



**REPORT
OF THE COMMITTEE
ON CONTRIBUTIONS**

GENERAL ASSEMBLY
OFFICIAL RECORDS: TWENTY-SEVENTH SESSION
SUPPLEMENT No. 11 (A/8711)

UNITED NATIONS



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Corrigendum

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1. Paragraphs 2 and 3 should be combined as paragraph 2.
2. The following paragraph, beginning with the words "The Committee re-elected", becomes paragraph 3.

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New York, 1972

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I. MEMBERSHIP OF THE COMMITTEE

1. The thirty-second session of the Committee on Contributions was convened at the United Nations Office at Geneva from 23 May to 8 June 1972. The following members were present:

Syed Amjad Ali [^]
Mr. David Silveira da Mota [^]
Mr. Joseph Quao Cleland ^x
Mr. Angus J. Matheson ^x
Mr. Takeshi Naito ^x
Mr. Santiago Meyer Picon ^x
Mr. Stanislaw Raczkowski [\]
Mr. David L. Stottlemeyer ^x
Miss. K. Whalley ^x

2. Mr. Abdulrahim Abby Farah^x and Mr. Maurice Viaud^x who are members of the Committee, informed the Committee that they were unavoidably prevented from attending the session.

3. Another member of the Committee, Mr. A. V. Zakharov^x, was also unable to attend the session. He designated Mr. Petr I. Bagry to represent him. The Committee accepted this designation on the understanding that the substitute would remain in consultation with the member he represented. At the same time the importance of elected members attending the session in person was re-emphasized by the Committee.

The Committee re-elected Syed Amjad Ali as Chairman and Mr. Silveira da Mota as Vice-Chairman.

II. SUBJECTS CONSIDERED AT THE SESSION

4. Under rule 162 1/ of the rules of procedure of the General Assembly, the Committee on Contributions shall "advise the General Assembly on the assessments to be fixed for new Members, ... and on the action to be taken with regard to the application of Article 19 of the Charter".

5. The Committee therefore considered the rates of assessment for the new Members admitted to the Organization at the twenty-sixth session of the General Assembly and for which no assessment had yet been established, namely:

1/ Former rule 161 (see resolution 2837 (XXVI), annex I, para. 9).

	<u>Date of admission</u>	<u>General Assembly resolution</u>
Bahrain	21 September 1971	2752 (XXVI)
Qatar	21 September 1971	2753 (XXVI)
Oman	7 October 1971	2754 (XXVI)
United Arab Emirates	9 December 1971	2794 (XXVI)

6. Other subjects considered by the Committee were the methods for the establishment of the scale, the collection of contributions and requests for advice received from specialized agencies.

III. SCALE OF ASSESSMENTS

Assessment of new Members

7. The Committee examined the statistical data for Bahrain, Oman, Qatar and the United Arab Emirates for the years 1966-1968, which is the base period for the establishment of the United Nations scale of assessments adopted by the General Assembly for the years 1971, 1972 and 1973 (resolutions 2654 (XXV) and 2762 (XXVI)). On the basis of the data available, the Committee decided to recommend that the rates of assessment for the four new Members should be as follows:

<u>Member States</u>	<u>Per cent</u>
Bahrain	0.04
Oman	0.04
Qatar	0.04
United Arab Emirates	0.04

As the four new Members were admitted to the Organization at the twenty-sixth session of the General Assembly, the Committee was required to advise the Assembly on the assessments to be fixed for the years 1972 and 1973, as well as for the year of admission. The Committee recommends that:

(a) For 1973, the rates of assessment for the four new Members shall be added to the 1973 scale of 100.08 per cent as adopted by the General Assembly (resolutions 2654 (XXV) and 2762 (XXVI)).

(b) For 1972, the contributions of the four new Members should each be calculated at the rate of 0.04 per cent applied to the same basis of assessment as for other Member States, and be taken into account under regulation 5.2 (c) of the Financial Regulations of the United Nations.

