REPORT

OF

THE COMMITTEE ON

CONTRIBUTIONS

GENERAL ASSEMBLY

OFFICIAL RECORDS : TWENTY-THIRD SESSION

SUPPLEMENT No. 10 (A/7210)

UNITED NATIONS

(14 p.)

REPORT

OF

THE COMMITTEE ON

CONTRIBUTIONS

GENERAL ASSEMBLY

OFFICIAL RECORDS : TWENTY-THIRD SESSION

SUPPLEMENT No. 10 (A/7210)

UNITED NATIONS

New York, 1968

NOTE

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

CONTENTS

I. MEMBERSHIP OF THE COMMITTEE

1. The twenty-seventh session of the Committee on Contributions was convened at United Nations Headquarters from 1 to 20 May 1968. The following members were present:

Syed Amjad Ali	Mr. F. Nouredin Kia
Mr. Thomas H. Bennett	Mr. John I. M. Rhodes
Mr. Raymond T. Bowman	Mr. D. Silveira da Mota
Mr. J. P. Fernandini	Mr. Maurice Viaud

2. Mr. E. N. Makeev and Mr. S. Raczkowski, who are also members of the Committee, were unable to attend the session. They designated Mr. A. V. Zakharov and Mr. W. Neneman, respectively, to represent them. The Committee accepted these designations on the understanding that the substitutes would remain in consultation with the members they represented. The importance of the elected members attending the session in person whenever possible was emphasized.

3. The Committee re-elected Syed Amjad Ali as Chairman and Mr. Kia as Vice-Chairman.

II. SUBJECTS OF THE SESSION

4. Under rule 161 of the rules of procedure of the General Assembly, the Committee shall "advise the General Assembly on the assessments to be fixed for new Members". The Committee therefore considered the rates to be recommended for the two new Members admitted to membership in the United Nations at the twenty-second session of the General Assembly, namely, Southern Yemen on 14 December 1967 (resolution 2310 (XXII)) and Mauritius on 24 April 1968 (resolution 2371 (XXII)). The Committee also considered the inclusion of these rates in the scale of assessments approved by the General Assembly for the contributions of Member States (not including Southern Yemen and Mauritius) to the United Nations budget for the financial years 1968, 1969 and 1970 (resolution 2291 (XXII) of 8 December 1967).

5. As agreed in the Fifth Committee at the twenty-second session of the General Assembly, the Committee also considered the views expressed by delegations during the Fifth Committee's discussion of the report of the Committee on Contributions[1] and any representations submitted by Member States to the Committee.

6. The other matters considered by the Committee were the collection of contributions and requests received from specialized agencies.

[1] *Official Records of the General Assembly, Twenty-second Session, Supplement No. 10* (A/6710).

III. ASSESSMENT OF NEW MEMBER STATES

7. The Committee, after examining the data available for Southern Yemen and Mauritius, reached the conclusion that the minimum rate of 0.04 per cent in the United Nations scale as approved for 1968, 1969 and 1970 would be appropriate in both cases. It further decided to recommend that the rates of assessments for the new Members should be additional to the scale of assessments for 1968, 1969 and 1970, as follows:

	For 1968	*For 1969-1970*
Scale of assessments established under General Assembly resolution 2291 (XXII)	100.00	100.00
Rates of assessment for the new Members:		
Southern Yemen[2]	0.04	0.04
Mauritius	—	0.04
	100.04	100.08

8. Regulation 5.8 of the Financial Regulations and Rules of the United Nations states: "New Members shall be required to make a contribution for the year in which they become Members and to provide their proportion of the total advances to the Working Capital Fund at rates to be determined by the General Assembly".

In its resolution 69 (I) of 14 December 1946 the General Assembly resolved:

> "That new Members be required to contribute to the annual budget of the year in which they are first admitted, at least 33⅓ per cent of their percentage of assessment determined for the following year, applied to the budget for the year of their admission."

However, by General Assembly decisions, exceptions have been made to this rule and the prescribed minimum of one-third has been reduced to one-ninth for all Member States admitted to the Organization during the period from September to December from the year 1955 onwards. In line with the previous General Assembly decisions, the Committee decided to recommend that the two new Members should contribute the following proportion for their year of admission:

New Member	*Date of admission*	*Proportion of assessment*
Southern Yemen	14 December 1967	1/9
Mauritius	24 April 1968	1/3

[2] The Government of Southern Yemen requested the Committee on Contributions to recommend that it be exempted from paying a contribution for 1968 owing to critical financial and economic difficulties. The Committee wishes to note that the General Assembly has never authorized a Member State to be exempted from paying contributions for a full membership year.

9. In the past, when the total of the rates of the assessment of Member States exceeded 100 per cent, the total expenses of the Organization were apportioned among all Members in the ratio indicated in the scale. At its twenty-seventh session, the Committee examined various possibilities of apportioning the amount by which the assessments exceed 100 per cent owing to the admission of the two new Member States. Several groups of Member States which might be accorded relief from the assessment were considered. The Committee was not, however, in a position to agree on a recommendation in this respect, owing to possible conflicts with the Financial Regulations of the Organization.

10. In respect of the new Members' advances to the Working Capital Fund, the Committee recommends that they should be calculated by applying their percentage rates of assessment to the authorized level of the Fund for 1968, and that these advances should be in addition to the authorized level of the Fund, pending the inclusion of the rates of assessment for the new Members in the scale of 100 per cent.

