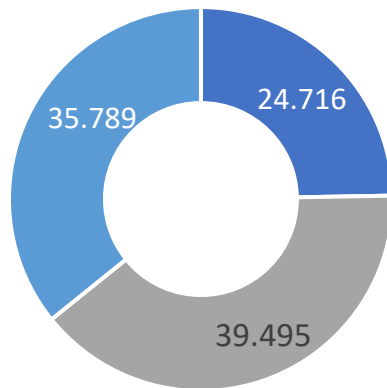
Adjustment: LPCIA

LPCIA Application

Shares before LPCIA
- Share of the ceiling Member State
- Share of Member States above the threshold
- Share of Member States below the threshold
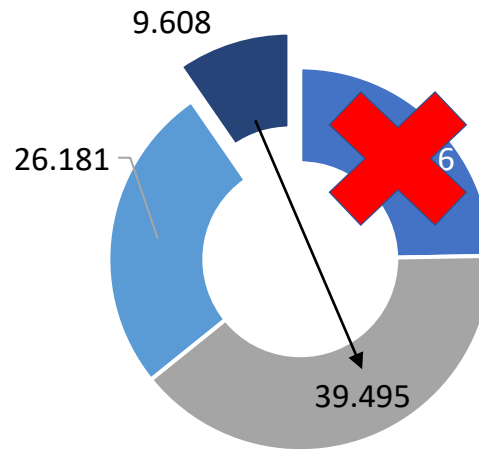
Adjustment: LPCIA
- Share of the ceiling Member State
- Share of Member States above the threshold
- Share of Member States below the threshold
- Redistributed Shares
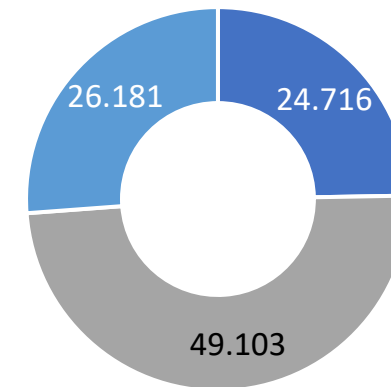
LPCIA Application
- Share of the ceiling Member State
- Share of Member States above the threshold
- Share of Member States below the threshold

Step 6: Application of the LPCIA

Shares at the
DBA step
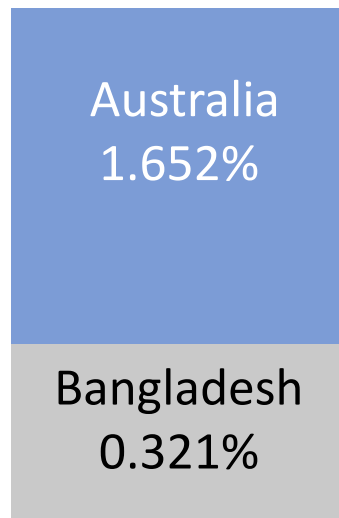
Shares after LPCIA application

