



Chairman: Mr. Max H. WERSHOF (Canada).

AGENDA ITEM 77

Scale of assessments for the apportionment of the expenses of the United Nations: report of the Committee on Contributions (*continued*) (A/8011 and Corr.1 and Add.1)

1. Mr. GONTHA (Indonesia) commended the Committee on Contributions on its excellent report (A/8011) and the carefully prepared scale of assessments it recommended. It was encouraging that, in seeking to achieve an equitable scale, the Committee had made judicious use of its discretion and had consistently taken account of the opinions of Member States. Discretion should always be exercised in apportioning expenses of the Organization, with due regard to the actual situation in each country.

2. In paragraph 8, the report referred to the problems involved in the application of the national product concept to economies of developing countries, particularly with reference to the inclusion of the so-called "subsistence income" of the rural population. The national product concept was established and universally accepted. The "subsistence income" factor, however, could not be described as a concept; it was too complex to be correctly measured, much less accepted as a concept. The fact that rural populations in developing countries had for centuries lived on "subsistence incomes" must not be taken to denote an established way of life or used to create an additional yardstick for calculating the national product. Such an approach would be a reversion to the outmoded concept of the colonial system. The "subsistence income" factor required further study; it was premature to determine its scope in the context of the national product concept. It was not surprising that the report itself raised the question whether factors affecting comparability could be measured with sufficient precision in the present state of economic science. That question would probably remain unanswered for some time. Consequently, it was difficult to understand how the "subsistence income" factor could benefit the application of the national product concept to economies of developing countries.

3. It was gratifying that the Committee on Contributions had taken account of available data on the servicing and amortization of external debts, despite the absence of a systematic method of making allowance for payments difficulties. In that connexion, his delega-

tion hoped that the consultations between the Secretary-General and the Chairman of the Committee, mentioned in paragraphs 47-49 of its report, would continue to enable countries to pay portions of their contributions in currencies other than United States dollars. Such payments alleviated the burden of countries experiencing difficulties in earning foreign exchange. His delegation supported the recommendation on this subject in paragraph 49 of the report. He also agreed with the Indian representative that countries having hard currencies should pay the portion of their contribution which they were entitled under General Assembly resolution 2291 (XXII) to pay in currencies other than United States dollars in the hard currency.

4. His delegation recommended adoption of the scale of assessments recommended by the Committee on Contributions.

5. Mr. BYKOV (Ukrainian Soviet Socialist Republic) expressed satisfaction with the work and recommendations of the Committee on Contributions and said he was glad that the Committee had not attempted to introduce new criteria for the establishment of the scale in addition to those laid down by the General Assembly. It was gratifying that the rates of the developing countries had not been increased and that the Committee had given serious attention to the situation of countries with low *per capita* incomes. Most delegations supported the Committee's recommendations, although some had suggested that new criteria should be worked out for the preparation of the scale of assessments. His delegation preferred a more cautious approach. Contributions should be based on a State's capacity to pay and the criteria established by the General Assembly were, in fact, based on the real ability of Member States to participate in financing the Organization. His delegation feared that any modification of the existing criteria would represent a departure from the guiding principle of capacity to pay. He agreed with the French representative that subjective factors should be ruled out and replaced by objective statistics on the national product. Any other approach could raise insoluble problems, with the expenses of the Organization falling increasingly on a small number of Member States. It was in the context of a more precise elaboration of existing criteria that the Committee on Contributions should consider requests from individual countries. A further factor to which many delegations had referred was the ability of countries to obtain foreign currency. His delegation considered that, although the Committee on Contributions had not developed a precise formula for dealing with it, that factor should be taken into account in apportioning expenditure. He asked that his delegation's view should be recorded in the Committee's report.

