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COMMITTEE ON CONTRIBUTIONS
Thirty-fourth session

RE-EXAMINATION OF THE QUESTION OF THE *PER CAPITA* CEILING PRINCIPLE

Report of the Secretary-General

1. The Committee on Contributions, in its report 1/ to the General Assembly at its twenty-eighth session in 1973, drew attention to positions taken by Canada, Denmark and Sweden to the effect that, without breach of the *per capita* ceiling principle, those Governments had decided to forego the benefits they would have derived from its application as a consequence of the lowering of the maximum contribution to 25 per cent. Thus the rates of assessment in the 1974-1976 scale of only two Member States, Kuwait and the United Arab Emirates, had been affected by the principle, those rates being somewhat lower than they would otherwise have been. The Committee suggested 2/ that the General Assembly might wish to consider whether the changed situation brought about by the reduction of the maximum contribution might not warrant re-examination of the *per capita* ceiling principle by the Committee at a subsequent session.

2. During the course of the debate in the Fifth Committee on the scale of assessments for 1974-1976, the representative of Brazil introduced a proposal (A/C.5/L.1119) sponsored by Argentina, Brazil, Colombia, Ghana, Mexico and the Philippines to include the following paragraph 3/ in the report of the Fifth Committee:

> "In connexion with paragraph 35 of document A/9011, the Fifth Committee requests the Committee on Contributions to re-examine the question of the *per capita* ceiling principle and submit its conclusions and recommendations thereon to the General Assembly at its twenty-ninth session."

1/ *Official Records of the General Assembly, Twenty-eighth Session, Supplement No. 11* (A/9011).

2/ *Ibid.*, para. 35.

3/ Approved, without objection, by the Fifth Committee on 26 October and by the General Assembly on 9 November 1973.

The representative of Brazil explained that since the principle was introduced for the first time in 1948, the maximum assessment had been reduced considerably. It was likely, therefore, that in future scales more Member States would have the protection of the _per capita_ ceiling than was currently the case. The resulting reductions in the assessment of high _per capita_ income countries would mean increases in the assessments of others.

3. In the discussion which followed in the Fifth Committee, a number of Members favoured a re-examination of the _per capita_ ceiling principle. Others, though not opposed to the study, felt it should be left to the Governments affected to waive the principle voluntarily. Still others stated that the _per capita_ ceiling violated the basic principle of capacity to pay and should be abandoned. New Zealand was not prepared to waive application of the principle but offered to make a voluntary contribution corresponding to the benefit that that Government might derive from its future application.

4. In order to assist the Committee in its re-examination of the _per capita_ ceiling principle, there is attached, as an annex to this paper, a historical account of circumstances leading to the establishment of the _per capita_ ceiling principle and its subsequent development.

Annex

HISTORY OF THE *PER CAPITA* CEILING PRINCIPLE

1. During the third session of the General Assembly in 1948, the Fifth Committee appointed a Working Group of 14 members, including the Chairman of the Committee on Contributions, to consider a United States proposal "that in normal times no one Member State should be assessed more than one third of the budget," and a Canadian proposal "that in normal times the *per capita* contribution of any Member State should not exceed the *per capita* contribution of the Member which bears the highest assessment". a/

2. In its report, b/ the Working Group stated, with regard to the Canadian proposal, that the reason it had been made was "readily explained by the fact that Member States would find it difficult to justify payment of a higher *per capita* contribution than that of the country with the largest *per capita* income". The Group pointed out, however, that only three countries were then paying a slightly higher *per capita* contribution than that of the highest contributor and that it was evident that the practical application of the proposal would be particularly important only as introduction of the ceiling placed other countries in a similar position. Accordingly, the Working Group gave recognition to the *per capita* ceiling principle and stated that the Committee on Contributions should give it practical effect in the course of its future work.

3. The recommendation of the Working Group was approved by the Fifth Committee and adopted by the General Assembly in the resolution set forth below:

Resolution 238 A (III) of 18 November 1948

"*The General Assembly*,

"*Recognizing*

"(a) That in normal times no one Member State should contribute more that 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,

"*Accordingly*

"...

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a/ The highest assessment being 39.89 per cent at the time.

b/ A/C.5/241.

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"...