Australia
1.652%

Bangladesh
0.321%

Rest of the
World
97.843%

Australia
2.054%

Bangladesh
0.103%
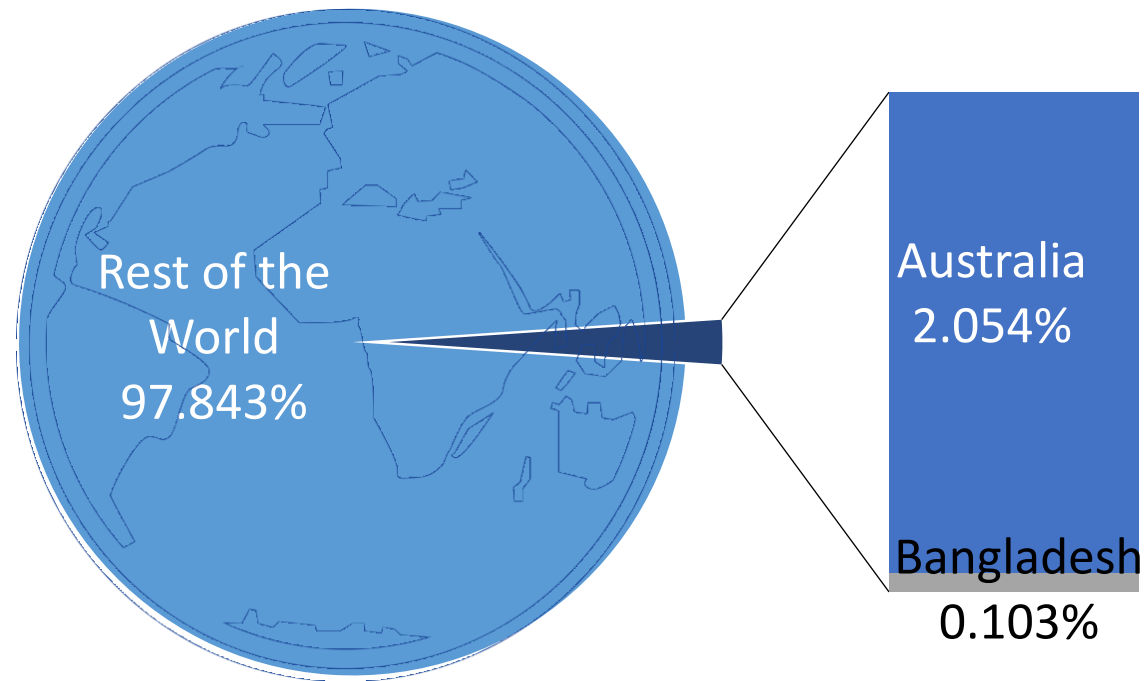
Step 7: Floor limit

Shares before floor adjustments

0.013

75.271
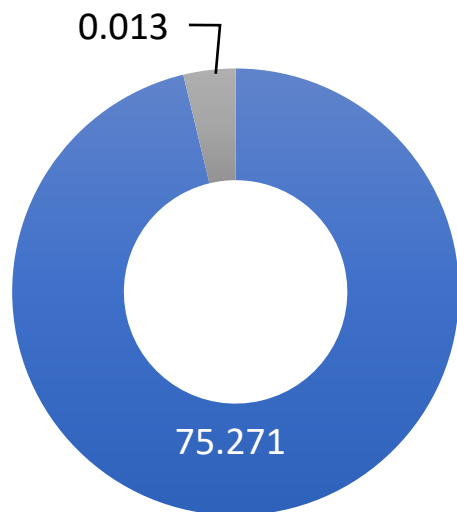
■ Shares of other Member States

■ Shares of Member States under the floor

Floor adjustment

0.013   0.013

75.271
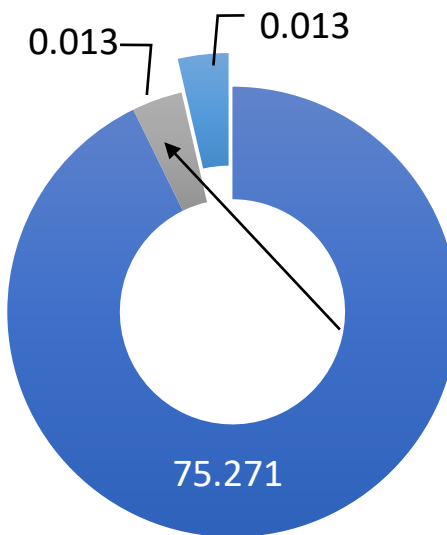
■ Shares of other Member States

■ Shares of Member States under the floor

Floor application

0.026

75.258
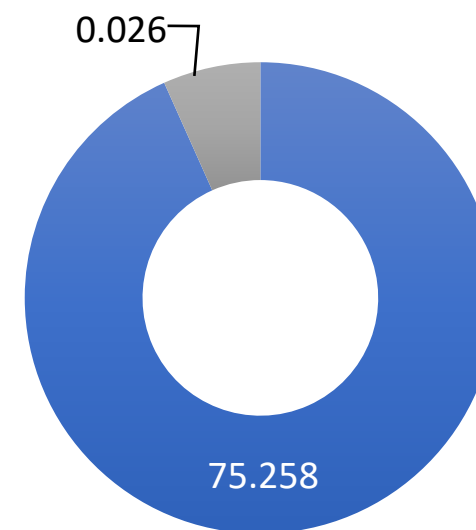
■ Shares of other Member States