6. Mr. NAITO (Japan) said that, although his delegation could not agree with some of the conclusions set forth in the report of the Committee on Contributions, it appreciated the Committee's sincerity and the efforts it had made to work out an equitable scale of assessment.
7. In the new scale recommended by the Committee, a very large increase—43 per cent—had been recommended for Japan. At the same time the Committee had recommended reductions for thirty-seven countries, increases for ten and the same rates for seventy-nine others. Among the sixteen countries contributing more than 1 per cent each to the regular budget, eight, including three permanent members of the Security Council, had had their percentage contribution reduced. In fact, those eight countries taken together were to benefit from a collective reduction of 1.61 per cent. Since the total amount of the reduction to be granted to those countries was equivalent to Japan's share of the aggregate increase, 1.62 per cent, that meant in effect that Japan would be absorbing their entire reduction.
8. Moreover, the aggregate increase for the ten countries for which increases had been recommended was 2.21 per cent, of which Japan would absorb 1.62 per cent. That meant that 73 per cent of the total aggregate increase for those ten countries would be charged to a single country, Japan. His delegation could not but feel that that was excessive and abnormal. His delegation was not convinced by the explanations offered by the Committee in its report, particularly in view of the substantial decreases recommended for many highly industrialized countries.
9. Among the other countries for which large increases had been recommended, Libya would have its percentage contribution raised by 75 per cent, an unprecedented step which his delegation also considered excessive and abnormal, particularly in view of the difficulties which the representative of Libya had said at the 1371st meeting his country would encounter in trying to cope with such a sharp and sudden increase in its rate of assessment. As his delegation had had similar painful experiences in the past in connexion with each revision of the scale of assessments, it fully understood and sympathized with the Libyan delegation.
10. Despite the Committee's contention in paragraph 25 of its report that it had recommended large changes in the rates of assessment only after very careful and detailed study, his delegation felt there were several cases where changes had been excessive and where they too drastically shifted the financial burden of the expenses of the United Nations from some countries to others. The Committee's efforts to mitigate the effect of those changes had been insufficient in some cases. Since his delegation doubted the equity of the new scale recommended by the Committee, it would be obliged to abstain on it when it was put to the vote.
11. His delegation took the view that, in the light of the recognized prerogatives and powers of the permanent members of the Security Council, those States should be expected to bear a correspondingly larger financial responsibility than the non-permanent members. At the twenty-fourth session (1316th meeting), his delegation had drawn attention to the possibility that one non-permanent member of the Security Council might soon be required to pay a larger contribution than a permanent member, and had expressed the hope that the Committee on Contributions would give special consideration to the political aspect of that question. That situation had now become a reality; one non-permanent member, namely, Japan, would be required to pay considerably more than one of the permanent members of the Security Council. His delegation was concerned about the situation and hoped that the matter would be examined more carefully.
12. His delegation also maintained the position it had taken at the twenty-fourth session that the upper limit level of \$1,000 for the application of the low *per capita* income allowance should be raised because of the increase in the number of countries having a *per capita* income above \$1,000 and because of the effects of twenty years of world-wide inflation. In his delegation's opinion the optimum level for the application of the low *per capita* income allowance should be between \$1,500 and \$2,000, preferably close to the latter.
13. In conclusion, his delegation requested the Committee on Contributions to annex to its next report statements listing the assessments and voluntary contributions paid by member States as it had done in its previous report¹.
14. Mr. RHODES (United Kingdom) said that, while his delegation approved of the Committee on Contributions' declared intention to keep under review its practices for giving effect to the principles governing the apportionment of the Organization's expenses and the possibility of improving its methods, it did not favour any piecemeal review of the Committee's terms of reference or criteria. The General Assembly had already laid down a coherent set of rules to be observed jointly and simultaneously, and it was important for that coherence to be preserved. Indeed, the Committee had demonstrated in a most practical way that it could, by exercising its discretion within the framework of the existing rules, bridge not only differences in economic position and performance, but also the genuine differences of opinion that existed in the Committee. He hoped that the new scale of assessments would be adopted unanimously.
15. His delegation sympathized with the position of Romania and Hungary, whose economies had been severely dislocated as a result of the disastrous floods they had suffered, and was sure that the Committee would at the appropriate time use its discretion as

¹ Official Records of the General Assembly, Twenty-fourth Session, Supplement No. 11 and erratum.

wisely in considering their case as it had done in working out the present scale.