"3. Accepts the principle of a ceiling to be fixed on the percentage rate of contributions of the Member State bearing the highest assessment;

"4. Instructs the Committee on Contributions, until a more permanent scale is proposed for adoption, to recommend how additional contributions resulting from (a) admission of new Members, and (b) increases in the relative capacity of Members to pay, can be used to remove existing maladjustments in the present scale or otherwise used to reduce the rates of contributions of present Members;

"5. Decides that when existing maladjustments in the present scale have been removed and a more permanent scale is proposed, as world economic conditions improve, the rate of contribution which shall be the ceiling for the highest assessment shall be fixed by the General Assembly."

4. In its report c/ to the General Assembly at its sixth session in 1951, the Committee on Contributions, in recommending a scale of assessments for 1952, stated that it was the majority view that times were not yet "normal". The Committee concluded that it should continue to move step by step in making adjustments, satisfying itself that changes were fully supported by available evidence on relative capacity to pay in accordance with General Assembly directives. During the debate in the Fifth Committee, some representatives maintained that the ceiling principles established under General Assembly resolution 238 A (III) were in conflict with rule 159 (now renumbered rule 160) of the Rules of Procedure of the General Assembly, which provided that the expenses of the United Nations should be apportioned broadly according to capacity to pay. The priority which the Committee on Contributions should assign to the various directives given it was thus open to question. Other delegations expressed the view that "normal times" could be interpreted to mean the time when universal membership of the United Nations became a reality. Certainly, the admission of new Members would facilitate the implementation of the ceiling principles. Still others stated that "normal times" should be construed to mean the time a permanent scale was established. The representative of Canada proposed that both ceiling principles be fully implemented in 1953. This proposal was rejected, as was a further amendment by the United States which called for the implementation for the financial year 1952 of the principle of a 33 1/3 per cent ceiling for the largest contributor and the related per capita ceiling principle for other Member States. However, the following compromise proposal submitted jointly by the Syrian Arab Republic and the United Kingdom and amended by Egypt, was adopted by the General Assembly in the following resolution:

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c/ Official Records of the General Assembly, Sixth Session, Supplement No. 10 (A/1859).

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Resolution 582 (VI) of 21 December 1951

"*The General Assembly*,

"...

"*Resolves*:

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"3. That the review to be undertaken in 1952 by the Committee on Contributions shall be based on the General Assembly resolutions relating to the criteria for determining the scale of assessments, on the views expressed by Members during the sixth session of the General Assembly, and on rule 159 of the rules of procedure of the General Assembly, with particular attention to countries with low *per capita* income which requires special consideration in this connexion".

5. In paragraphs 15-20 of its report d/ to the General Assembly at its seventh session in 1952, the Committee on Contributions stated as follows:

"15. Apart from seeking to apportion the expenses of the United Nations broadly according to capacity to pay, the Committee has had also to take into account resolution 238 A (III), which deals with the application of ceilings. While this resolution is capable of varying interpretations, the Committee has, in each of the past three years, recommended a reduction in the assessment of the United States of America pursuant to the resolution, and in all cases the recommendations have been adopted by the General Assembly. In recommending reductions in the assessment of Sweden for 1951 and 1952, the Committee specifically took account of the limitation on *per capita* contributions. Also, in recommending the 1952 scale, it limited the increase in the assessment of Canada in order not to raise the *per capita* contribution of that country above the *per capita* rate for the United States.

"16. The Committee has given careful attention to the views expressed by Members on the question of ceilings during the sixth session of the General Assembly. An immediate reduction in the United States assessment to 33-1/3 per cent was urged in the Committee but was rejected after careful consideration on the ground that an immediate reduction to that level would not coincide with the wishes of the General Assembly. For the reasons indicated in paragraph 19 below, the Committee could not reach agreement on the interpretation of resolution 238 A (III) and the weight which should be given to each of its various provisions, but came to the conclusion that, in the absence of any direct indication to the contrary from the General Assembly, it would be justified in recommending another major step towards

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d/ *Ibid.*, *Seventh session, Supplement No. 10* (A/2161).

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a ceiling of 33-1/3 per cent for the largest contributor. Accordingly, it was decided to recommend an assessment of 35.12 per cent for the United States, thus proceeding at approximately the same rate as is being recommended in the removal of maladjustments in the scale arising from under- or over-assessment on the basis of capacity to pay.