8. For the year of admission, regulation 5.8 of the Financial Regulations of the United Nations States that "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 paragraph 4 of 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 33 1/3 per cent of their percentage of assessment determined for the following year, applied to the budget for the year of their admission". By General Assembly decisions, however, exceptions have been made to this rule, and the prescribed minimum of one third has been reduced to one ninth for practically all new Member States admitted to the Organization since 1955. In line with the previous General Assembly decisions, the Committee decided to recommend that, for the year 1971, Bahrain, Oman, Qatar and the United Arab Emirates should each contribute at the rate of one ninth of 0.04 per cent.

9. In respect of the new Members' advances to the Working Capital Fund, the Committee recommends that they should be calculated by applying their rates of assessment of 0.04 per cent to the authorized level of the Fund, and that these advances should be added to the amount of the Fund pending the inclusion of the rates of assessment for the new Members in the scale of 100 per cent.

IV. METHODS FOR THE ESTABLISHMENT OF THE SCALE

10. In its report to the General Assembly at its twenty-fifth session the Committee stated that it "intends to keep under review the practices and the implementation of the principles governing its work and to study the possibility of further improving methods for the establishment of the scale". 2/

11. At its thirty-first session the Committee on Contributions had an exchange of views on the possibility of improving the methods for the establishment of the scale. It requested the Secretary-General to prepare certain documentation for its continued examination of this question at its session in 1972, in advance of its triennial review of the scale in 1973.

12. The documentation requested included further data on:

(a) The implications of changes in price levels and exchange rates for the determination of the relative capacities to pay of Member States;

(b) The possible effects on the scale of variations in the allowance for low per capita income;

(c) The servicing and amortization of the foreign debts of Member States.

13. As a basis for determining the relative capacities to pay of Member States for the scale adopted by the General Assembly for the years 1971-1973, the Committee used averages of net national products at market prices for the three years 1966-1968. The next scale to be adopted for the years 1974-1976 will be

2/ Official Records of the General Assembly, Twenty-fifth Session, Supplement No. 11 (A/8011), para. 39.

based on national product data for the years 1969-1971. For the purpose of its continued examination of the methods for the establishment of the scale at its current session, the Committee utilized national income statistics for the years 1969-1970 only, since such data for the year 1971 were not yet available for the majority of Member States. The documentation prepared by the Secretariat on the elements of assessment referred to in paragraph 12 above related therefore to data for the years 1969-1970.

Price changes and exchange rates

14. In drawing up the present scale for 1971-1973, the Committee used national income statistics expressed in current prices, but took account of price changes whenever they were found to have noticeable effects on the level of assessment. In order to give particular attention to the effect of noticeable differential changes in price levels in relation to exchange rates in individual cases, the Committee used studies prepared by the Secretariat supplementing estimates showing national products in current prices with data on price changes and rates of exchange for all Member States for which statistics were available. At its session this year the further documentation prepared by the Secretariat enabled the Committee to examine in some detail the effect of price changes and changes in exchange rates on the national products for 1969-1970 as compared to the data for 1966-1968. In looking at that documentation, the Committee bore in mind the basic problem that, since all national products for the purpose of assessment are expressed in United States dollars, changes in the relation between the statistical rates of assessments of particular countries can occur both because of relative changes in the real national product and because of relative changes in the price component of the national product. Quality changes should also be taken into account. The price component itself consists of two factors, viz: the changes in domestic prices and those in the exchange rate between the national currency and the United States dollar.

15. In countries where the exchange rates reflect the purchasing power of the currency, changes in domestic prices are offset by corresponding adjustments in the exchange rates. Thus, an increase in the domestic prices in relation to United States dollar prices can be offset by a devaluation of the national currency, while a decrease in domestic prices relative to United States dollar prices (e.g. where a country's price level advances more slowly than United States dollar prices) can be offset by a revaluation. Even in this simplified situation, however, further problems arise when the revaluation or devaluation is not contemporaneous with the domestic price changes. For this reason a national product, expressed in dollars, may be increasing relative to those of other countries because domestic prices are rising faster than those of other countries but the offsetting price reduction in dollar terms does not occur until devaluation of the national currency is effected. In the same way a national product may be decreasing relative to those of other countries because the domestic price level is rising more slowly than those of other countries, but the offsetting price increase in dollar terms does not take place until revaluation of the national currency is effected.