16. Mr. OSMAN (Sudan) observed that the two basic criteria laid down by the General Assembly for the establishment of the scale of assessments—namely capacity to pay and comparative national income—were still inapplicable on a truly objective and scientific basis and no satisfactory technique had yet been devised for comparing the national income statistics of 127 Member States. His delegation felt that the Committee on Contributions had taken due consideration of the ability of Members to secure foreign currency and of the special economic and financial problems facing the developing countries. Indeed, the scale of assessments reflected the distribution of wealth throughout the world; sixty-three countries, or half the membership of the United Nations, would contribute only 2.52 per cent of the regular budget in the coming three years. That figure underscored the obligation of the rich countries to help the developing countries to overcome their economic and financial problems.

17. With regard to paragraph 8 of the Committee's report, he said that his delegation felt that the Committee had exaggerated the importance of the factor of "subsistence income". In fact, subsistence activities only obstructed the efforts of the developing countries to modernize the rural sector and, even if subsistence could be quantified or estimated arbitrarily, it would still not have any bearing on the apportionment of the expenses of the United Nations. Thus his delegation did not feel that the Committee would be justified, in the context of its mandate, in giving further attention to that point in future.

18. Mr. PALAMARCHUK (Union of Soviet Socialist Republics) said that the new scale of assessments recommended in the report of the Committee on Contributions, together with the appended explanatory material showing how the calculations had been made, showed that the Committee had conscientiously studied all the available information relating to major changes in the economies of Member States during the period 1966-1969. His delegation noted that the rates of assessment for the developed countries as a group would increase, while those for the developing countries would be reduced, and those for countries having a *per capita* national income of less than \$1,000 would, with some exceptions, remain the same. Thus it could be concluded that the scale of assessments took fair account of the interests of all States and objectively reflected the realities of their economic situation. However, the Committee had established no definite limitations to the adjustments it made in the present scale for countries where the rate of development was very uneven. On the contrary, countries whose gross national income was substantially below the average would receive relative increases in their percentage contributions and vice versa.

19. His delegation believed that the scale of assessments recommended in the report was realistic and that the Committee had conscientiously and thoroughly

studied the comments made by delegations at the twenty-third and twenty-fourth sessions of the General Assembly. It therefore commended the Committee's detailed and exhaustive report and hoped it would be adopted unanimously.

20. Mr. REFSHAL (Norway) said that the Committee on Contributions had given a full account of how it had exercised its discretion within the rather narrow area left to it by the General Assembly. As members were aware, the Committee was obliged to apply the criteria governing the scale of assessments established by the Assembly. The system was a rational one, because if too much latitude were left to the Committee on Contributions, its debates might be too cumbersome and it might be open to too many attacks in the Assembly. Fairness and consistency were basic principles of any taxation system. For there to be consistency there must be a set of basic rules which could not be altered at random, and the special cases and circumstances falling beyond the scope of those rules should be examined by an authoritative expert body enjoying the confidence of those taxed. Consequently, the Committee on Contributions played an important role, and the discretion vested in it should not be diminished or curtailed; indeed, his delegation endorsed the Committee's decision to exercise wider discretion for the concession of relief to developing countries.

21. On the other hand, even the best set of rules might occasionally require revision but, before altering criteria which had proved workable and were regarded as fairly equitable, it was necessary to ensure that the revision would result in a more equitable total picture. At its previous session, the Fifth Committee had thoroughly discussed the possibility of revising the criteria, but had been unable to reach agreement on the question. His delegation was not reluctant to consider any revision of the criteria. It felt, however, that before implementing any possible revision, the Organization must be sure that what it was getting was better than what it had. In that connexion, it should be remembered that in the report it had submitted at the twenty-fourth session of the General Assembly, the Committee on Contributions had said² that it was satisfied that the guidelines laid down by the General Assembly had withstood the test of time and permitted the establishment of a balanced and equitable scale based primarily on the principle of capacity to pay. Nevertheless, the guidelines should be kept under constant review. Assurances that that would be done were given in paragraph 39 of document A/8011 in which it was stated that the Committee intended 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.

22. In conclusion, he said that Norway accepted the assessment proposed for it in the draft scale and endorsed the report of the Committee on Contributions.