"17. Unless consequential adjustments are made, the reduction recommended for the United States would leave certain other countries, namely, Canada, New Zealand and Sweden, with per capita contributions in excess of that of the United States. While the Committee did not feel that it was justified at this time in giving full effect to the per capita ceiling principle, in view of the doubts as to the meaning of resolution 238 A (III) expressed in paragraph 19, it none the less recommends some reduction for each of these countries.

"18. For 1953, the Committee, with one member dissenting, recommends a scale based upon the general principle of reducing by roughly one-half the apparent divergencies arising either from over- or under-assessment of the basis of capacity to pay or from the application of a 33-1/3 per cent ceiling on the largest contributor, thus continuing the systematic revision of the scale embarked upon last year. In determining capacity to pay, the Committee has given greater recognition than heretofore to the position of countries with low per capita incomes. It has also observed in principle, if not strictly, the per capita ceiling.

"19. Some members expressed doubts as to the interpretation of resolution 238 A (III) and the application of the ceiling principles. In respect of a ceiling on the assessment of the highest contributor, they drew attention to the fact that resolution 238 A (III) mentions the 33-1/3 per cent ceiling only in the preamble. The operative part of the resolution mentions acceptance, at an unspecified level, of the principle of a ceiling but no ceiling has in fact been fixed. They felt, therefore, that the Committee should not recommend any further steps beyond those implicit in the scale recommended for 1953 towards reaching a ceiling for the highest contributor, until the General Assembly had given a directive or decision in accordance with the expressed terms of paragraph 5 of resolution 238 A (III). In regard to a per capita ceiling they observed that, although this principle is recognized in the preamble of resolution 238 A (III), it is neither confirmed nor mentioned in the operative part of that resolution. It would appear from this omission that the General Assembly had not yet reached a definite decision on the principle of a per capita ceiling, and those members therefore expressed the view that the correct course would be to avoid implementing such a ceiling until a directive had been given on this point by the General Assembly.

"20. The effect of the proposed reduction in the assessment of the highest contributor and the partial application of a per capita ceiling principle is to shift the burden away from countries with the highest per capita incomes. The effect of the higher allowances for countries with low per capita incomes, as described in paragraph 12 above, is to shift the burden of assessments away from the countries with the lowest per capita incomes. The net result of the scale recommended for 1953 would be to require the countries in the middle group to pay a higher proportion of the total cost, although for some countries within that group this effect is obscured this year by the steps recommended to remove long-standing individual maladjustments. It is further to be noted that the effect of the partial application of the ceiling principles recommended for 1953 would be that the five countries with the highest per capita incomes would receive a greater reduction of their contributions than would the thirty-three Member States with per capita incomes not exceeding $200 each under the provision of paragraph 12 above. In the longer run, a full application of the two ceilings is likely to have the effect of progressively increasing the burden of contribution to be borne by all Member States not protected by the ceilings, although this effect could be temporarily offset by the admission of new Members. As a more developed country reaches the per capita ceiling, a part of what it should pay on the basis of its ascertained capacity to pay would have to be shifted to the countries which remained below the per capita ceiling."

6. In the debate in the Fifth Committee during the same session of the Assembly in 1952, several representatives expressed concern lest too rapid an application of both ceiling principles would result in a shifting of the burden of contributions from countries with high to countries with relatively lower per capita incomes. Thus, on the recommendation of the Fifth Committee, the following resolution was adopted by the General Assembly:

Resolution 665 (VII) of 5 December 1952

"The General Assembly,

"...

"...

"2. Instructs the Committee on Contributions to defer further action on the per capita ceiling until new Members are admitted or substantial improvement in the economic capacity of existing Members permits the adjustments to be gradually absorbed in the scale;

"3. Decides that from 1 January 1954 the assessment of the largest contributor shall not exceed one third of total assessments against Members;".

7. The General Assembly, at its eighth session in 1953, approved a rate of assessment in the 1954 scale of 33.33 per cent for the highest contributor. The rates of assessment of those countries which would have been affected by the per capita ceiling principle, had the principle been applied (Canada, New Zealand and Sweden) were maintained at the 1953 level.

