

REPORT OF THE COMMITTEE ON CONTRIBUTIONS

I. INTRODUCTION

The General Assembly, at its thirty-first plenary meeting held on 13 February 1946, appointed a Committee on Contributions, with instructions to prepare a detailed scale of apportionment of expenses for consideration by the General Assembly at the second part of the first session.

1. Terms of Reference

The terms of reference of the Committee are contained in Chapter IX of the Report of the Preparatory Commission* and in the Report of the Fifth Committee** which was adopted at the first part of the first session of the General Assembly.

2. The relevant sections of the report of the Preparatory Commission incorporating the amendments of the Fifth Committee are as follows:

"The Apportionment of Expenses

12. The General Assembly has under Article 17 (2) of the Charter, the duty of apportioning the expenses of the United Nations among Members. After agreeing on certain broad principles, the General Assembly should set up during the first part of the first session a standing expert Committee on Contributions of seven members, with instructions to have a detailed scheme ready for consideration by the General Assembly during the second part of the first session. The members should be selected on the basis of broad geographical representation and experience, and should serve for relatively long terms. No two members of the Committee should be nationals of the same state,

13. The expenses of the United Nations should be apportioned broadly according to capacity to pay. It is, however, difficult to measure such capacity merely by statistical means, and impossible to arrive at any definite formula. Comparative estimates of national income would appear prima facie to be the fairest guide. The main factors which

"should be taken into account in order to prevent anomalous assessments resulting from the use of comparative estimates of national income include:

- (a) comparative income per head of population;
- (b) temporary dislocation of national economies arising out of the second world war;
- (c) the ability of Members to secure foreign currency.

Two opposite tendencies should also be guarded against: some Members may desire unduly to minimize their contributions, whereas others may desire to increase them unduly for reasons of prestige. If a ceiling is imposed on contributions the ceiling should not be such as seriously to obscure the relation between a nation's contributions and its capacity to pay. The Committee should be given discretion to consider all data relevant to capacity to pay and all other pertinent factors in arriving at its recommendations. Once a scale has been fixed by the General Assembly it should not be subjected to a general revision for at least three years or unless it is clear that there have been substantial changes in relative capacities to pay.

14. Other functions of the Committee would be:

- (a) to make recommendations to the General Assembly on the contributions to be paid by new members;
- (b) to consider and report to the General Assembly on appeals by Members for a change of assessment; and
- (c) to consider and report to the General Assembly on the action to be taken if Members fall into default with their contributions.

In connection with the latter, the Committee should advise the Assembly in regard to the application of Article 19 of the Charter."

3. In discussing the scale of advances to the Working Capital Fund, the Fifth Committee stated,

"The suggested provisional scale of advances to the Working Capital Fund is in no sense a precedent for the assessment of contributions and the Committee on Contributions which is to be appointed by the General Assembly at this session will accordingly be required to make a completely new approach towards this whole problem."

4. The General Assembly on 13 February 1946, passed the following resolution: (A/64, page 20)

"3. A standing expert Committee on Contributions of ten members (instead of seven as laid down in rule 40 of the provisional rules of procedure) be appointed with instructions to prepare a detailed scale of apportionment of expenses, based on the principles set out in paragraph 13 of Section 2 of Chapter III of the Report of the Preparatory Commission for consideration at the second part of the first session."

5. In pursuance of that resolution, the Committee was appointed by the following declaration of the Assembly on 13 February 1946. (A/64, page 23)

"The General Assembly:

1. Declares the following persons to be elected as members of the Committee on Contributions under the terms of reference laid down in rule 42 of the provisional rules of procedure:

Mr. Paul H. Appleby
Mr. M. Baumont
Mr. J. B. Bridgen
Mr. Chia Chao-Ting
Mr. Seymour Jacklin
Sir Cecil Kisch
Mr. Pavle Lukin
Dr. Martinez Cabanas
Mr. Nedim El-Pachachi
Mr. Nicolai V. Orlov

2. Declares:

Mr. J. B. Bridgen
Mr. Seymour Jacklin
Dr. G. Martinez Cabanas
Mr. Nicolai V. Orlov

to be elected for a three-year term, and

Mr. M. Baumont
Sir Cecil Kisch
Mr. Nedim El-Pachachi

to be elected for a two-year term;

3. Draws the attention of the Committee to paragraphes 12, 13, and 14 of the report on budgetary and financial arrangements contained in Section 2 of Chapter IX of the Report of the Preparatory Commission;

4. Requests the Committee to submit a detailed scale for the apportionment of expenses for consideration at the second part of the first session of the General Assembly."