IV. SUMMARY AND CONSIDERATION OF VIEWS EXPRESSED DURING THE DISCUSSION OF THE REPORT OF THE COMMITTEE ON CONTRIBUTIONS IN THE FIFTH COMMITTEE AT THE TWENTY-SECOND SESSION OF THE GENERAL ASSEMBLY AND OF REPRESENTATIONS SUBMITTED BY MEMBER STATES

11. The General Assembly at its twenty-second session approved the scale of assessments for the financial years 1968, 1969 and 1970, as recommended by the Committee on Contributions in its report to the Assembly (A/6710), by 76 votes to 4, with 5 abstentions (General Assembly resolution 2291 (XXII) of 8 December 1967).

12. Although the Assembly's vote showed a wide measure of support of the scale of assessments recommended by the Committee on Contributions, certain delegations drew attention to recent economic and financial developments affecting their countries' capacity to pay and, in this context, advanced arguments to justify a lowering of the proposed assessments. Doubts were also raised by certain delegations about the relevance and appropriateness of the criteria upon which the assessments were established and the manner in which these criteria had been applied by the Committee. Other delegations recalled that the contributions of Member States to the United Nations budget were based on the national income figures which their statistical services transmitted to the Organization. The scale of assessments, they stated, was the result of the application of objective rules to those figures. Moreover, it was stated, Governments were also invited in advance of each review of the scale to submit all relevant data and supplementary information that they might wish the Committee to take into consideration in the course of its deliberations. The Chairman of the Committee on Contributions, as will be seen in paragraph 18 of the present report, also replied to the points raised with regard to the scale and the criteria.

13. When the twenty-seventh session of the Committee on Contributions was scheduled to convene at United Nations Headquarters on 1 May 1968, the Secretary-General, in line with the agreed practice, informed Member States of the dates fixed for the meetings.

14. At its twenty-seventh session, the Committee considered the views expressed in the Fifth Committee as set out in the summary records of the 1192nd, 1193rd, 1195th, 1198th and 1199th meetings of the Fifth Committee, when it considered agenda item 77, "Scale of assessments for the apportionment of the expenses of the United Nations, report of the Committee on Contributions", and the report of the Fifth Committee on that item.[3] Furthermore, the Committee considered representations submitted by the following seven Member States: Burma, Greece, Italy, Japan, Mexico, Singapore and Spain.

A. SUMMARY OF VIEWS EXPRESSED IN THE FIFTH COMMITTEE AND IN REPRESENTATIONS[4]

15. The Committee on Contributions noted the following main observations, which were expressed in the Fifth Committee in connexion with the relevance and appropriateness of the criteria upon which the scale was established and the manner in which these criteria had been applied by the Committee on Contributions:

(*a*) In the scale recommended, highly industrialized and developed countries, with only a few exceptions, had received reductions in their assessments, while those of many of the developing countries had been increased. This result, it was held, did not seem to be in accord with the Assembly's request to the Committee in resolution 2118 (XX) of 21 December 1965 to give due attention in its review of the scale to the special problems of the developing countries.

(*b*) It was contended that the allowance for low *per capita* income, which in 1952 had been increased from a maximum of 40 to the maximum of 50 per cent, had not yet been given full effect in the scale.

(*c*) It was questioned whether the Committee had fully implemented the Assembly's request in resolution 2118 (XX) by making downward adjustments in the assessment of the countries with *per capita* income below $300, since the situation of developing countries with *per capita* income above that level also deserved additional recognition.

(*d*) It was suggested that, in making allowance for low *per capita* income, consideration might be given to the criteria applied to highly industrialized countries with *per capita* income of less than $1,000.

(*e*) It was argued that the Committee on Contributions had failed to take sufficiently into account, in calculating the capacity to pay of Member States, the ability of developing countries to secure foreign currency, and that the problem was not solved by authorizing the Secretary-General to accept payment of contributions in currencies other than United States dollars.

[3] A/6942.

[4] The views summarized in this section of the report are, to a very large extent, expressed in the same words as those used by the delegations making the observations or suggestions as recorded in the documents before the Committee.

(*f*) It was mentioned that the Committee on Contributions should continue to have regard to the minimum rate of 0.04 per cent, because even those developing countries assessed at the floor could find the cost of participating in the work of the United Nations a heavy burden, considering the constant growth in the United Nations budget.

(*g*) It was pointed out that the ceiling principle might also be reviewed, since it was difficult to justify any reduction in the assessment of "the richest country in the world".

(*h*) It was recalled that the United Nations scale is used as a basis for the scales of assessment of specialized agencies and as a guide to the contributions to voluntary programmes. In its resolution 2190 (XXI), the General Assembly had, in fact, recommended that specialized agencies should "take steps to bring their scales into harmony with the United Nations scale as soon as possible." It was important, therefore, that it should be a model of equity.

In light of the above observations, it was suggested in the Fifth Committee that the Committee on Contributions should review and, perhaps, revise the various criteria applied in determining the scale of assessments, for there was some doubt whether the guidelines developed over the past twenty years still constituted a satisfactory framework for the work of the Committee.

16. Motivated by the suggestion that the present method of establishing the scale should be the subject of a special study by the Committee on Contributions, as certain delegations were not in agreement with the assessments recommended for their countries, and, since in their view there was a possibility of errors in evaluation, it was felt by some delegations in the Fifth Committee that the scale adopted should not cover a period of three years. Consequently, amendments to the draft resolution recommended by the Committee on Contributions were introduced jointly by four delegations. These amendments called for the adoption of the scale of assessments for 1968 only, and for a review of the scale in 1968, instead of in 1970, "taking into special consideration the recommendations of the General Assembly covering Member States' capacity to pay and their ability to secure foreign currencies (resolution 14 A (I)) and also any representations which the Governments concerned may make to the Committee". The Fifth Committee rejected the amendments by a vote of 41 to 8, with 55 abstentions.