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8. In its report e/ to the General Assembly at its ninth session in 1954, the Committee on Contributions stated as follows:

"13. By resolution 665 (VII) of 5 December 1952, the Committee was instructed 'to defer further action on the *per capita* ceiling principle until new Members are admitted or substantial improvement in the economic capacity of existing Members permits the adjustments to be gradually absorbed in the scale'. In its report last year, the Committee indicated that certain problems in connexion with the implementation of this directive would require re-examination at future sessions. At its present session, the Committee has made a further detailed study of these problems. It reached the conclusion that the available economic data could not be said to reflect a substantial improvement in the economic capacity of existing Members and, since no new Members had been admitted, there remained the question of the interpretation of the directive 'to defer further action on the *per capita* ceiling principle'. The Committee is of the opinion that since the *per capita* ceiling principle relates to the *per capita* contribution and not to the rate of assessment, the proper implementation of the directive would be to recommend assessments which would maintain the *per capita* contribution of the Members subject to the *per capita* ceiling principle at approximately the level of 1953 when the directive became effective, provided that their capacity to pay, assessed on the basis of the prescribed criteria, would not warrant lower rates of contribution.

"14. The countries whose assessments are at present affected by the *per capita* ceiling are Canada, New Zealand and Sweden. If the *per capita* ceiling were to be fully applied, the new assessments of the three countries would be lower than those in the present scale. On the other hand, if the assessments were determined according to the criteria of capacity to pay as applied to other Member States, the assessment for Canada would be well above the 1954 rate, that of New Zealand would be approximately the same as in the 1954 scale, while Sweden would be entitled to a reduction from its present assessment.

"15. The implementation of the General Assembly directive in the manner proposed in paragraph 13 above results in an increase in the assessment of Canada from the present level of 3.30 per cent to 3.63 per cent, while the assessment of New Zealand remains at 0.48 per cent and that of Sweden is reduced from 1.65 per cent to 1.59 per cent, on the basis of their relative capacities to pay.

"16. As to the *per capita* ceiling principle itself, the Committee would like to draw attention to the following problem which arises from its application. The *per capita* contribution for the country with the highest contribution has been gradually reduced, partly because of the reduction of

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e/ *Ibid.*, *Ninth Session, Supplement No. 10* (A/2716).

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its assessment to a fixed level of 33.33 per cent by General Assembly resolution and partly owing to the increase in population in that country. On the assumption that the present population trend in the United States of America continues, it seems probable that the *per capita* contribution of that country will progressively decrease. Consequently, the *per capita* ceiling in due course will be lowered to a level at which it would become applicable to a number of other countries. This would lead to an automatic shift of the burden - other things being equal - from countries with high *per capita* income to countries in the middle or low *per capita* income groups. Unless, therefore, there are reasons other than economic which in the view of the General Assembly would justify the *per capita* ceiling principle, the Committee is of the opinion that this criterion for assessment should be reconsidered."

9. The representative of Canada in the Fifth Committee, supported by other delegations, could not accept the Committee on Contributions' interpretation that the Assembly's directive to defer action on the *per capita* ceiling principle until certain specific conditions had been fulfilled related to the *per capita* contribution and not to the rate of assessment. Nor could he agree with the views expressed by the Committee on Contributions in paragraph 16 of its report, f/ since, on the basis of population projections, the only countries likely to be affected by the *per capita* ceiling principle in the next 25 years (unless drastic changes were to occur in national income) were the same as those which were affected at that time. Following considerable debate on the subject (including expressions of support for the interpretation given by the Committee on Contributions and suggestions that the principle should not be reconsidered in isolation but in conjunction with a review of all the other criteria for assessment laid down by the Assembly), resolution 876 A (IX) was adopted by the General Assembly, the relevant portion of which is quoted below:

Resolution 876 A (IX) of 4 December 1954

"*The General Assembly*,

"1. *Reaffirms* the decision of the General Assembly at its seventh session to defer further action on the *per capita* ceiling until new Members are admitted or substantial improvement in the economic capacity of existing Members permits the adjustments to be gradually absorbed in the scale of assessments;

"...

"3. *Instructs* the Committee on Contributions to apply the decision referred to in paragraph 1 above to future scales of assessments, so that the percentage contributions of those Members subject to the *per capita* principle will be frozen against any increase over the level approved for the 1955

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f/ *Ibid.*

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budget until they reach _per capita_ parity with the highest contributor and that downward adjustments will occur when the conditions cited in resolution 665 (VII) of 5 December 1952 have been fulfilled or changes in relative national incomes warrant lower assessments."