According to the Report of the Fifth Committee, three of our Members:

Mr. Paul H. Appleby
Mr. Pavle Lukin
Dr. Chia Chao-Ting

were appointed for a one-year term, expiring on 13 February 1947.

6. All of the members joined in the work of the Committee with the exception of Mr. Nedim El-Pachachi and Dr. Chia Chao-Ting, who were unavoidably prevented from attending. Dr. Chia Chao-Ting designated Mr. Yee-Chun Koo to represent him. Mr. Koo participated at the first meeting of the First Session.

Thereafter Dr. Yuan-Chao Wang participated in all the meetings representing Mr. Koo.

II. PROCEEDINGS OF THE COMMITTEE

7. The Committee met for three sessions. The first two for approximately one week and the third for more than three weeks. The first began on 18 June, the second on 22 July, and the third on 9 September.

The first session of the Committee was spent on a general discussion and preliminary exploration of the manifold issues involved.

During the interval between the first and second sessions of the Committee, a Sub-Committee, with the assistance of technical consultants, examined in great detail all available data on estimates of national income, population, and income per head. The Sub-Committee was able to submit greatly improved estimates when the Committee itself assembled in July.

At the second session, the Committee examined this material and also other information bearing on war damage and temporary dislocation of national economies resulting from the war. In the process, the Committee assembled a great deal of relevant information relating to capacity to pay, apart from the aspects already mentioned, and produced tentative conclusions for later consideration.

At its third and final session, the Committee reviewed all the material available and arrived at the conclusions now to be reported.

8. The Committee wish at this point to pay tribute to the untiring zeal, skill and resource with which the technical consultants associated with it handled the statistical material. The scheme submitted in this Report has a solid basis in their work which has given it a validity that would otherwise not have been attainable.

III. GENERAL CONSIDERATIONS AND METHODS

9. The Committee has, throughout its work, kept before it the principle emphasized in the Report of the Preparatory Commission that the expenses of the United Nations "should be apportioned broadly according to capacity to pay."

10. The Committee has been conscious of the need for a scale of contributions which by its objective justification and fairness would command the approval of the United Nations. An equitable scale is of the highest importance. The total cost of the United Nations and affiliated organizations will undoubtedly be large and may be expected to increase. International contributions may well be a serious item in many national budgets and the growth of expenditure in the development of international co-operation clearly has a bearing on the degree of progressivity desirable in the assessment of the different countries. An inequitable scale of contributions would not only be inequitable but might cause serious hardship. Economy in administration and an equitable scale, recognized as imposing costs in proportion to capacity to pay, offer the best prospect of the punctual payment of contributions essential to the stability of an international organization.

11. The ideal method would be to work out a scale of relative capacities to pay by systematic statistical methods. The Committee has experimented with such methods, but the statistical material available has not been sufficiently accurate or comparable as between countries to yield results that could be regarded as convincing. Nevertheless the Committee has found these experiments invaluable in obtaining a proper perspective of its problem.

The final results that the Committee has obtained depend essentially on its judgment arrived at from consideration of all available economic data bearing on capacity to pay.

12. While much still remains to be done in the Statistical field, the Committee regards the work already done as of the highest value and as furnishing, subject to certain corrections, the best basis available at the present time of national capacity to pay.

In arriving at its conclusions the Committee has not only made use of these figures with such revisions as appeared necessary, but also examined data concerning production, foreign trade and other similar factors.