■ Shares of Member States at the floor

The **ceiling Member State** does not take part in this step of the methodology

Step 7: Shares at the floor step

Shares at the
LPCIA step

Australia
2.054%

Bangladesh
0.103%

Shares after the floor application

Rest of the
World
97.843%

Australia
2.054%

Bangladesh
0.103%
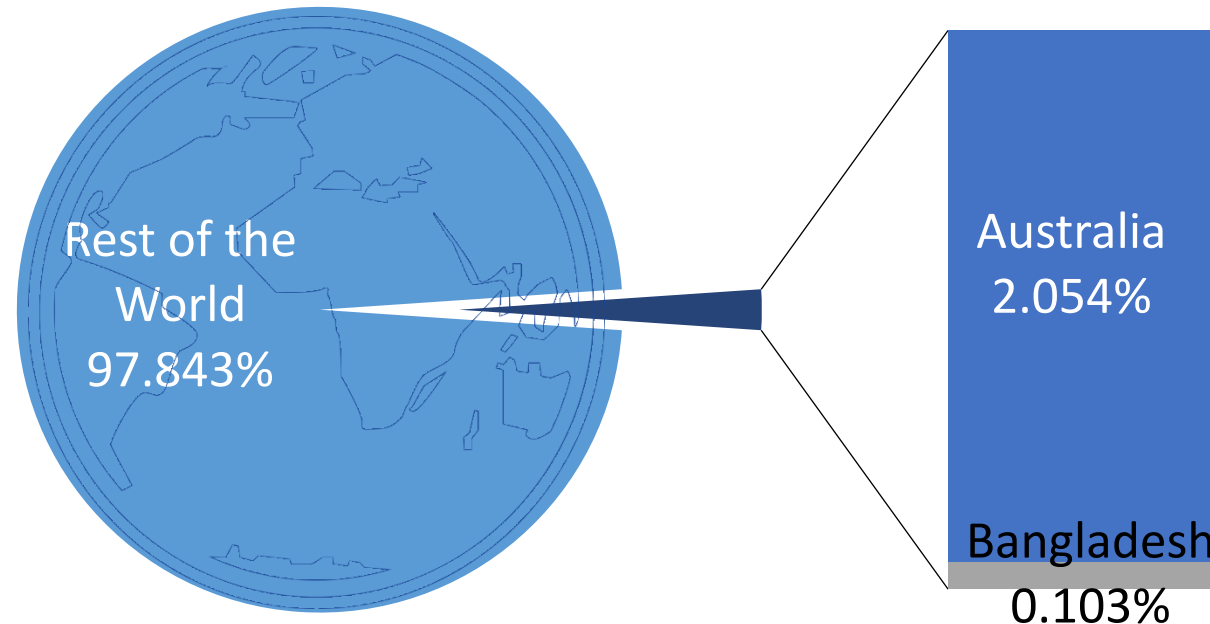
Step 8: LDC Ceiling

Total share before LDC ceiling

0.259

74.999
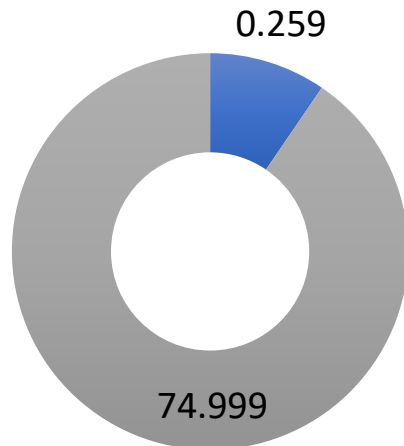
■ Share of LDC Member States
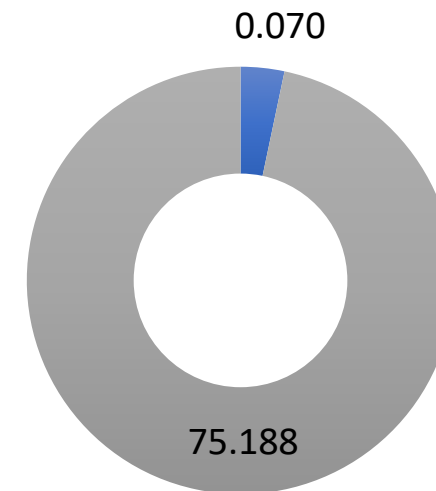
■ Share of absorbers

