

ARTICLE 17 (2)

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TEXT OF ARTICLE 17 (2)

The expenses of the Organization shall be borne by the Members as apportioned by the General Assembly.

INTRODUCTORY NOTE

1. At the first part of its first session, the General Assembly appointed a Committee on Contributions to advise it on the apportionment of the expenses of the Organization. The General Assembly indicated, in the original terms of reference of the Committee, the principles by which the Committee should be guided. At subsequent sessions of the General Assembly, further directives have been given for the guidance of the Committee.

2. This study analyses the basis on which the expenses of the Organization have been apportioned. The first four sections deal with the fundamental principles that have been followed and the questions that have arisen in applying these principles; they outline the steps taken to deal with these questions. The fifth section deals with contributions by non-member States. The sixth section shows how the machinery established for apportioning the expenses of the Organization has operated in respect of the Working Capital Fund, while the seventh and eighth sections touch briefly on certain procedural problems.

I. GENERAL SURVEY

3. The Financial Regulations of the United Nations adopted by the General Assembly during its fifth session provide 1/ that the expenses of the United Nations shall be financed by contributions from Member States according to the scale of assessments determined periodically by the General Assembly.

4. At the first part of its first session, the General Assembly had appointed a Committee on Contributions of ten members selected on a basis of broad geographical representation, personal qualifications and experience, to advise it on the apportionment of the expenses of the Organization. 2/

5. Under its terms of reference, 3/ the Committee was instructed to apportion the expenses of the Organization "broadly according to capacity to pay". The terms of reference also set out the various factors to be taken into account in measuring such capacity. While maintaining the basic principle of apportionment according to capacity

1/ G A resolution 456 (V), annex, financial regulations 5.1 and 5.2.

2/ G A resolution 16 (I); rules 159-161 of the rules of procedure of the General Assembly, United Nations Publications, Sales No.: 1954.1.17.

3/ G A resolution 14 A (I).

to pay, the General Assembly at its third, 4/ sixth, 5/ seventh 6/ and ninth 7/ sessions gave further directives for the establishment of the scale. 8/

6. The Committee on Contributions has made annual reports 9/ to the General Assembly on the apportionment of the expenses of the United Nations. These reports have been considered by the Fifth Committee of the General Assembly at its regular session each year, and the Fifth Committee in turn has reported thereon to the General Assembly. 10/ The draft resolutions which the Fifth Committee has recommended for adoption by the General Assembly have been attached to its annual report. That annual report and the draft resolutions attached thereto have in turn been considered and voted upon by the General Assembly in plenary session.

II. ANALYTICAL SUMMARY OF PRACTICE

A. Basis for determining capacity to pay

1. Terms of reference

7. The original terms of reference 11/ of the Committee on Contributions stated that it would be difficult to measure capacity to pay merely by statistical means and that it would be impossible to arrive at any definite formula. It was indicated, however, that "comparative estimates of national income would appear prima facie to be the fairest guide". In order to prevent anomalies in the assessments resulting from the use of comparative estimates of national income, the Committee was instructed to take into account the following three main factors: (a) Comparative income per head of population; (b) Temporary dislocation of national economies arising out of the Second World War; and (c) Ability of Members to secure foreign currency.

2. Statistical information

8. For the purpose of establishing the relative capacity to pay of Member States, the Committee, as indicated in its terms of reference, has used national income estimates based on statistical information provided by the Member States themselves and submitted to the Committee by the Secretary-General. Since the General Assembly's call 12/ to Members to provide the required statistics, there has been, over the years, a progressive improvement in the statistical information available. Nevertheless, for

4/ G A resolution 238 A (III).

5/ G A resolution 582 (VI).

6/ G A resolution 665 (VII).

7/ G A resolution 876 A (IX).

8/ G A (IX), Suppl. No. 10 (A/2716), p. 7.

9/ Reports submitted by the Committee on Contributions: A/80; G A (II), 5th Com., p. 16, annex 6 (A/377); G A (III/1), Plen., annexes, p. 94, A/628; G A (IV), 5th Com., annex, vol. I, p. 123; G A (V), Suppl. No. 13 (A/1330); G A (VI), Suppl. No. 10 (A/1859); G A (VII), Suppl. No. 10 (A/2161); G A (VIII), Suppl. No. 10 (A/2461); G A (IX), Suppl. No. 10 (A/2716).

10/ Reports of the Fifth Committee on the scale of assessments: G A (I/2), Plen., p. 1559, annex 75 (A/274); A/462; G A (III/1), Plen., annexes, p. 307, A/702; G A (IV), Plen., annex, p. 163, A/1025; G A (V), annexes, a.i. 40, p. 2, A/1669 and Corr.1; G A (VI), annexes, a.i. 44, p. 1, A/2019; G A (VII), annexes, a.i. 46, p. 1, A/2286; G A (VIII), annexes, a.i. 42, p. 42 (A/2577 and Corr.1); A/2822.