16. The Committee examined the matter of taking account of differential price changes on the basis of a further study aimed at the possibility of standardizing

price changes for the purpose of assessment. In view of the difficulties encountered in the approach in question, the Committee again did not find it possible to develop a systematic and precise method to take into account this element. Nevertheless, the Committee's detailed examination of this question reaffirmed the importance of ensuring that countries showing inordinately large upward or downward relative price movements, not proportionally reflected in the rates of exchange, were not over-assessed or under-assessed purely as a result of such relative movements. Consequently, the Committee will continue to follow the practice in reviewing the scale of assessments of paying particular attention to the effect of noticeable differential price changes in price levels in relation to exchange rates in individual cases. It has requested the Secretariat to prepare further studies on this question in the light of the latest developments in this field for its 1973 session.

Comparative income per head of population

17. In using national income statistics for measuring the relative capacities to pay of Member States, the Committee is required under its terms of reference to take into account the factor "comparative income per head of population". A systematic allowance has been made for this factor in all United Nations scales of assessment. Under the present low per capita income allowance formula ^{3/} Member States receive, for the purpose of assessment, a deduction of up to a maximum of 50 per cent in their national income figures which are used as a basis for determining the scale. The question of the allowance for low per capita income and the attention to be given to developing countries in view of their special economic and financial problems, as requested by the General Assembly in resolution 2118 (XX), has continued to be the subject of discussion in the Committee on Contributions and in the Fifth Committee of the General Assembly. In establishing the scale recommended by the Committee and adopted by the General Assembly for 1971, 1972 and 1973, the Committee decided, in response to the General Assembly's request, to give special attention to the concession of relief not only to the countries with per capita income below \$300, but to a wider range of low per capita income countries.

18. This decision was welcomed by many delegations at the twenty-fifth session of the General Assembly. At the same time, and again at the twenty-sixth session of the General Assembly, several delegations urged the Committee on Contributions to revise the different elements of the low per capita income allowance so as to adjust it to the changing world economic conditions.

19. At its current session the Committee made an in-depth study of the allowance for low per capita income in the light of the various views expressed in the General Assembly. The Committee had before it extensive material prepared at its

^{3/} The method used for making allowance for low per capita income is in brief as follows: a deduction is made from the national income of each Member State with a per capita income below \$1,000. The difference between \$1,000 and a country's per capita income below \$1,000 is expressed as a percentage of \$1,000, and 50 per cent of that percentage is used to reduce the country's total national income for the purpose of assessment.

request by the Secretariat on the effects on the scale of variations in the different elements of the allowance formula. On the basis of national income statistics for the years 1969 and 1970, the Committee studied the effects on the scale of raising the upper limit of \$1,000 for low per capita income allowance to various levels and of increasing the maximum deduction from its present rate of 50 per cent.

20. The Committee noted that the number of Member States with per capita income above the present formula upper limit of \$1,000 had changed considerably. When this limit was established in 1946 only two Member States had per capita incomes above \$1,000, while the data for 1969-1970 showed 28 Member States with per capita income above that level. It also examined the amount of assessment that would be levied on Member States within different income groups and the shifts between groups resulting from changes in the allowance formula.

21. The detailed study of several variants in the allowance formula, as compared to the present formula, provided the Committee with valuable information regarding their possible effects on the scale. On the basis of the data available, it became apparent that changing the elements of the present allowance formula would be justified, particularly when account is taken of changes in the per capita income of Member States, of changes in value of the dollar over the past 25 years, and of the General Assembly's request for special attention to be given to developing countries. The Committee noted, however, that at its next session it would be better able to determine the adjustments to be made in the allowance formula in order to produce a scale more in keeping with the realities of the changing world economic situation. At that time the Committee will have at its disposal all data for the period 1969-1971 on which the next scale will be based.