Adjustment: LDC ceiling

0.189   0.070

74.999
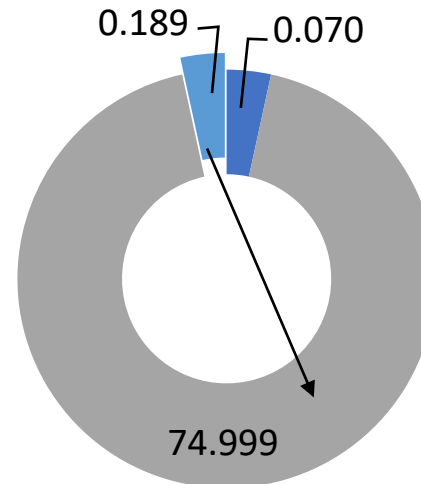
■ Share of LDC Member States

■ Share of absorbers

■ Share adjustment
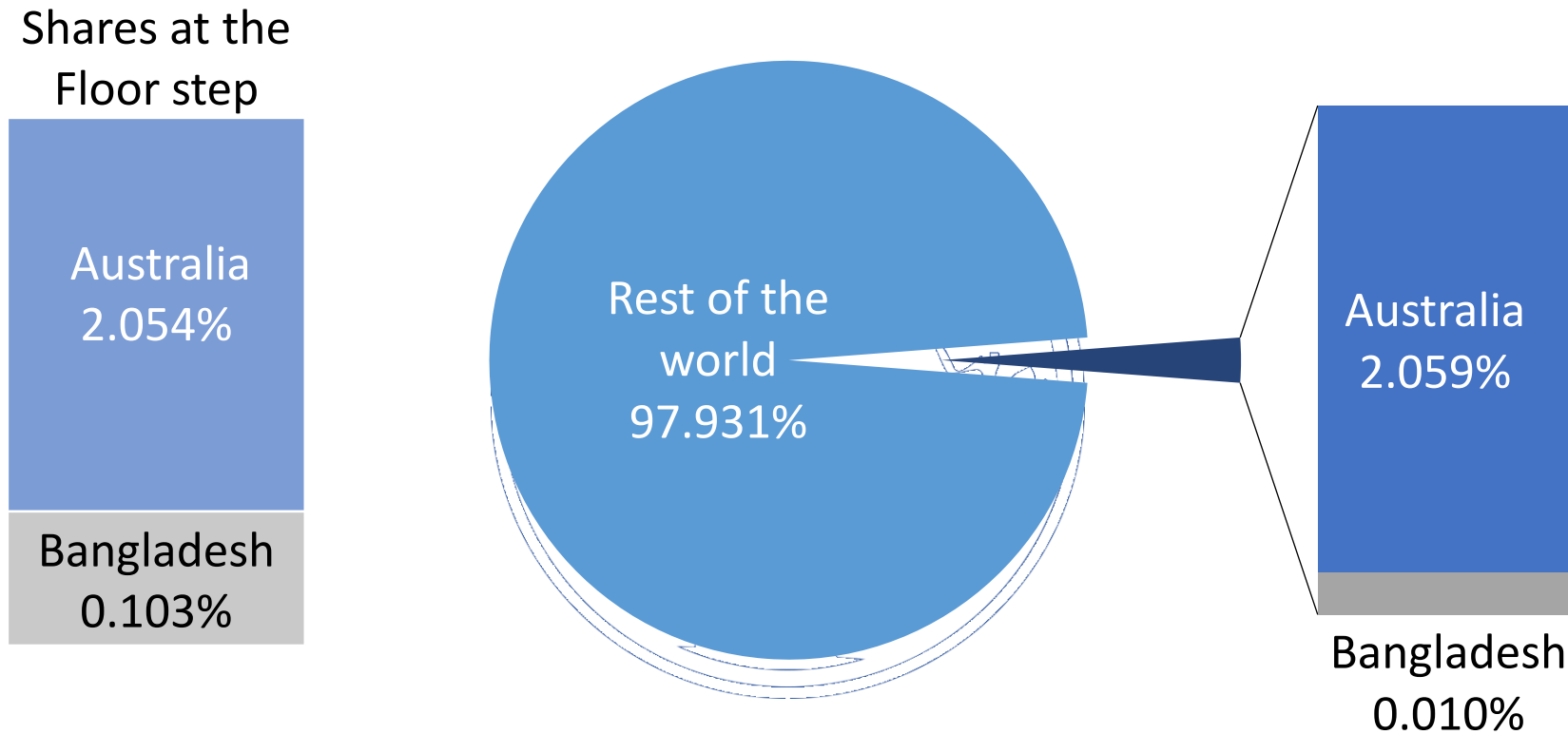
After LDC ceiling

0.070

75.188

■ Share of LDC Member States

■ Share of absorbers