17. In the course of the discussions in the Fifth Committee, some suggestions were also made for the consideration of the Committee on Contributions with a view to a wider discussion at the twenty-third session of the General Assembly:

(*a*) Referring to the large increases proposed in their assessments, some delegations noted that the Committee had recognized the need to avoid excessive fluctuations in the scale. They suggested that, in the future, the Committee should limit to 15 or 20 per cent the increases it recommended in individual assessments.

(*b*) It was maintained that the Committee's report should be less succinct and should more fully explain the method used in developing the recommended assessments.

(*c*) It was suggested that the Committee should consult in advance with the Member States whose assessments it proposed to raise. On the other hand, the view was also expressed that, if the Committee should be required to consult with Governments whose assessments might be increased, it would be necessary to provide for consultation with all Governments, since changes in some assessments would lead to compensatory changes in others.

18. During the debate in the Fifth Committee, the Chairman of the Committee on Contributions replied to the various questions raised and gave detailed information on the methods followed by the Committee on Contributions in its work. He explained that the Committee had adhered to the directives of the General Assembly, and, within the limits prescribed by the ceiling and floor principles, had measured capacity to pay by comparing estimates of net national product at market prices subject to the modifications for low *per capita* income. He made clear that the approved formula for making allowance for low *per capita* income had been fully implemented in calculating the reductions in national income accorded to countries with *per capita* income below $1,000. The Committee had made further adjustments to give additional relief to the countries with *per capita* income below $300, subject to the principle of the minimum assessment. Referring to the factor of ability to secure foreign currency, he pointed out that the Committee had found no method of making a systematic allowance for that factor. In the absence of any means of applying this factor equitably to all Member States with inconvertible currencies, the extent to which it could be taken into account in individual assessments was limited.

19. The Committee wishes to record its agreement with the statements made by its Chairman in the Fifth Committee in explanation of its method of work and its implementation of the General Assembly directives.

20. The representations submitted by Member States for consideration by the Committee at its current session, as referred to in paragraph 13 above, reaffirmed and expanded on some of the views expressed in the Fifth Committee, but also suggested the following considerations that might be taken into account in establishing the scale of assessments.

(*a*) It was pointed out that under General Assembly resolutions 1927 (XVIII) of 11 December 1963 and 2118 (XX) of 21 December 1965, the Committee on Contributions might give due attention not only to developing countries with *per capita* income below $300, but particularly to developing countries whose contributions had increased since their admission to the Organization. The Committee might perhaps use the assessment of new Member States to initiate the process.

(*b*) It was suggested that the Committee might find a way to ensure that the increases in the assessments of the industrialized countries with *per capita* income of less than $1,000 do not benefit almost exclusively the countries which have the largest national products, as occurred in the scale for 1968. To this end, it was pointed out that it may be useful for the Committee to note that the increases of countries like Japan and Italy are because of two concomitant but accountably different factors:

(i) The increase in their net national product, and

(ii) The decrease in their percentage of reduction, because of the rise in their *per capita* product.

It was suggested that it should be possible to devise a formula which would ensure at least that the increases due to the second factor directly benefit the developing countries. This might be achieved by adding the total percentage by which the contributions of all countries with *per capita* income less than $1,000 are reduced and maintaining that figure in future as an *invariable percentage*. In this way, the difference between the total reductions and the *invariable percentage* would be distributed among the developing countries in direct proportion to their "taxable products" (with the exception of China and India, which would benefit from a larger proportion of the increases because of factor (i)). The Committee might study the desirability of establishing the *invariable percentage* on the basis of the total reductions in the previous scale in order to lessen the impact of the changes introduced in 1968.

(*c*) Referring to the ceiling principle, it was suggested in one representation that it would appear advisable to fix the assessment of the largest contributor provisionally at 32.20 per cent, since the reductions of 1962, which are debatable, 1965 and 1968 had been made by using assessments of small countries entering the Organization. The following arguments were developed in support of this suggestion:

(i) Since 1948, there had been considerable change in the membership of the Organization and in world economic circumstances which would call for reconsideration of the existence of any ceiling;

(ii) During the discussion which led to the adoption of General Assembly resolution 1137 (XII) on 14 December 1957, some delegates had contended that contributions should be based on real capacity to pay, and that any artificial reduction in the assessment of the largest contributor would increase the contributions of the middle income countries, which have already contributed more in proportion to their capacity to pay;

(iii) The implementation by the Committee on Contributions of General Assembly resolution 1137 (XII) gives rise to several debatable points.

It was argued that paragraph 3 (*b*) of that resolution referred to a definite period of time (1959-1961) and a specific method of reduction (the admission of new Members); a reduction only as far as 32.20 per cent, as stated by the Committee in paragraphs 18 and 23 of its report to the sixteenth session of the General Assembly (A/4775), and not 32.02 per cent, appeared the only desirable course. Paragraph 3 (*c*) makes only a vague reference to the time in which the reductions must be made when it speaks of "such additional steps". It was therefore stated that future reductions may not be made at the same time as those referred to in paragraph 3 (*b*), for the resolution does not provide that these reductions must be effected every time new States, the majority of which have an assessment of 0.04 per cent, are admitted to the Organization. The same representation, in commenting on paragraph 3 (*d*) of resolution 1137 (XII), contended that the additional reduction from 32.20 per cent to 32.02 per cent made in 1962 meant that the assessments of other countries were bound to increase in the amount of 0.18 per cent and that a reduction in the ceiling had a negative effect on the other countries, because the reductions to which they would have been entitled as a result of the admission of new Member States were mostly absorbed by the largest contributor.

