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SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF
THE EXPENSES OF THE UNITED NATIONS

Report of the Fifth Committee

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1. The Fifth Committee considered agenda item 79, entitled "Scale of assessments for the apportionment of the expenses of the United Nations: report of the Committee on Contributions", at its 1646th and 1647th meetings, on 21 and 22 October 1974. It had before it the report of the Committee on Contributions 1/ containing the draft resolutions recommended by the Committee.
2. In introducing the report of the Committee on Contributions, its Chairman stated that, in accordance with the decision of the Fifth Committee, 2/ the Committee on Contributions had re-examined the question of the per capita ceiling principle. It had studied the question in detail, first reviewing the background leading to its establishment, its practical effect on past scales of assessment and the views expressed by Member States in the Fifth Committee during the twenty-eighth session of the General Assembly.
3. The Chairman recalled that the per capita ceiling principle had been implemented in full in all scales of assessment approved by the General Assembly for the years 1956 to 1973. During that period, when the rate of assessment of the highest contributor had been gradually reduced from 33.33 per cent to 31.52 per cent, a maximum of three Member States had benefited from the application of the principle of a per capita ceiling to their rates of assessment. In the scale for the 1974-1976 triennium, on the other hand (when the maximum contribution had been reduced to 25 per cent), the rates of assessment of five Member States would have been subject to the per capita ceiling principle had not three States - Canada, Denmark and Sweden - waived its application.

1/ Official Records of the General Assembly, Twenty-ninth Session, Supplement No. 11 (A/9611).

2/ Ibid., Twenty-eighth Session, Annexes, agenda item 84, document A/9292, para. 17.

4. The Committee on Contributions had studied tentative statistical projections of the relative impact on Member States of the drastic changes which had been taking place in the world economy and considered the future consequences of the reduction in the maximum contribution to 25 per cent. It had found that it was probable that the rates of assessment of some eight or nine Member States might be subject to the per capita ceiling principle in the 1977-1979 scale and that this number was likely to increase in subsequent scales. The continued application of the principle in such circumstances would lead to an increasingly anomalous situation whereby States in the median or low per capita income groups would be required to bear the brunt of the decreasing contributions which countries with strong economies and high per capita incomes would be called upon to make. Such a situation would constitute a contradiction of the fundamental principle of capacity to pay, which had led to the Committee's unanimous conclusion that the principle of per capita ceilings should be abolished in the formulation of future scales.

5. At its thirty-fourth session, the Committee had also considered the exceptionally wide-ranging changes that had taken place in the national economies and in the capacity to pay of many Member States and had noted that such changes would give rise to steep individual increases in the next triennial scale. It recalled the provision under rule 160 of the rules of procedure of the General Assembly that the scale of assessments, when once fixed by the Assembly, should not be subject to general revision for at least three years unless it was clear that there had been substantial changes in relative capacity to pay, and it explored the advisability of recommending the adoption of a revised scale of assessments for one or two two-year periods, as a transitional measure, with effect from 1976. However, for the reasons given in paragraph 15 of its report, ^{3/} the Committee had concluded that a scale based on a triennial period was preferable and that the recently adopted 1974-1976 scale had best be retained. Nevertheless, the Committee had been emphatic in its view that, despite its customary practice of modifying drastic shifts between scales, changes in national economies had been such that, in the application of the basic principle of capacity to pay, substantial increases in individual rates of assessment would be called for in the next scale. In response to a statement made in the course of the debate concerning the lag effect of the existing system for adjusting assessments to reflect unprecedented changes in economic conditions (the scale for 1974, 1975 and 1976, for example, had been based on national accounts data for 1969, 1970 and 1971), the Chairman added that, given the magnitude of the changes which had taken place in 1974, it would not be realistic for the Committee to conduct a review of the scale at its 1975 session, when statistical data could only be made available for 1972 and 1973. Moreover, the steep increases in individual assessments to which he had referred represented projections based on very tentative and inadequate data which could not be used in the formulation of a new scale.