The **floor Member States** and the **ceiling Member States** do not take part in this step of the methodology
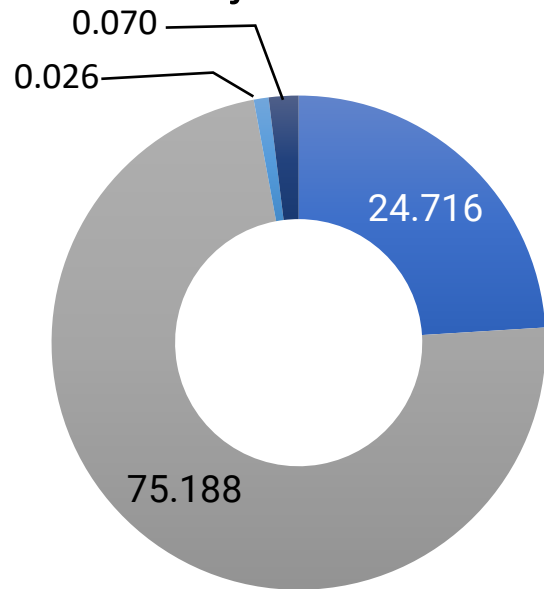
Step 8: Shares at the LDC Ceiling
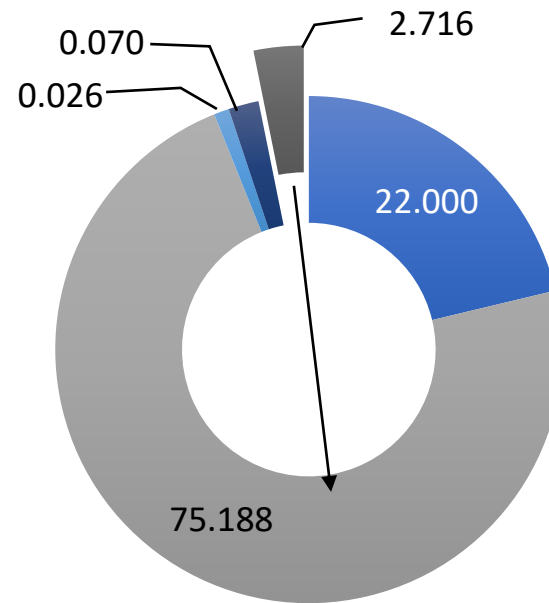
Shares after the LDC Ceiling application