13. In determining its scale of apportionments the Committee has taken into

account the factors mentioned in its terms of reference. By having regard to differences in per capital incomes, it has given effect to the principle of progressive taxation. It has made appropriate reductions in the apportionments of countries that have suffered from the war. It has also found it necessary to take into account the indisputable fact that the relative capacity to pay of some countries has been increased since the beginning of the war.

14. The Committee has considered the scales previously adopted by other international organizations. The League of Nations' scale provided no ready solution for the present problem. The United Nations adopted a scale of advances for its Working Capital Fund that was only accepted as a temporary expedient on the understanding that a completely new scale would be established later. While the experience of other international organizations furnished some valuable indications, the Committee agreed that it was necessary to approach the whole question anew rather than to make adaptations of previous scales. Its studies thus confirmed the conclusions of the Fifth Committee of the General Assembly quoted in the introduction to this Report.

IV. FACTORS RELEVANT TO CAPACITY TO PAY

15. Relative National Incomes

The Preparatory Commission itself expressed the view that "comparative estimates of national income would appear prima facie to be the fairest guide" in drawing up the scale of contributions. The Committee therefore made a careful examination of the national income of member states on the basis of the latest information available.

Estimates for national incomes for post-war years are, of course, not available, and the Committee had in general to rely on data for the years 1938-1940.

Compilation of national income statistics is a relatively new art. It has been carried to considerable refinement in countries with statistical traditions, but the figures in many cases are rudimentary for countries whose statistical services are not developed. It must be hoped that the attention now being drawn to the

early date to a substantive improvement of the statistical apparatus of member nations and that those who may be charged in the future with similar tasks will be more favourably circumstanced than the present Committee. The successful development of national statistics should prove invaluable for just appraisal of national capacities for payment of contributions to international organizations. In this connection the Committee notes with satisfaction the importance attached to the work of the Statistical Commission in the Report of the Secretary-General.*

16. The international comparison of national incomes offers special difficulties. There is now a high degree of uniformity in the practice of estimation between the countries with advanced techniques, but elsewhere the content of national income estimates varies considerably. Moreover, the extent to which the industries and means of livelihood of a country have been commercialized by specialization and by exchange has a large influence on the measurement of its national income, and consequently upon comparabilities between countries. In an agricultural country again many services that enter into the exchange economy of an industrialized country are performed on the farm.

Further, the various national currency units have to be converted into one common denominator which, for the Committee's purpose, is the USA dollar. A great amount of careful work and detailed adjustment was required before the Committee could be satisfied that it had a reasonable basis for comparability in national incomes and could proceed with adjustments to represent current capacities to pay, taking into account any errors in the base figures which might still remain.

17. Temporary Dislocation of National Economies and Increases in Capacity to Pay Arising out of the War

The Committee made an extensive study of the changes in the economic condition of member countries due to the war. It had at its disposal the

Reports of the Commission of the Economic and Social Council on Devastated Areas. It accumulated through its technical staff statistics of all relevant economic data.

On the basis of these studies the Committee made judgments as to the extent to which the capacity to pay of countries which had suffered from the war had been reduced. The Committee cannot pretend that its determinations represent proved statistical precision. It feels confident however that it has been able to grade the countries that have suffered from enemy action according to their relative dislocation.

18. Since the Committee was forced to use 1938 to 1940 figures as its base, it found it necessary also to take into account the increased productive capacity that has been achieved in countries that did not suffer devastation from the war. Those countries that developed their resources have acquired new techniques and industrial capacity that survive into the post-war period. In some of those countries the normal rate of technological advance has been greatly accelerated. By examining statistics of production the Committee was able to make adjustments that reflect the increases in relative capacities to pay that occurred during the war and subsequently. The effect of these adjustments is of course to change for the period now under discussion the relative apportionment between the different countries.

19. In establishing the scale of contributions, the Committee endeavoured to take into account also the influence of difficulties in obtaining foreign exchange. The Committee realized that there are great differences between countries with regard to exports, accumulation of foreign exchange and the facilities of obtaining foreign loans. It is, however, extremely difficult to establish an objective criterion for the evaluation of these factors, as statistical methods are not available. The Committee found no way to make allowance for the exchange difficulty by percentage adjustments in a contributions scale.