6. The problem of taking into account differential price changes in relation to exchange rates in order to moderate the effect of inordinately sharp price movements on national income data had also been considered by the Committee. In the light of the major economic changes which had taken place, the problem would require further study.

^{3/} Ibid., Twenty-ninth Session, Supplement No. 11 (A/9611).

7. Other matters with which the Committee on Contributions had dealt included rates of assessment of certain non-member States, the collection of contributions, and scales of assessment of the specialized agencies. At its thirty-fifth session in 1975, the Committee intended to study the desirability of establishing uniform regulations to govern the contributions by non-member States to all United Nations activities, including conferences, in which they participated, at which time it would also examine the nature of the material and advice it made available to the specialized agencies in responding to requests from such agencies.

8. Since the Committee's thirty-fourth session, three new States - Bangladesh, Grenada and Guinea-Bissau - had been admitted to membership in the Organization. In accordance with past practice, the Committee would consider rates of assessment for those Member States at its thirty-fifth session in 1975.

9. Draft resolution B, as recommended by the Committee on Contributions in paragraph 31 of its report, 3/ the Chairman concluded, required amendment to reflect Guinea-Bissau's new status as a Member State. In that connexion, the Fifth Committee, at its 1647th meeting, decided that, in accordance with a proposal made by the representatives of Brazil and Hungary, no action would be taken on draft resolution B on the understanding that the Committee on Contributions would take up the question of Guinea-Bissau's contribution for 1974, 1975 and 1976 at its thirty-fifth session.

10. In the discussion that followed, the Committee on Contributions was praised for the objective manner in which it had carried out its work and for its excellent and succinct report.

11. Referring to the per capita ceiling principle, many representatives supported the recommendation of the Committee on Contributions that the principle be abolished, stating that its abolition strengthened the overriding principle of capacity to pay. The application of a principle of a per capita ceiling might have been justified at one time. Developments, however, had rendered it anachronistic and obsolete, and its continued application was likely to lead to substantial deviations in capacity to pay. Though Canada, Denmark and Sweden were to be commended for their voluntary waiver of the per capita ceiling in the scale for 1974-1976, it was pointed out that the reduction in the maximum contribution to 25 per cent had given a new dimension to the issue, the permanent solution of which could not be based on voluntary action by Members. The view was expressed that the financial burden of assessments should not be transferred to those Member States in the median and low per capita income groups and that as developed and developing countries benefited from increased economic growth and a rapid expansion in cash resources they should also be prepared to assume a proportionate increase in their assessments.

12. A few representatives, on the other hand, opposed abolition of the per capita ceiling principle for the reason that per capita income was only one of several factors that determined the nature of the economy of a country and its capacity to pay, such as the relationship of population to the area of a country, technology, industry, infrastructure, agriculture and literacy. It was pointed out that a

strong economy and a high per capita income could not be considered in isolation and to the exclusion of development requirements of a country; that an economy based on one depletable source of income was ephemeral and subject to risk; and that undue emphasis should not be placed on actual cash resources, but on the structure and soundness of a country's economy. Those representatives stated, therefore, that they could not accept any additional financial obligations which were based solely on per capita income or which did not take into consideration the norms usually followed and the factors constantly observed in assessing the economy of the developing countries. One representative reserved the right to re-open the question of the use of the per capita ceiling and capacity to pay principles at an appropriate time, stating that both were fraught with problems.

13. In connexion with the time-span of the scale of assessments, several representatives agreed with the arguments advanced by the Committee on Contributions in paragraphs 15 and 16 of its report. ^{3/} Though noting that economic changes had been substantial, they nevertheless considered that the retention of a scale based on a triennial period would allow the Committee to base its recommendations for the 1977-1979 scale on comprehensive statistical data for the years 1972, 1973 and 1974. That would allow for a more reliable averaging of economic changes. Some representatives, however, pointed out that procedures should be adapted to new circumstances and that the possibility of a change in the existing cycle of the scale to a one-year, two-year or possibly four-year period should not be excluded if current world trends continued and changes in relative capacity to pay became increasingly evident.