Shares at the
Floor step

Australia
2.054%

Bangladesh
0.103%

Rest of the
world
97.931%

Australia
2.059%

Bangladesh
0.010%

Step 9: Maximum ceiling step

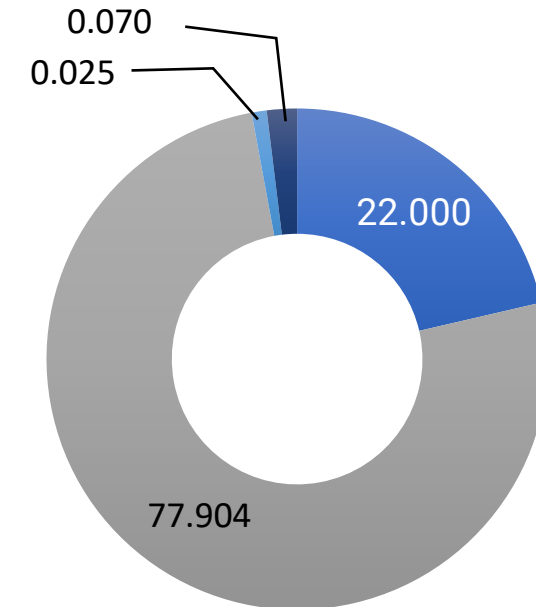Shares before the ceiling adjustment

0.070
0.026
24.716
75.188

- Share of the ceiling Member State
- Share of absorbers
- Share of floor Member States
- Share of LDC Ceiling Member States

Adjustment: ceiling

0.070
0.026
2.716
22.000
75.188

- Share of the ceiling Member State
- Share of absorbers
- Share of floor Member States
- Share of LDC Ceiling Member States
- Share adjustment

Ceiling application
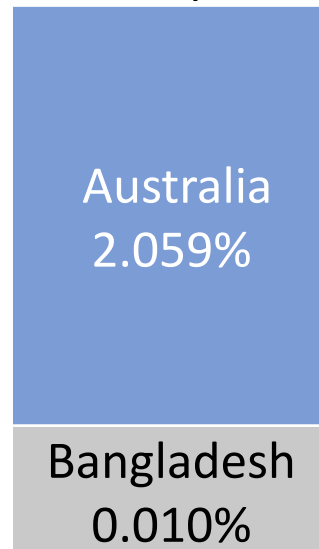
0.070
0.025
22.000
77.904

- Share of the ceiling Member State
- Share of absorbers
- Share of floor Member States
- Share of LDC Ceiling Member States