23. Mr. GARRIDO (Philippines) endorsed the decision of the Committee on Contributions to exercise

² *Ibid.*, para. 47.

wider discretion for the concession of relief to developing countries. Those countries were finding it increasingly difficult to meet their obligations to the United Nations owing to the unsatisfactory state of their economies resulting from such factors as the servicing and amortization of external debts, declining exports and natural disasters. Despite those difficulties, some countries had demonstrated their interest in the United Nations by paying their assessments in currencies other than United States dollars. The spirit behind that display of co-operation should be acknowledged, and his delegation therefore endorsed the Committee's recommendation that the Secretary-General's authority to accept part of Member States' contributions in currencies other than United States dollars should be extended to the years 1971-1973.

24. It was gratifying to note that the Committee had paid special attention to countries with *per capita* incomes of less than \$300. Hopefully, the scale for those countries would be reviewed further and their assessments adjusted downwards. The assessments of those countries should be progressively reduced as their *per capita* incomes decreased. If such a progressive scale were adopted, the existing limit of \$1,000 for the concession of relief could be raised. Adjustment of the limit for application of the allowance formula would be realistic in view of the inflationary trends prevailing in the world and of changes in the economic situation of Member States. In future reviews of the scale, the Committee should pay particular attention to the assessments of countries with *per capita* incomes of less than \$300.

25. His delegation had noted with satisfaction that the revised scale showed a decrease of 0.03 per cent for the Philippines. The Philippines was among the countries with the lowest *per capita* income and it experienced serious difficulty in obtaining foreign exchange. The devastating effects of the two typhoons which had struck the country had made it difficult to improve productivity. In establishing the scale, the Committee should not lose sight of the fact that the effect of natural disasters on countries with low *per capita* incomes was often disastrous. Assessments for those countries should be consistent with economic and financial realities.

26. Referring to paragraph 8 of the Committee's report, he said that the words "subsistence income" should be properly defined. The question of the inclusion of the "subsistence income" of the rural population in estimates of non-monetary output in the economy was one which the Committee should examine in greater detail.

27. His delegation was satisfied with the existing criteria and guidelines used by the Committee in establishing the scale. Any revision should consist only of measures which would widen the Committee's discretion and improve methods of securing accurate financial and economic statistics to serve as a basis for its work.

28. Mr. McGOUGH (Argentina) said that the Committee on Contributions had submitted a full report in which it had dealt with nearly all matters of interest to developing countries. It was particularly gratifying to note that the Committee had concentrated on matters, such as the capacity to pay of Member States and the difficulty experienced by certain countries in obtaining foreign currencies, to which his delegation attached importance. His delegation endorsed the Committee's recommendation that the Secretary-General's authority to accept part of Member States' contributions in currencies other than United States dollars should be extended to the years 1971-1973.

29. Referring to the proposal made by the Spanish representative at the previous meeting that future reports of the Committee on Contributions should contain an annex indicating the data used by the Committee, he said that such an annex might prove useful; it should, however, contain only specific figures.

30. Mr. KALINOWSKI (Poland) said that at the previous session the Fifth Committee had been unable to reach agreement on the question of possible changes in the criteria and guidelines used in establishing the scale of assessments. All delegations had agreed, however, that the scale should be based on the capacity to pay of Member States. The main difficulty lay in the fact that, owing to the variety of factors to be taken into consideration, it was impossible to find a mathematical formula for determining capacity to pay. An important task of the Committee on Contributions was to keep the factors determining capacity to pay under constant review and to study their relative significance for individual countries.

31. His delegation agreed with those speakers who had suggested that there was a need to change the existing allowance formula. The General Assembly's intention in introducing an upper limit of \$1,000 had been to establish a progression in taxable income. Currently, twenty-four Member States had *per capita* incomes of more than \$1,000 as compared with two in 1946 when the limit of \$1,000 had been established. The fact that the limit did not exceed \$1,000 meant that highly developed countries with a higher *per capita* income were not subject to the system of progression. Currently, the scale of assessment of countries approaching the limit of \$1,000 increased not only because of increases in their national product but also because of reductions in the low *per capita* allowance. The Committee on Contributions should consider that question at its next session and submit recommendations to the Fifth Committee.

32. The capacity to pay criterion should be fully applied to all Member States. His delegation strongly endorsed the Committee's practice of granting allowances to countries with low *per capita* income but failed to understand why the rich and highly developed countries enjoyed special privileges. So far as possible, exceptions to the capacity to pay criterion should be avoided.