14. Referring to the effects of the changed economic situation and to inflationary pressures on future scales of assessment, a number of representatives agreed that a review of the low per capita income allowance formula should be undertaken by the Committee on Contributions. It was pointed out that the elements which had formed the basis for the existing formula had altered sharply since the scale for 1974-1976 had been established and that the possibility of an adjusted formula should be examined by the Committee in connexion with its next review of the scale.

15. The study of the problem of taking into account differential price changes in relation to exchange rates, to which the Committee on Contributions had made reference in its report, ^{4/} was supported by several representatives. The Chairman of the Committee on Contributions, in responding to a question raised in that connexion, explained that the basic problem was that, since all national products were expressed in United States dollars for the purpose of assessment, changes in the relation of statistical rates of assessment of particular countries could occur both because of relative changes in the real national product and because of relative changes in the price component of the national product. The price component itself, as used by the Committee, consisted of two factors: changes in domestic prices and changes in exchange rates in terms of the United States dollar. Whether exchange rates were fixed or fluctuating, the conversion of national income estimates was conceived as a continuing operation, since it was the Committee's practice to convert individual countries' national currency estimates

^{4/} Ibid., para. 17.

of national income into United States dollars at exchange rates which prevailed during the periods to which the estimates referred. As to the consideration by the Committee of groups of countries, that had no effect on individual assessments, which were based on data related to each country alone. Grouping countries by level of per capita income was for the purpose of comparative analysis by the Committee.

16. In making reference to scales of assessment of specialized agencies, one representative recalled that the General Assembly, by resolution 311 B (IV) of 24 November 1949 had authorized the Committee on Contributions to recommend or advise on the scale of contributions for a specialized agency if so requested by that agency. In the case of those agencies whose scales were based on principles applicable to the United Nations, the Committee on Contributions should be prepared to give its advisory opinion. He hoped, therefore, that the Committee would reconsider its position at its thirty-fifth session. Those views were endorsed by another representative, who requested the Committee to include in its report observations on the extent to which the specialized agencies had taken action to harmonize their scales with that of the United Nations, as requested by the General Assembly.

17. In the course of their interventions, certain representatives drew the attention of the Secretariat to the fact that as complete and up-to-date information as possible on the foreign indebtedness of Member States should be made available to the Committee on Contributions for its next review of the scale. Other representatives reiterated the need for the Committee to take into account the effects of war and natural disasters.

18. At its 1647th meeting, the Fifth Committee voted on draft resolution A recommended by the Committee on Contributions in its report. 5/ The draft resolution was adopted by 71 votes to 5, with 14 abstentions (see para. 19 below). The representative of Zaire stated that his vote might have been counted twice, pointing out that he had, in fact, voted in favour of the draft resolution.

RECOMMENDATION OF THE FIFTH COMMITTEE

19. The Fifth Committee recommends to the General Assembly the adoption of the following draft resolution:

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

The General Assembly,

Recalling its resolutions 238 (III) of 18 November 1948, 582 (VI) of 21 December 1951, 665 (VII) of 5 December 1952, 876 A (IX) of 4 December 1954, 1137 (XII) of 14 October 1957 and 2961 D (XXVII) of 13 December 1972,

5/ Ibid., para. 31.

*Recalling further the decision of the Fifth Committee 6/ which it endorsed at its 2164th plenary meeting on 9 November 1973,

Noting the recommendation of the Committee on Contributions on the per capita ceiling principle, as contained in the report on its thirty-fourth session, 7/

Decides to abolish the per capita ceiling principle in the formulation and establishment of rates of assessment, commencing with the scale for the 1977-1979 triennium.

6/ Ibid., Twenty-eighth Session, Annexes, agenda item 84, document A/9292, para. 17.

7/ Ibid., Twenty-ninth Session, Supplement No. 11 (A/9611).