(*d*) In the representation of one Member State, reference was made to the devaluation of its currency in November 1967 and the economic measures consequently adopted. It was suggested that the Committee might take into account such factors because of the fundamental changes in the country's capacity to pay.

(*e*) It was suggested that the Committee should consider the possibility of giving hearings to representatives who wished to support the written statements they had submitted.

B. Comments of the Committee on Contributions on the views expressed during the discussion in the Fifth Committee and in representations

21. The Committee has studied very carefully the various observations in the Fifth Committee as well as in the representations submitted to the Committee subsequently by several Member States. After reviewing its procedures and implementations of the various General Assembly directives, the Committee is confident that the scale it recommended and which was adopted by the General Assembly at its twenty-second session was fully consistent with the existing terms of reference. Whether or not those terms of reference, some of which were prescribed twenty years ago, are still appropriate and sufficiently precise is primarily a matter for decision by the General Assembly. The Committee always considered that the intention of the General Assembly had been to establish a coherent set of rules to be observed jointly and simultaneously by the Committee. Since it is apparent from the discussion in the Fifth Committee and the subsequent representations submitted to the Committee that a number of misconceptions still persist about its methods of work, the Committee decided to review its terms of reference in the following paragraphs of the present report and also to deal more fully with certain aspects of its work, as well as comment on the views and suggestions made in the Fifth Committee and in the representations by Member States.

Present terms of reference and guidelines

22. The terms of reference and directives under which the Committee carries out its task of establishing a scale of assessments may be summarized as follows:

(*a*) Under the Committee's original terms of reference, the expenses of the United Nations should be apportioned broadly according to capacity to pay, and comparative estimates of national income were recommended as the fairest guide. The main factors to be taken into account to prevent anomalous assessments resulting from the use of comparative estimates of national income were:

(i) Comparative income per head of population;

(ii) Temporary dislocation of national economies arising out of the Second World War;

(iii) The ability of Members to secure foreign currency.

(*b*) In subsequent resolutions, the General Assembly has given further directives to the Committee for drawing up the scale, namely:

(i) It has imposed a ceiling on the rate of assessment of the highest contributor, which in principle should not exceed 30 per cent of the total;

(ii) It has directed that the *per capita* contribution of any Member State should not exceed the *per capita* contribution of the largest contributor;

(iii) It has imposed a minimum rate of assessment of 0.04 per cent;

(iv) It has requested that due attention be given to the developing ountries in view of their special economic and financial problems.

23. The Committee, in the following paragraphs, deals with the method followed in applying these terms of reference and directives in arriving at the present scale.

Capacity to pay

24. Under its original terms of reference, which have applied from the outset, the Committee was directed to apportion the expenses of the Organization broadly according to capacity to pay. The concept of "capacity to pay" has been referred to in many of the statements made in the Fifth Committee and it has been asserted that this principle was not taken fully into account by the Committee in drawing up the scale of assessments recommended by it for the years 1968, 1969 and 1970, and it may, therefore, be useful to describe in more detail the method followed by the Committee within its terms of reference in measuring the relative capacities to pay of Member States.

25. For its review of the scale in 1967, the Committee first derived from statistical data averages of net national products (at market prices) for the three-year period 1963-1965 as a basis for the scale. The use of averages for a three-year period, instead of for a single year, was adopted by the Committee at an early stage in its work. This step was taken in order to reduce the effects on the scale of short-term fluctuations in economic conditions and of movements in exchange rates. For the purpose of drawing up an equitable scale of the relative capacities to pay of Member States, it is, of course, essential to have the data of all Members as nearly comparable as possible, and the Committee continues its studies of the problems involved in the comparability of data. It was as a result of such studies that the Committee, as an improvement in comparability, decided to use for its review of the scale in 1964, for the first time, and again for its review in 1967, net national products at market prices for all Member States. There are other problems of comparability that continue to have the close attention of the Committee, such as, for instance, the conversion of the net national products expressed in national currencies into a common unit. In the case of countries that show exceptionally large increases in the net national products for the basic three-year period, the Committee has always made a special scrutiny of the figures before arriving at its final recommendations.

(i) *Allowance for low* per capita *income*

26. Before a scale is calculated, the net national products of Member States with *per capita* income below $1,000 are first adjusted by reductions not to exceed a maximum of 50 per cent. The formula for this deduction has been explained in earlier reports of the Committee and also in its report to the twenty-second session of the General Assembly, but, in the light of statements made in the Fifth Committee, some further details appear to be required. The size of the percentage deduction is determined by the level of the *per capita* income so that, for instance, the net national product of a country with *per capita* income of $50 will be reduced by 47.50 per cent, while a country with a *per capita* income of $950 will receive a reduction in its net national product of only 2.5 per cent. To illustrate the way the reductions for low *per capita* income are used to determine what may be called "taxable products", it may be useful to give some examples. The following table shows total net national product, *per capita* income and the corresponding "taxable product" after applying the allowance for low *per capita* income:

Net national product (in millions of US dollars)	Per capita *income US $*	*Taxable product (in millions of US dollars)*
1,000	50	525
1,000	500	750
1,000	950	975
1,000	2,000	1,000

As shown by the above figures, the taxable products of Member States with the lowest *per capita* incomes represent only about half of their net national products, while for countries with *per capita* incomes above $1,000, their taxable products remain the same as their total net national products.