Ability of Members to secure foreign currency.

22. The Committee again considered the possibility of taking into account in a more systematic way the factor of the ability of the Members to secure foreign currency. The Committee has studied this problem at past sessions, and has recognized the difficulty of formulating a systematic and reliable method of making allowance for this factor. The Committee has, however, indicated its intention of continuing its practice of taking into account, as appropriate, available data on the servicing and amortization of the external debt of Member States. At the twenty-sixth session of the General Assembly support of this procedure was expressed and it was also suggested that "the Committee might adopt the procedure of giving automatic relief to countries that had to devote, for instance, one fifth of their foreign earnings to the servicing of foreign debts". 4/

23. The Committee studied a series of data bearing on this problem and discussed the various types of foreign indebtedness. It noted that there were wide variations among countries in the nature and extent of the external public debt,

4/ Official Records of the General Assembly, Twenty-sixth Session, Annexes, agenda item 80, document A/8489, para. 7.

the terms on which the debt was serviced, and in the relationship of debt servicing costs to export earnings.

24. The Committee once again recognized the difficulties in devising any systematic and sound way of making automatic allowance for this factor in the determination of the assessment rates of Member States. The Committee therefore will, at its next review of the scale, continue its practice of taking foreign indebtedness into account as appropriate in arriving at individual assessments. To this end, the Committee will be provided with as comprehensive data as practicable on this question.

V. OTHER MATTERS CONSIDERED BY THE COMMITTEE

Assessment of non-member States

25. Under Economic and Social Council resolution 1600 (LI) of 20 July 1971, Switzerland became a member of the Economic Commission for Europe on 24 March 1972. In its report to the General Assembly at its twenty-fifth session 5/ the Committee recommended percentage rates at which non-member States might be called upon to contribute towards the 1971, 1972 and 1973 expenses of the United Nations activities in which they participate, including a rate of 0.84 per cent for Switzerland. These rates were adopted by the General Assembly in resolution 2654 (XXV).

26. The Committee recommends therefore that Switzerland, which became a member of the Economic Commission for Europe on 24 March 1972, shall be called upon to contribute towards the expenses of the Economic Commission for Europe for the financial years 1972 and 1973 at the rate of 0.84 per cent. The Committee's decision to recommend that Switzerland shall be called upon to contribute at the full rate of 0.84 per cent for the financial year 1972 was based on General Assembly resolution 876 (IX). In paragraph 9 of that resolution, the General Assembly decided in connexion with other countries eligible for membership in regional economic commissions, that if such countries should become members in the course of the year "they should be called upon to contribute an amount calculated as from the quarter in which membership becomes effective".

Collection of contributions

27. Under its terms of reference, one of the functions of the Committee on Contributions is "to consider and report to the General Assembly on the action to be taken if Members fall into default with their contributions", and in this connexion "the Committee should advise the Assembly in regard to the application of Article 19 of the Charter".

28. The Committee took note of a report of the Secretary-General which showed that, at the time of the conclusion of its meetings, Bolivia, Burundi, the Dominican Republic, Ecuador, Guinea, Haiti, Paraguay and Uruguay were in arrears

5/ Ibid., Twenty-fifth Session, Supplement No. 11 (A/8011), para. 42.

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 subject.

29. In addition, on the basis of the Secretary-General's report, the Committee took note of the circumstances with respect to China as reflected in the following paragraphs.

30. On 25 October 1971, the General Assembly decided (resolution 2758 (XXVI)) "to restore all its rights to the People's Republic of China and to recognize the representatives of its Government as the only legitimate representatives of China to the United Nations". The United Nations records on that date showed the following assessed contributions due from China:

United Nations regular budget (and Working Capital Fund)	\$US 18,207,518
United Nations Emergency Force Special Account	5,274,570
Congo <u>Ad Hoc</u> Account	6,687,207

The amount of contributions shown as due from China in respect of the United Nations regular budget and Working Capital Fund as listed above exceeded on 1 January 1972 the amount of the assessed contributions for the years 1970 and 1971 by \$4,675,643.00.