10. During the closing days of the tenth session of the General Assembly in 1955, 16 new States were admitted to United Nations membership. As a result, the Assembly, at its eleventh session in 1956, approved a revised scale of assessments for 1956 and 1957 which incorporated the adjustments required to fully implement, for the first time, the _per capita_ ceiling principle in respect of the rates of assessment for Canada, New Zealand and Sweden. The principle continued to be applied to Canada in the 1958 scale; to Canada and New Zealand in the 1959-1961 scale; to Canada in the 1962-1964 scale; and to Kuwait in the 1968-1970 scale.

11. The General Assembly, at its twenty-third session in 1968, adopted resolution 2742 B (XXIII), which called for the Committee on Contributions "to keep under review the criteria it now uses in establishing the scale of assessments, and also its terms of reference, in the light of the debates on the subject at the twenty-second and twenty-third sessions of the General Assembly". In reviewing the criteria and terms of reference used in establishing scales of assessment, the Committee on Contributions, in its report _g/_ to the twenty-fourth session of the General Assembly in 1969, made the following remarks concerning the _per capita_ ceiling principle:

> "40. In the Fifth Committee the view was expressed that the _per capita_ ceiling principle was difficult to justify since it provided for possible reduction in the assessments of the countries with the highest _per capita_ incomes. The Committee considered this question in the light of the views expressed in the Fifth Committee and agreed that it should not pronounce itself on the appropriateness of the _per capita_ ceiling principle, which is a matter for decision by the General Assembly. The Committee on Contributions noted, however, that the only Member States that have at any time been affected by this principle are Canada, Kuwait, New Zealand and Sweden, which over the years in certain scales have received relatively small reductions in their assessments through the application of the _per capita_ ceiling principle. In the present scale, the principle affects only one Member State, Kuwait, by reducing its assessment rate by a small amount."

However, it became evident from the Fifth Committee's debate on the subject at the same session that no general agreement could be reached on the revision of any of the criteria used by the Committee on Contributions for the establishment of scales of assessment.

12. In its report _h/_ to the twenty-fifth session of the General Assembly in 1970,

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_g/_ _Ibid._, _Twenty-fourth session, Supplement No. 11_ (A/7611).

_h/_ _Ibid._, _Twenty-fifth session, Supplement No. 11_ (A/8011).

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the Committee on Contributions, in referring to the scale of assessments it was recommending for the years 1971-1973, stated as follows:

"35. The only assessments now affected by the implementation of the *per capita* ceiling principle in the scale now presented are those for Kuwait and Sweden. The full implementation of this principle based on present population figures prevented an increase in the rate of assessment for Kuwait to more than 0.08 per cent, which is lower than that indicated by the national income statistics for Kuwait. In the case of Sweden no increase above the present level of 1.25 per cent would have been possible due to the full implementation of the *per capita* ceiling principle. This rate is, however, a very close approximation to Sweden's statistical rate of assessment."

13. At the same session of the General Assembly, the views of representatives in the Fifth Committee were summarized in the report of that Committee i/ as follows:

"11. As the fundamental principle for the establishment of an equitable scale was the capacity to pay of Member States, some delegations pointed out that it was difficult to justify the ceiling and *per capita* ceiling limitations on assessments, which had the effect of reducing the rates of highly developed countries, with the highest *per capita* incomes in the world, although their economies showed a satisfactory rate of development. This situation should have the attention of the Committee on Contributions, since the implementation of these principles could lead to a paradoxical situation and represented an anomaly in the existing system ... The view was also expressed that, although the ceiling, *per capita* ceiling and floor principles were not deduced from the concept of capacity to pay, they were nevertheless valid principles in an organization of sovereign equals with correlative equal responsibilities."

14. At the twenty-seventh session of the General Assembly in 1972, a proposal to lower the maximum contribution to 25 per cent was discussed by the Fifth Committee at some length, as was the effect of this reduction on the *per capita* ceiling principle. In its report j/ to the Assembly, the views of delegations in this latter regard were summarized as follows:

"Furthermore, the proposal would lead to reductions in the rates of other developed countries under the rule that the *per capita* contributions of Members must not exceed that of the largest contributor, reductions which would also have to be carried by the rest of the membership. A more equitable sharing of the expenses of the Organization would be achieved, it was held, not by a lowering of the ceiling but by abolition of the ceiling principle, so that all Member States would contribute in accordance with their capacity to pay."

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i/ A/8183.

j/ A/8952, para. 6.