27. At its session in 1966, the Committee made a special study of the effects on the scale of variations in the present system of allowances. It studied the effects on the scale of varying the present upper limit of $1,000, of increasing to varying degrees the present maximum allowance of 50 per cent and of increasing the maximum allowance for the very lowest ranges of *per capita* incomes. The Committee, in paragraphs 8 and 9 of its report to the twenty-first session of the General Assembly,[5] expressed the following views on the subject:

> "8. The detailed study of the various formulas provided the Committee with valuable information regarding their possible effects on the scale. In this connexion, the Committee noted that under the present system of allowances, as reflected in the existing scale, important relief is accorded to countries in the very low *per capita* income groups. Moreover, the Committee was confirmed in the opinion that whatever variations might be introduced in the allowance formula to take account of comparative income per head of population, they should not be such as to cause too radical changes in the assessments either from one *per capita* income group to another or in the assessment of individual States, changes that might be further accentuated through the use of later national income statistics. In this context, the Committee also considered the minimum rate of assessment. While recognizing that the small, newly independent countries were faced with many financial and economic problems, the Committee was of the view that the grounds for maintaining the minimum rate in the past were equally valid for the present time.
>
> "9. As the outcome of its study the Committee reached the conclusion that it should not at the present time recommend a change in the basic rules for drawing up the scales of assessments. It decided that it would be inadvisable to commit itself at this stage to the adoption of a formula the practical results of which were not yet fully ascertainable. The results of the application of the various formulas to the national income figures used as a basis for the present scale might in fact be found to differ to a large degree when applied to the national income statistics for the years 1963, 1964 and 1965 to be supplied for the Committee's next general

[5] *Official Records of the General Assembly, Twenty-first Session, Supplement No. 10* (A/6310).

review of the scale in 1967. Furthermore, the Committee did not wish to limit unduly its latitude in taking into account particular circumstances and changes affecting the relative capacity to pay of individual countries by adopting a new formula at this time."

28. The Committee, bearing in mind the result of its earlier study, stated as follows in its report to the twenty-second session of the General Assembly[6]: "A change in the basic system of allowances would have further emphasized the changes in the relative capacity to pay of Member States, as evidenced by the statistical data, and would have led to even more pronounced changes in the scale, which the Committee had agreed should be avoided. The Committee therefore reached the conclusion that it would not be desirable to make fundamental changes in the basic rules at the present time". Consequently, the Committee, for its 1967 review of the scale, maintained the adopted formula of a maximum allowance of 50 per cent applied to countries with *per capita* income below $1,000 as determined by each country's *per capita* income. The Committee again at its twenty-seventh session examined suggestions for giving further relief to developing countries, taking this for practical purposes to mean all countries below $1,000. While recognizing that these possibilities are limited within the existing terms of reference, which include the capacity to pay, the ceiling, the floor, and the maximum allowance for low *per capita* income, the Committee will continue its endeavours in that direction at its next session.

29. One of the contentions in the Fifth Committee was that in the scale recommended by the Committee on Contributions, highly industrialized and developed countries had received reductions in their assessments, while those of many developing countries had been increased. This result, it was stated, did not seem to be in accord with the General Assembly's request to the Committee in resolution 2118 (XX), that it should continue its efforts to give due attention to the situation of the developing countries in view of their special economic and financial problems. It was noted that the Committee had made downward adjustments in the assessments of countries with *per capita* income below $300, and it was stated that the situation of developing countries with *per capita* above that level also deserved additional recognition.

30. It may first be emphasized that any increases or decreases in the scale reflect primarily changes in the economic situation of Member States as established by the basic statistical data. If the Committee had not taken into account factors other than the current market value of the national outputs, and the adjustments for low *per capita* income below $1,000, the changes upward or downward that have been criticized in the Fifth Committee would have been even greater. In recommending the final scale, the Committee must exercise the discretion given to it by the General Assembly and make modifications requiring an element of judgement which may be difficult to define. It is, however, in the exercise of this judgement that the Committee will prove its usefulness to the General Assembly by striking an equitable balance between the divergent interests of Member States. In this context, it may be of interest to note that if the Committee had complied with some of the suggestions made in the Fifth Committee, the increases in assessments which other Members considered excessive might have been even larger.

31. It may be opportune in this connexion to refer to a suggestion made in the Fifth Committee and in the representations submitted, that changes in the scale should be limited to a fixed percentage, such as 15 or 20 per cent. In making modifications in the scale and deciding on the extent to which such modifications could be made, the Committee has had to take into account that if, as a result of its adjustments, the rates of assessments of Member States become too much out of line with the rate indicated by the statistics, the gap between the two rates may be even greater at its next review of the scale. In the case of some of the large increases, it was also true that the countries experiencing such increases revised their statistics of national product upward after the 1965-1967 scale had been established. Had the revised figures been used in the development of the 1965-1967 scale, as they were for the 1968-1970 scale, the increases which appeared between the two scales would have been smaller. If a fixed percentage limitation were imposed on changes in the scale, the gap between the statistical rate and the actual rate of assessment would, for a country with a rapidly expanding economy, be constantly increasing. A procedure which would restrict percentage changes in assessments between scales to a predetermined amount would prevent appropriate consideration of capacity to pay as revealed by revised national product data. This situation would be in conflict with the principle of capacity to pay and the Committee would, therefore, not express itself in favour of the introduction of artificially fixed percentage limitations on changes. It is, however, in line with its procedures to study in great detail any large changes in the scale in order to insure that such changes are not excessive and are mitigated to the extent compatible with the basic principle of capacity to pay.