33. The draft scale for 1971-1973 adequately reflected changes in the economic situation of Member States,

and it was gratifying to note that the assessments for many developing countries had decreased. His delegation was prepared to support the recommendations of the Committee on Contributions concerning the scale of assessments for 1971, 1972 and 1973, and hoped that the Fifth Committee would adopt the scale unanimously.

34. Mr. Amjad ALI (Chairman of the Committee on Contributions), replying to a question by the Netherlands representative (1370th meeting) as to the reasons why that country's assessment had been increased while those of other industrialized countries had been reduced, said that the net national product of the Netherlands had shown an increase well above the average for the period 1966-1968 as compared with the period 1963-1965. It had been recognized that part of that increase had been due to an increase in prices and a modification had been accordingly introduced. The Netherlands assessment nevertheless remained slightly higher than in the previous scale. The nature of the scale was such that, among the group of countries with net national products above \$1,000 *per capita*, countries showing more than the average increase in their national product could be expected to have an increased assessment while those with a less than average increase would receive a reduction. Countries in the above \$1,000 *per capita* income category which had received a decreased assessment showed relatively lower rates of increase in the national product.

35. Replying to the representative of Libya, who had referred (1371st meeting) to the increase in his country's assessment from 0.04 to 0.07 per cent, he said that while such an increase was abnormally high, the change in the economic situation of Libya which had motivated it was also an abnormal one. The Committee had taken account of the fact that the present level of the national income of Libya was a recent phenomenon, and had recognized that the assessment should be adjusted so that Libya would not be treated on the same footing as other countries of the same size and level of income which had benefited from the accumulation of capital over the years. The assessment now proposed for Libya was therefore lower than it would have been, had the Committee not recognized those facts.

36. Replying to the representative of the Upper Volta who had asked (1371st meeting) for further details on the Committee's statistical methods, he said that not all Member States had reached a stage where they could produce a comprehensive and detailed system of national accounts which would enable the Committee to achieve complete international comparability in the data required for the scale of assessments. In the case of many Member States, therefore, the Committee was compelled to examine all available economic data to estimate the net national product in market prices,

which the Committee took as the basic yardstick of capacity to pay. That did not mean that the Committee was using non-official sources of statistics. In the case of countries which had been able to provide material only for the first one or two years of the base period, the Committee had been obliged to review the economic situation and the population changes in the country to extrapolate the national product for the years on which data was lacking. Many statistical operations of that kind were inevitably undertaken by the Committee in its effort to ensure comparability of the basic data among the Member States. The considerations referred to in paragraph 8 of the Committee's report were fundamental problems of measurement in international economics. They concerned the problem of comparing the products of economies at greatly differing stages of development or the products of different economic systems. That was an exercise in which the discretion of the Committee would always have to be exercised.

37. Replying to the Spanish representative who had asked (1372nd meeting) for the data used by the Committee in establishing the scale, he said that, while it had not been the Committee's practice to reproduce the relevant statistical data in its report, those used in calculating the assessment of an individual Member State were made available to it at its request. The reasons for that procedure were sound. The Committee used a large volume of statistical data from the Statistical Office which originated in the statistical departments of Governments of Member States. It was the Committee's responsibility to evaluate that data on the basis of the criteria laid down by the General Assembly, and it would therefore be unsatisfactory to make only part of it available.

38. Referring to the statements by the representatives of Romania (1370th meeting) and Hungary (1372nd meeting) concerning the severe floods which had seriously affected the economies of their countries after the Committee's thirtieth session, he said that the effects of those events would normally be reflected in the statistical data used as a basis for calculating the next three-year scale, so that the countries involved would be given a measure of relief, although with delayed effect. The appeals of the Romanian and Hungarian representatives, however, would be considered by the Committee on Contributions at its next session in 1971.

39. During the debate, references had been made to the low *per capita* allowance formula and other aspects of the Committee's work. The Committee would take account of those views in its study of its procedures and the implementation of the principles governing its work, and would continue its efforts further to improve its methods for the establishment of the scale.

The meeting rose at 12.20 p.m.