11/ G A resolution 14 A (I). For text of the present terms of reference, see G A (IX), Suppl. No. 10 (A/2716), annex.

12/ G A resolution 238 A (III).

a number of Member States, the Statistical Office of the United Nations has still had to prepare estimates based on available national income data for earlier years, supplementary data provided by Governments, and other economic information. In using the statistical material provided, the Committee has taken account of the varying reliability and accuracy of the figures supplied. 13/

9. For comparative purposes, the national income estimates expressed in national currencies have been converted into a common unit, namely, the United States dollar. In recent years, the Committee has in most cases used official exchange rates for such conversion, but in a few special cases where modifications in exchange rates were recent or where multiple exchange rates prevailed, the method of conversion made allowance for the trend of prices, wages and other factors in the countries concerned. Where multiple exchange rates have been in operation, the Statistical Office of the United Nations has also consulted with the Governments concerned as to the rates most suitable for converting the national income figures into dollars. 14/

3. Use of comparative estimates of national income

10. The Committee at first based its computations of relative capacity to pay on national incomes for single years. However, at its 1952 session held in August, the Committee decided to base these computations on average national incomes for a series of years, rather than on estimates for single years, so as to reduce the effect of short-run fluctuations in economic conditions and of movements in exchange rates. At that session, it decided to use, for the first time, a two-year average of national income estimates for each country. At its 1953 session, the Committee decided, wherever practicable, to base its calculations on an average of national income estimates for three years. 15/

4. Factors to be taken into account to avoid anomalous assessments

a. COMPARATIVE INCOME PER HEAD OF POPULATION

11. The method followed in making allowance for differences in comparative per capita income was, briefly, to grant all countries with a per capita income below \$1,000 per annum a reduction of their basis of assessments by amounts which, for countries with the very lowest per capita incomes, approached a maximum of 50 per cent. 16/

b. TEMPORARY DISLOCATION OF NATIONAL ECONOMIES ARISING OUT OF THE SECOND WORLD WAR

12. When the Committee for the first time submitted a scale of assessments in 1946, it had as a basis for its work pre-war national income estimates. 17/ At that time,

13/ G A (IX), Suppl. No. 10 (A/2716), para. 5.

14/ Ibid., para. 7.

15/ Ibid., para. 9.

16/ G A (IX), Suppl. No. 10 (A/2716), para. 10. Under resolution 582 (VI), the General Assembly directed that special attention be given to countries with low per capita income. Consequently, the Committee at its 1952 meeting increased the maximum reduction from 40 to 50 per cent. Under resolutions 665 (VII) and 876 (IX), the General Assembly reaffirmed the directive to give additional recognition to countries with low per capita income and instructed the Committee to continue to do so in the future.

17/ A/80, para. 17.

it made judgements as to the extent to which the capacity to pay of countries which had suffered from the war had been reduced, and, in making allowance for that factor, graded the countries which had suffered from enemy action according to the relative dislocation of their national economies. With the use of post-war national income estimates and the improvement in statistical data, the Committee has reached the conclusion that current national income estimates made sufficient allowance for any remaining dislocation of national economies arising out of the Second World War. 18/

C. ABILITY OF MEMBERS TO SECURE FOREIGN CURRENCY

13. As a result of its consideration of the factor of the ability of Members to secure foreign currency the Committee found that it would not be practicable to make a systematic quantitative allowance for it, but took this factor into account in arriving at certain individual assessments. 19/ Furthermore, in order to lessen the difficulty of payment of contributions in United States dollars, as prescribed by financial regulation 5.5, the General Assembly each year empowered the Secretary-General to accept, at his discretion and after consultation with the Chairman of the Committee on Contributions, a portion of the contributions of Member States in currencies other than United States dollars. 20/

B. Upper and lower limits on contributions

1. *Over-all maximum ceiling*

14. At its third session, the General Assembly recognized that "in normal times no one Member State should contribute more than one-third of the ordinary expenses of the United Nations for any one year". 21/ At the same session, the General Assembly stated 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". At its seventh session, the General Assembly decided that "from 1 January 1954 the assessment of the largest contributor shall not exceed one-third of total assessments against Members". 22/

2. *Per capita ceiling*

15. At its third session, the General Assembly recognized 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". 23/ Although full effect has at no time been given to the per capita ceiling principle, it was taken into account in establishing the scale of assessments in subsequent years. 24/ At its seventh session, the General Assembly instructed the Committee to "defer further action on the per capita ceiling until new Members are admitted or substantial improvement in the economic

18/ G A (IX), Suppl. No. 10 (A/2716), para. 11.

19/ Ibid., para. 12.

20/ G A resolution 876 B (IX), para. 3, which is similar to the relevant resolutions adopted in previous years. The text of financial regulation 5.5 is as follows: "Annual contributions and advances to the Working Capital Fund of the United Nations shall be assessed and paid in United States dollars."