32. As regards the due attention to be given to developing countries under General Assembly resolutions 1927 (XVIII) and 2118 (XX), the Committee, in its review of the scale in 1964, considered the relief that was given to developing countries through the application of the allowance for low *per capita* income. Taking into account the principles laid down by the General Assembly regarding "ceilings" and "floors", the possibility of the Committee to give further relief to developing countries was limited. It decided, however, that it would be appropriate to make small downward adjustments in the assessments of the countries with *per capita* income below $300, particularly when assessments for these countries would otherwise have shown an increase. At its twentieth session, the General Assembly, in resolution 2118 (XX), noted with appreciation the action taken by the Committee and requested it to continue its efforts to give due attention to the situation of the developing countries in view of their special economic and financial problems. In paragraph 27 of the present report, the Committee referred to the study made by it in 1966 of the possibility of varying the allowance for low *per capita* income. One of the variants considered was to increase the maximum allowance for the very lowest ranges of *per capita* income. Countries with income below $300 would thus automatically have received further relief in their assessment. It decided that, at that time, it should not recommend a change in the

[6] *Ibid., Twenty-second Session, Supplement No. 10* (A/6710), para. 17.

formula as shown above, and, for its review of the scale in 1967, decided again to make small downward adjustments for the very low *per capita* income countries below the level of $300. This does not imply, however, that the Committee has failed to attempt to give due attention to developing countries above $300, because in drawing up a scale of Member States' relative capacities to pay, it examines carefully the level of assessment of each Member State in the scale, and modifies individual assessments.

33. In this connexion, the Committee also considered a suggestion in the representations submitted that it should also give attention particularly to developing countries, whose contributions had increased since their admission to the Organization. The Committee felt that it would be inappropriate and not in line with the basic principle of capacity to pay to introduce a criterion of this character.

34. In one representation, it was suggested, as stated in paragraph 20, that it should be possible to devise a formula that would provide further relief to developing countries by holding the reduction for low *per capita* constant between scales to offset a loss of such allowances as Member States move up in the scale. It is the opinion of the Committee that this proposal amounts to the use for each scale of assessments of a new formula which increases the deduction for low *per capita* income. For reasons stated above, the Committee decided that it did not wish to commit itself to adopting the proposed change, although it will continue to explore ways by which appropriate relief may be given to countries below $1,000 within the restraints imposed by its terms of reference.

35. It was suggested in the Fifth Committee that, in making allowance for low *per capita* income, consideration might be given to the criteria applied to "highly industrialized" countries with *per capita* income below $1,000. This suggestion, which was carefully considered by the Committee, raises problems of definition which require that countries with *per capita* income below $1,000 be classified as "developed" or "developing". Such a definition might involve classifying one Member State as "developed" or "highly industrialized" and another as "developing", even though their net national product and their *per capita* income were equal. To assess such countries differently when their net national product, population and *per capita* income are the same would raise serious difficulties. After debating this issue, the Committee agreed that its past practice of applying the same relief formula to all countries below $1,000 *per capita* should be continued, with special adjustments for countries with very low *per capita* incomes.

(ii) *Temporary dislocation of national economies arising out of the Second World War*

36. The factor of "temporary dislocation of national economies arising out of the Second World War" was important in the early stages of the Committee's work, but no specific allowance has been made for this factor in arriving at the scale for many years. In its 1967 report, the Committee confirmed its previous conclusion that it was not necessary to make any special allowance for this factor, particularly in view of the time that had elapsed since the Second World War.

(iii) *The ability of Members to secure foreign currency*

37. The factor of "the ability of Members to secure foreign currency" was referred to in the Fifth Committee as one that had not been taken sufficiently into account. The Committee, in its previous reports, has stated that it has not found it possible to devise a method of making a systematic allowance in the scale for the factor "ability of Members to secure foreign currency", but that it had been taken into account in arriving at individual assessments. There were several explanations of the difficulties involved in systematically reflecting this factor in the scale. Member States are required to secure foreign currencies for many purposes and there is no way of measuring the specific impact which payment of the United Nations contribution imposes on a country's ability to make that payment, as distinct from other payments, in foreign currency. Indirectly, some allowance is given for general balance of payment difficulties in so far as they are reflected in the exchange rate. Such difficulties tend to raise the country's rate of exchange relative to the United States dollar or other convertible currency, thus lowering the country's net national product when expressed in dollars. The Committee does not believe any systematic sound way can be found to take payment difficulties into account in the determination of contribution rates for all Member States.

38. In a previous report[7] the Committee made a detailed study of the associated problem of facilitating payment of contributions in currencies other than United States dollars. The Committee hopes that arrangements for such payments will be made as comprehensive as possible.

Ceiling and per capita *ceiling principles*

39. In resolution 238 (III) of 18 November 1948, the General Assembly accepted the principle of a ceiling on the percentage contribution of the Member State bearing the highest assessment, and of the *per capita* ceiling principle, and recognized:

> "(*a*) That in normal times no one Member State should contribute more than one-third of the ordinary expenses of the United Nations for any one year,
>
> "(*b*) That in normal times the *per capita* contribution of any Member should not exceed the *per capita* contribution of the Member which bears the highest assessment."