31. For 1972, China's assessed share of the United Nations regular budget calculated at the rate of 4 per cent is \$7,078,828. On 20 February 1972, the People's Republic of China made a payment of \$3 million, which it stated was intended as partial payment of its 1972 contribution. At the same time, the Government of the People's Republic of China informed the Secretary-General that it "will pay in due time China's membership due from the year 1971, which should cover the period from 25 October 1971, the day of the restoration of all the legitimate rights of the People's Republic of China in the United Nations". On 16 May 1972, the People's Republic of China made two payments in amounts of \$400,000 and \$1,013,486.13, which it stated were intended respectively as an advance to the Working Capital Fund and a contribution to the United Nations regular budget for 1971.

32. Given the circumstances of the representation of China in the United Nations today, the legal and political problems involved, and the on-going discussions with the People's Republic of China, the Committee agreed that to give advice at this stage on the course of action to be taken regarding the status of the amount of unpaid assessed contributions of China would transcend its terms of reference. In the light of this situation, the Committee also agreed that this question should be resolved by the General Assembly.

Payment of contributions in currencies other
than United States dollars

33. By resolution 2654 (XXV), the General Assembly authorized the Secretary-General, as in prior years, to accept at his discretion and after consultation with the Chairman of the Committee on Contributions, a portion of the contributions of Member States for the financial years 1971, 1972 and 1973 in currencies other than United States dollars.

34. In its report to the General Assembly at its twenty-sixth session, the Committee on Contributions reported on the arrangements made by the Secretary-General for payment by Member States of part of the 1971 contributions in non-United States currencies. ^{6/} The Fifth Committee, at the twenty-sixth session of the General Assembly, discussed this question and decided without objection to include in its report the following paragraph, which was endorsed by the General Assembly at its 1979th plenary meeting, on 8 November 1971:

"The Fifth Committee took note of the fact that, in making arrangements for payments by Member States of 1971 contributions in currencies other than United States dollars, the Secretary-General had taken into account the recommendation of the Fifth Committee set forth in paragraph 8 of its report to the General Assembly at its twenty-fifth session /A/8183/. In that connexion, the Fifth Committee approved the interpretation given by the Secretary-General to the meaning of the word 'priority' mentioned in that directive, which he had correctly taken to mean absolute priority and recommends that the Secretary-General should continue to implement that directive in the same manner in the future." ^{7/}

35. The Committee on Contributions considered a report by the Secretary-General on the arrangements made for payment by Member States of part of the 1972 contributions in currencies other than United States dollars. This report showed that nine Member States had availed themselves of the opportunity to pay in one or more of the non-United States currencies in which payment was acceptable to the equivalent of a total of \$12.0 million. The Committee noted that in making the arrangements for payment in non-United States currencies, the Secretary-General had, as recommended by the Fifth Committee, given absolute priority for payment in each currency to the country whose currency it was.

Selection of currencies

36. In the course of the debate in the Fifth Committee at the twenty-sixth session of the General Assembly, the selection of the currencies in which Member States were invited to pay part of their annual contribution was also raised. In this connexion, the Fifth Committee decided unanimously to include in its

^{6/} Ibid., Twenty-sixth Session, Supplement No. 11 (A/8411), para. 24.

^{7/} Ibid., Twenty-sixth Session, Annexes, agenda item 80, document A/8489, para. 11.

report the following paragraph, which was endorsed by the General Assembly at its 1979th plenary meeting, on 8 November 1971:

"Having considered paragraph 24 of the report of the Committee on Contributions, the Fifth Committee recommends that the Committee on Contributions should review the criteria of selection of currencies other than the United States dollar for payment of contributions to the regular budget and report to the General Assembly at its twenty-seventh session." 8/

37. In compliance with the Fifth Committee's request, the Committee on Contributions examined the existing criteria for the selection of currencies in which part of Member States' contributions are accepted. The main criterion in the selection of currencies other than United States dollars is that the contribution payments accepted in such currencies can be utilized in full for the financing of United Nations budgetary expenditures. In determining each year the currencies other than United States dollars and amounts thereof that can be accepted in payment of Member States' contributions to the United Nations regular budget, estimates are made of possible expenditures in the various currencies needed for the financing of budgetary obligations. The major element in the determination of the currencies for meeting the expenditures of the United Nations is the location of its offices, economic commissions, information centres and other activities. Aside from the currency usage which derives from the location of offices, the major items of expenditures in non-United States currencies are for transportation, printing and purchase of equipment and supplies.