20. Relative Per Capita National Incomes

The Assembly has directed that comparative income per head of population should be taken into account in determining apportionments. The Committee fully endorses this view and is of opinion that relative per capita incomes provide the most satisfactory basis for achieving a progressive scale of assessment. A country with a very low per capita income must devote most of its productive effort to the subsistence needs of its population. Its capacity to pay, is less than that of a country which has surplus income over and above its subsistence needs. The Committee therefore made allowances from total national income on account of per capita income. For example, in the case of countries with low per capita incomes only a portion of the total national income would be taken into account for assessment purposes, while in the case of countries with high per capita incomes all or practically all of the national income would be considered. An international scheme must be based on judgments of what should be regarded as reasonable in the light of all the circumstances.

21. Conclusion

The Committee has confined its work to making estimates of relative capacity to pay, recognizing that factors other than capacity to pay including ceiling provisions, which raise political issues, may be discussed by the General Assembly if it so desires.

By taking into account the combined effects of its estimates on account of war dislocations, war improvement, availability of foreign exchange and per capita incomes the Committee made adjustments to the scale derived from the original national income figures, and thereby arrived at the scale of relative capacities to pay that it now submits to the General Assembly. While differences in capacity to pay are very large in some instances, the Committee has exercised restraint in respect both of war allowances and degree of progressiveness. It feels confidence in its results and considers that the scale provides an appropriate estimate of capacity to pay for the years 1946,

1947 and 1948. Before the end of that period it can be hoped that the distortions in national economies produced by the war will have greatly diminished and that revised estimates can then be worked out on a firmer statistical basis. Meanwhile the Committee hopes that the exploratory work it has done in working out the present scale will prepare the way for improvement in the future.

V. SCALE

22. The Committee on Contributions submit that the following scale be accepted by the General Assembly as reflecting relative capacities to contribute to the administrative expenses of the United Nations:

<u>COUNTRY</u>	<u>RELATIVE APPORTIONMENTS BASED ON CAPACITY TO PAY</u>
Argentina	1.50
Australia	1.80
Belgium	1.20
Bolivia	0.07
Brazil	1.20
Byelorussian S.S.R.	0.20
Canada	3.10
Chile	0.40
China	2.75
Colombia	0.33
Costa Rica	0.02
Cuba	0.25
Czechoslovakia	1.05
Denmark	0.70
Dominican Republic	0.04
Ecuador	0.04
Egypt	0.70
El Salvador	0.03
Ethiopia	0.07
France	5.50
Greece	0.15
Guatemala	0.04
Haiti	0.02
Honduras	0.02
India	3.75
Iran	0.40
Iraq	0.15
Lebanon	0.05
Liberia	0.02
Luxembourg	0.04
Mexico	0.54
Netherlands	1.40
New Zealand	0.45
Nicaragua	0.02
Norway	0.45
Panama	0.04

<u>COUNTRY</u>	<u>RELATIVE APPORTIONMENTS BASED ON CAPACITY TO PAY</u>
Paraguay	0.02
Peru	0.17
Philippines	0.25
Poland	1.10
Saudi Arabia	0.07
Syria	0.10
South Africa	1.02
Turkey	0.90
Ukrainian S.S.R.	0.80
U.S.S.R.	6.00
United Kingdom	10.50
United States	49.89
Uruguay	0.15
Venezuela	0.24
Yugoslavia	0.30
	<u>100.00</u>

23. New Members

The Committee recommends that contributions for new members should be assessed in the same way as contributions for existing members and the Committee on Contributions, if the Assembly so desires, will be prepared to advise on this matter. Such contributions should be used in the first year of membership as a simple addition to revenue and should not reduce the contributions of existing members. For the first year of membership payments should be based on the number of weeks remaining in the fiscal year at the time membership was approved. In succeeding years the assessment of new members should be incorporated with the assessment of original members and the whole scale of contributions should be adjusted proportionately.