In resolution 1137 (XII) of 14 October 1957, the General Assembly, referring to the increase in the membership of the Organization, decided that:

> "In principle, the maximum contribution of any one Member State to the ordinary expenses of the United Nations shall not exceed 30 per cent of the total."

At the same time, the General Assembly gave the Committee on Contributions certain specific directives with regard to the steps to be taken in preparing the scale of assessment for 1958 and subsequent years. In accordance with these directives, the assessment of the largest contributor was reduced to 32.51 per cent in the scale for 1958. The further reductions in the assessment of the largest contributor were made in accordance with the directives of the General Assembly in paragraphs (*b*), (*c*) and (*d*) of resolution 1137 (XII), which provide as follows:

---

[7] *Ibid., Seventeenth Session, Supplement No. 10* (A/5210).

"(*b*) During the three-year period of the next scale of assessments (1959-1961), further steps to reduce the share of the largest contributor shall be recommended by the Committee on Contributions when new Member States are admitted;

"(*c*) The Committee on Contributions shall thereafter recommend such additional steps as may be necessary and appropriate to complete the reduction;

"(*d*) The percentage contribution of Member States shall not in any case be increased as a consequence of the present resolution."

No formal change in the assessment of the largest contributor was made under the provisions of paragraph (*b*) above. The Committee used the method of allowing new Members' contributions in the period 1959-1961 to be distributed *pro rata* over the whole scale. Subsequent changes in the assessment of the largest contributor from 32.51 per cent to 31.57 per cent were made under paragraphs (*c*) and (*d*) above.

40. The Committee noted that in the Fifth Committee and in one of the representations submitted, it was pointed out that the ceiling might also be reviewed "for it is difficult to justify any reduction in the assessment of the richest country in the world in as much as, while its gross national product has trebled since 1957, when resolution 1137 (XII) was adopted, its assessment which had already been artificially reduced to 33.33 per cent, has gone down further to 31.57." The same representation offers additional arguments designed to show that the ceiling principle should be revised and that the implementation of the relevant provision of the General Assembly was debatable (see paragraph 20 (*c*) above).

41. The Committee on Contributions noted the observations mentioned above and also those referred to in earlier paragraphs of this report. On the question of the ceiling principle, the Committee limited itself to clarifying certain points and to answering the contentions that it did not properly implement its terms of reference.

42. With respect to the action taken by the Committee on Contributions in recommending an assessment of 31.57 per cent for the largest contributor in the present scale, the Committee is fully convinced that it complies with the relevant directives of the General Assembly. In its implementation of paragraph (*d*) quoted above, the Committee used the following procedure for the purpose of recommending the scale for 1968-1970. In the first stage of calculating a scale on the basis of net national products of Member States adjusted for low *per capita* income, floors and ceilings, the assessment of the largest contributor was first included at the same rate as in the existing scale for 1965-1967. The reduction to 31.57 per cent subsequently recommended in the assessment of the largest contributor was derived by moderating the decreases in the assessment of high *per capita* income countries whose assessments would otherwise have shown more substantial decreases. It did not affect the assessment of any Member State whose rate of assessment showed an increase or remained unchanged. By gradually reducing the assessment of the largest contributor from 32.51 per cent to 31.57 per cent over a period of ten years by the method described above, the Committee considers that it has acted in accord with the directives given by the General Assembly as quoted in paragraph 39 above. The reductions gradually made in the assessment of the largest contributor to bring it down to the level of 30 per cent approved in principle by the General Assembly, as recommended and adopted, could have been larger or smaller, but it is a matter that has been left to the discretion of the Committee. The Committee on Contributions did not comment on the appropriateness of the ceiling principle or on any specific ceiling rate because this is a matter which, like its other terms of reference, falls under the responsibility of the General Assembly.

43. The *per capita* ceiling principle is not now an important element in the scale of assessments and, in the present scale, affects only one Member State (Kuwait) by reducing its assessment rate by a small amount.

44. The General Assembly, in the scale it adopted at the second part of its first session (resolution 69(I)), introduced the minimum rate of 0.04 per cent, which has been maintained in all subsequent scales. Following a suggestion in the Fifth Committee at the twelfth session of the General Assembly, the Committee on Contributions in 1958 made a detailed study of the possibility of a reduction in the minimum assessment. The study was concerned mainly with the economic benefits that a Member State derived from membership in the United Nations, such as the reimbursement of travel of delegations to sessions of the General Assembly, and from the expenses that were undertaken by the United Nations for the benefit of all Member States alike, such as maintenance of the Headquarters building, translation and documentation. The minimum rate supersedes the usual criteria for capacity to pay, and other considerations enter into the decision as to the appropriateness of a minimum rate and the minimum amount that any Member State should be obliged to contribute to the United Nations. While recognizing that the small, newly independent countries are faced with many financial and economic problems, the Committee reiterates its views that the grounds for maintaining the minimum rate in the past are equally valid now.

Devaluation and other economic factors

45. The Committee considered the question of the devaluation of a number of currencies that had taken place after the Committee's report had been submitted and the reference made to a devaluation in November 1967 in one of the representations submitted to the Committee for consideration at its current session. The Committee was of the opinion that such devaluation would not justify a revision of the present scale. In this connexion, the Committee wishes to note that, for its next review of the scale, it will use net national products for the years 1966, 1967 and 1968, and that the effect of the devaluations in 1967 in many currencies and any others that might occur during the three-year period would be reflected in the next three-year scale to be established in 1970.