38. The possibilities of increasing the usage of non-United States currencies are limited since it is related to the location of United Nations offices, and the currencies usable for transportation, printing, purchase of equipment and supplies and other necessary expenses are necessarily influenced by administrative and cost considerations: administrative arrangements must be practical and workable and a basic consideration in the procurement and contracting policies of the Organization is to ensure that the arrangements made are fully economical.

39. In the light of the above considerations, the Committee is of the opinion that the present policies and criteria governing the selection of currencies other than United States dollars should be maintained. In this connexion, the Committee noted that in spite of the difficulties involved, the possibilities of extending the list of currencies in which contribution payments can be accepted continue to be explored by the Organization.

Scales of contributions for specialized agencies

40. 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".

41. In accordance with the arrangements made by the Committee in pursuance of the above resolution, statistical data and other relevant information are

8/ Ibid., para. 12.

supplied to specialized agencies at their request. In reply to inquiries received from the International Atomic Energy Agency and the International Labour Organisation arrangements were made by the Committee for the relevant data to be supplied.

General review of the scale of assessments in 1973

42. At its session in 1973, the Committee will establish the scale of assessments for the next three-year period (1974, 1975 and 1976). For this purpose it will utilize national income statistics for the years 1969, 1970 and 1971. The Committee notes the importance of having at its disposal as complete data as possible, and urges Member States to provide them to the Secretary-General well in advance of its 1973 session.

Date of the next session of the Committee

43. The Committee decided to open its next session on 22 May 1973 at United Nations Headquarters.

VI. RECOMMENDATION OF THE COMMITTEE ON CONTRIBUTIONS

44. The Committee on Contributions recommends to the General Assembly the adoption of the following draft resolution:

Scale of assessment for the apportionment of the expenses of the United Nations

The General Assembly

Resolves that:

(a) The rates of assessment for the following States, which were admitted to membership in the United Nations at the twenty-sixth session of the General Assembly, shall be as follows:

<u>Member States</u>	<u>Per cent</u>
Bahrain	0.04
Oman	0.04
Qatar	0.04
United Arab Emirates .	0.04

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0
1 Kenya

These rates shall be added to the scale of assessment for 1973 contained in subparagraph (a) of General Assembly resolution 2654 (XXV) of 4 December 1970 and subparagraph (a) of resolution 2762 (XXVI) of 8 November 1971;

(b) For the financial year 1972, Bahrain, Oman, Qatar and the United Arab Emirates shall each contribute at the rate of 0.04 per cent, these rates to be applied to the same basis of assessment for 1972 as for other Member States;

(c) For the financial year 1971, the four new Members shall each contribute an amount equal to one ninth of 0.04 per cent applied to the same basis of assessment for 1971 as for other Member States;

(d) The contributions payable by Bahrain, Oman, Qatar and the United Arab Emirates for 1971 and 1972 shall be used for the financing of the United Nations budget for 1973 under regulation 5.2 (c) of the Financial Regulations of the United Nations;

(e) The advances to the Working Capital Fund by Bahrain, Oman, Qatar and the United Arab Emirates under regulation 5.8 of the Financial Regulations of the United Nations shall for each of these States be 0.04 per cent of the authorized level of the Fund, and these advances shall be carried as additional to the amount of the Fund;

(f) Switzerland, which under Economic and Social Council resolution 1600 (LI) of 20 July 1971, became a member of the Economic Commission for Europe on 24 March 1972, shall be called upon to contribute towards the expenses of the Commission for the financial years 1972 and 1973 at the rate of 0.84 per cent.