The **floor Member States** and the **LDC ceiling Member States** do not take part in this step of the methodology
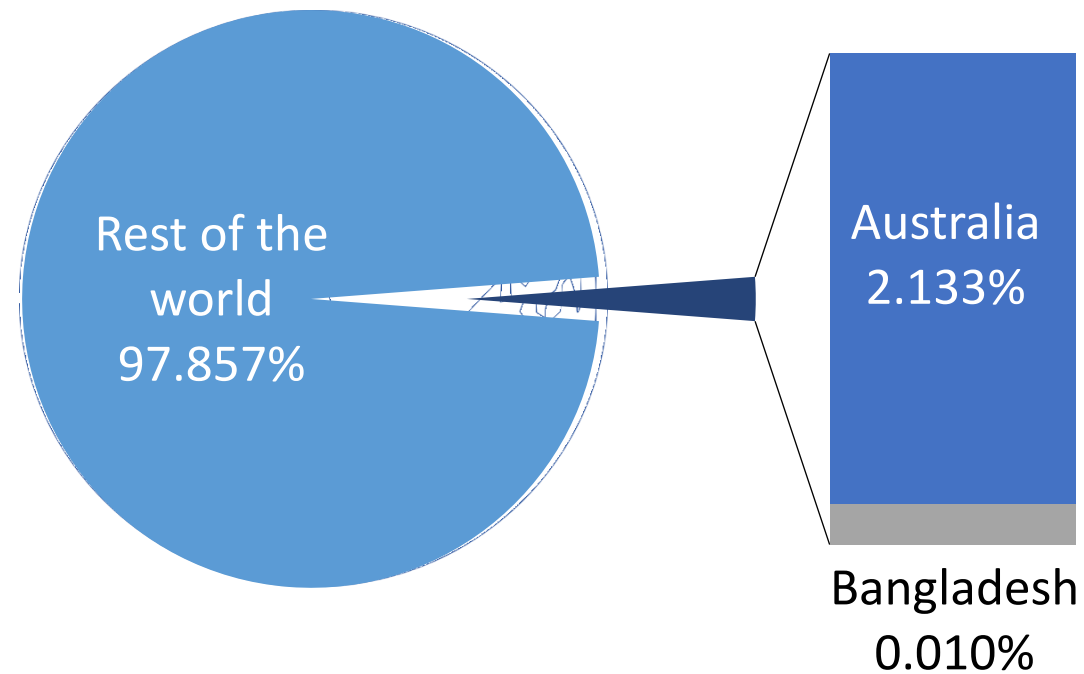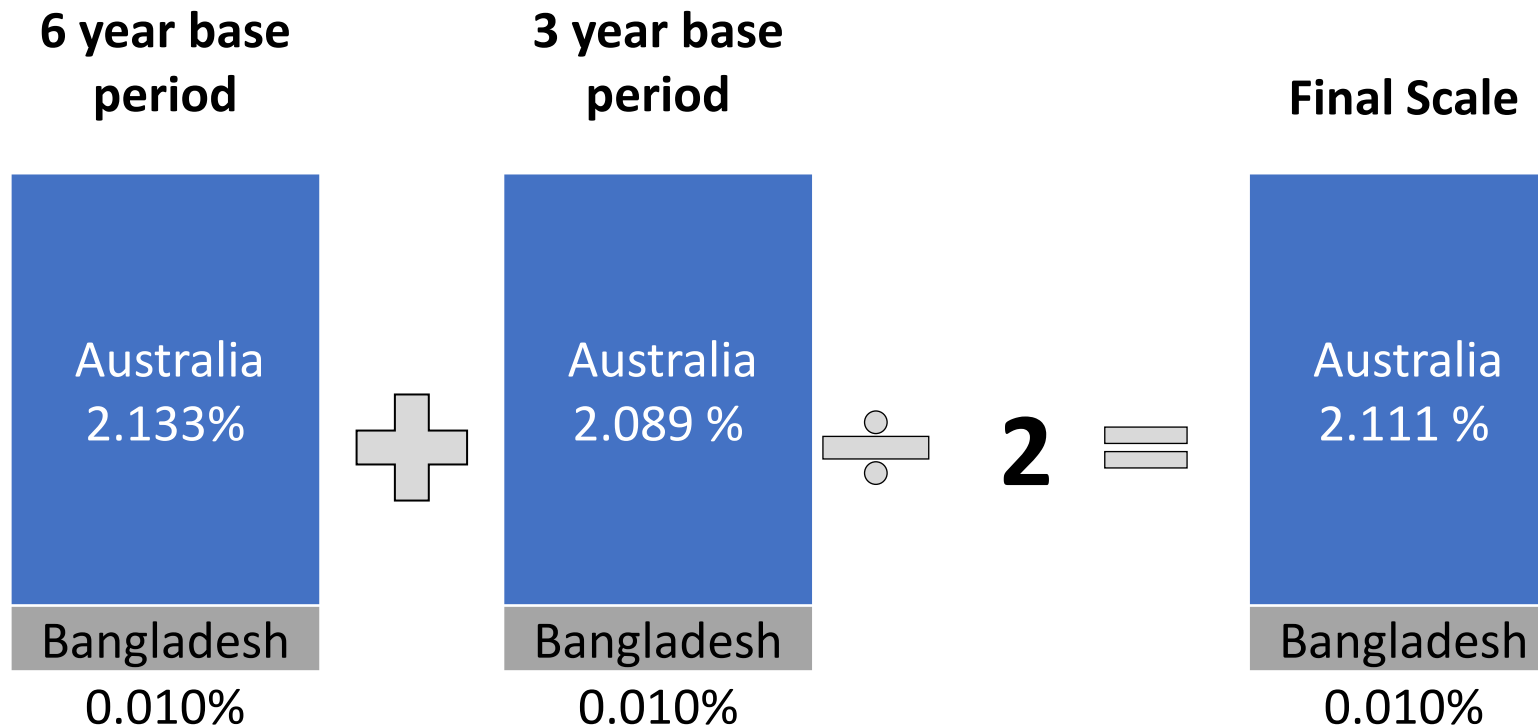
Step 9: Shares at the maximum ceiling step

Shares at the LDC ceiling step

Australia 2.059%

Bangladesh 0.010%

Shares after the maximum ceiling application

Rest of the world 97.857%

Australia 2.133%

Bangladesh 0.010%

Step 10: Final Step

| **6 year base period** | | **3 year base period** | | | | | **Final Scale** |

Australia 2.133% **+** Australia 2.089 % **÷** **2** **=** Australia 2.111 %

Bangladesh 0.010% Bangladesh 0.010% Bangladesh 0.010%