46. The Committee also considered a request for a reduction in the rate of assessment of a Member State which indicated that since 1965, and particularly in 1967, it had faced financial and economic difficulties which had affected its ability to meet its obligations and commitments involving foreign exchange. The Committee was of the opinion that the circumstances mentioned would not warrant a revision of the present scale. The economic problems referred to would be taken duly into account by the Committee in recommending the next three-year scale.

Consultations

47. One of the suggestions made during the Fifth Committee's discussion was that the Committee on Contributions should consult in advance with the Member States whose assessments it proposed to raise, or to raise by a substantial percentage, a suggestion which was also made in some of the representations submitted to the Committee for consideration at its current session. The Committee recognized the importance of having information as complete as possible from Member States. It noted, however, that the existing arrangements already gave Governments the possibility of submitting to the Committee the statistical data and all other relevant information they might wish the Committee to take into account in arriving at its recommendations, a fact that had also been pointed out by other delegations in the Fifth Committee.

48. The adoption of a system of advance consultations with Governments whose assessments were to be increased would clearly raise problems with respect to the relationship of the Committee with the General Assembly. Such consultations would also be inconsistent with the position taken by the Fifth Committee at the Eighth Session of the General Assembly, when a similar proposal was made by a delegation, that it would be improper for the Committee to act as a negotiating committee. The Committee considered, therefore, that it could not lend its support to the suggestion of advance consultations with any Member States concerning its rate of assessment.

Hearings

49. The Committee was requested to consider the possibility of affording a hearing to representatives of Governments that had asked for an opportunity to appear in person and to present to the Committee further information on the written representations submitted by them at the present session. The Committee discussed this possibility and decided that it would not be appropriate to change the practice, which had applied throughout its existence, and at this session invite representatives to come before it. In order, however, to ensure that Member States were given an opportunity to apprise the Committee of all the facts and were not left without an explanation of its recommendations, it authorized the Chairman to hold informal discussions with representatives of Governments who had expressed a desire to supplement their written representations.

Contents of the report

50. One of the suggestions made in the course of the Fifth Committee's discussion was that the Committee's report should give more details and should explain fully any proposed increases or reductions in the scale. It is apparent that fuller and more detailed explanations of the Committee's methods of work are required. This emerges not only from the statements made in the Fifth Committee and the subsequent representations, but also from the persistence of a number of misconceptions about the Committee's actions. For the present report, the Committee has attempted to deal more fully with several general aspects of its work and it hopes that this will provide a better understanding of its basic procedures. The Committee also recognized that in its future reports, particularly those dealing with a general review of the scale, it should attempt to give more comprehensive explanations of its recommendations and of the major factors affecting the scale.

C. General conclusions

51. At its twenty-seventh session, the Committee on Contributions studied in detail the procedures and the implementation of the various General Assembly directives with respect to the preparation of the scale. The Committee also assured itself that the data on which it based its calculations were appropriate and correctly utilized. The Committee concluded that the scale it recommended for 1968-1970, and which the General Assembly adopted at its twenty-second session, was fully consistent with its existing terms of reference.

52. As shown in the present report, the Committee on Contributions also reviewed its terms of reference and explained at some length the way in which they were taken into account in the operations of the Committee. The Committee offers in this report some comments on the constraints some of those terms of reference imposed on certain expressed objectives of the General Assembly and of a number of delegations. The Committee believes, as expressed in paragraph 21 above, that whether or not those terms of reference, some of which were prescribed twenty years ago, are still appropriate and sufficiently precise is primarily a matter for decision by the General Assembly. The Committee always considered that the intention of the General Assembly had been to establish a coherent set of rules to be observed jointly and simultaneously by the Committee.

V. OTHER MATTERS CONSIDERED BY THE COMMITTEE

Collection of contributions

53. The Committee took note of reports by the Secretary-General, which showed that, at the time of the conclusion of its meetings, two Member States, namely the Dominican Republic and Haiti, were in arrears in the payment of their contributions to the United Nations regular budget within the terms of Article 19 of the Charter. The Committee decided to authorize the Chairman to issue at a later date, if necessary, an addendum to the present report on this question.

Scales of contributions for specialized agencies

54. The General Assembly, in its resolution 311 B (IV) of 24 November 1949, authorized the Committee "to recommend or advise on the scale of contributions for a specialized agency if requested by that agency to do so". No request for advice on their scales was received from any of the specialized agencies, but the Committee took note of a communication from the World Health Organization (WHO) concerning the rate of assessment for Chile in the WHO scale.

Date of the next session of the Committee

55. The Committee decided that its next session would be convened by the Chairman on the basis of the matters which would require consideration by the Committee.

HOW TO OBTAIN UNITED NATIONS PUBLICATIONS

United Nations publications may be obtained from bookstores and distributors throughout the world. Consult your bookstore or write to: United Nations, Sales Section, New York or Geneva.

COMMENT SE PROCURER LES PUBLICATIONS DES NATIONS UNIES

Les publications des Nations Unies sont en vente dans les librairies et les agences dépositaires du monde entier. Informez-vous auprès de votre librairie ou adressez-vous à: Nations Unies, Section des ventes, New York ou Genève.

COMO CONSEGUIR PUBLICACIONES DE LAS NACIONES UNIDAS

Las publicaciones de las Naciones Unidas están en venta en librerías y casas distribuidoras en todas partes del mundo. Consulte a su librero o diríjase a: Naciones Unidas, Sección de Ventas, Nueva York o Ginebra.

Printed in U.S.A. Price: $U.S. 0.50 (or equivalent in other currencies) 12988—July 1968—2,850