21/ G A resolution 238 A (III).

22/ G A resolution 665 (VII).

23/ G A resolution 238 A (III).

24/ G A (V), Suppl. No. 13 (A/1330), para. 16, and G A (VII), Suppl. No. 10 (A/2161), para. 17.

capacity of existing Members permits the adjustments to be gradually absorbed in the scale" [of assessments]. 25/ At its ninth session, the General Assembly reaffirmed this directive and instructed the Committee to apply this decision 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 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". 26/

3. Minimum assessment

16. At the second part of the first session of the General Assembly, the question of a minimum or lower limit for the contribution which any State should pay was raised in the Fifth Committee, whose Sub-Committee on Contributions recommended a minimum assessment of 0.04 per cent. This minimum assessment which was approved by the General Assembly in adopting the 1946 scale of assessments 27/ has been maintained in all subsequent scales.

4. Minimum contribution for new Members for the year of admission

17. At the second part of its first session, the General Assembly decided that new Member States should "be required to contribute to the annual budget of the year in which they were first admitted at least $33 \frac{1}{3}$ per cent of their percentage of assessment determined for the following year, applied to the budget for the year of their admission". 28/

C. Revision of scales of assessments

18. Rule 161 of the rules of procedure of the General Assembly provides that "The scale of assessments, when once fixed by the General Assembly, shall not be subject to a general revision for at least three years, unless it is clear that there have been substantial changes in relative capacities to pay." However, notwithstanding the provisions of this rule, the General Assembly has, in practice, made the scale of assessments subject to a general review on an annual basis. 29/

19. In taking this action, the General Assembly recognized that post-war world economic and financial conditions were not sufficiently stable for implementation of rule 161, and that the statistics available were not sufficiently reliable to warrant the immediate establishment of a permanent scale of assessments as envisaged by the Committee's terms of reference. With the gradual improvement in the available statistics, the Committee decided that progress could be made toward removing existing maladjustments in the scale. In recommending changes, the Committee was of the opinion that it should move cautiously and gradually in order to be satisfied fully that the changes proposed were justified by the available evidence. 30/ Consequently, it began

25/ G A resolution 665 (VII).

26/ G A resolution 876 A (IX).

27/ G A resolution 69 (I).

28/ G A resolution 69 (I).

29/ G A resolution 876 B (IX), para. 2. This resolution is similar to the resolutions relating to the scale of assessments adopted in previous years.

30/ G A (V), Suppl. No. 13 (A/1330), para. 11.

a systematic revision of the scale designed to remove the existing maladjustments and to make possible a more permanent scale within a few years. 31/ In its report to the General Assembly at its ninth session, 32/ the Committee stated that the progress made in the gradual removal of maladjustments was indicated by the steady decline in the over-all magnitude of the annual changes in the scale. Inequities still remained, however, which, the Committee considered, it would be inadvisable to remove in one step. Consequently, it recommended that the proposed scale of assessments should again apply for one year only. This recommendation was approved by the General Assembly, but during the discussions of the Committee's report in the Fifth Committee the hope was expressed that it would be possible for the Committee to remove the remaining divergencies and to establish a more permanent scale in 1955. 33/

D. Relative merits of the percentage system and the unit system of assessment

20. The scale of assessments of Member States for the apportionment of the expenses of the Organization has always been calculated on a percentage basis. The question of changing from the percentage system of assessment to the unit system was a subject of prolonged study. In a report to the General Assembly at its ninth session, the Committee on Contributions, after discussing the respective advantages and disadvantages of each method in some detail, concluded that the percentage system should be continued. 34/ These conclusions were supported by the Fifth Committee. 35/

E. Extent to which expenses have been shared by non-member States

21. The expenses of the Organization have been borne not only by Member States but, to a limited degree, by a number of non-member States which participate in various United Nations activities, and which have been called upon to contribute toward the expenses of the Organization resulting from them. Thus, non-member States contribute to meeting the expenses of: 36/ (a) The International Court of Justice 37/ (b) The United Nations in respect to its obligations resulting from international control of narcotic drugs 38/ (c) The Regional Economic Commissions. 39/

22. The percentage rates at which these non-member States were called upon to contribute were established by the Committee on Contributions according to the same principles as governed the rates of assessment for Member States. These rates were subject to consultation with the respective Governments and to approval by the General Assembly. 40/ All such contributions were taken into account as miscellaneous income. 41/

31/ G A (VI), Suppl. No. 10 (A/1859); G A (VII), Suppl. No. 10 (A/2161) and G A (VIII), Suppl. No. 10 (A/2461).

32/ G A (IX), Suppl. No. 10 (A/2716), para. 17.

33/ A/2822, para. 14.

34/ G A (IX), Suppl. No. 10 (A/2716), para. 36.

35/ A/2822, para. 25.

36/ G A resolution 493 (V) provides for assessment of non-member States that become parties to the Convention on Declaration of Death of Missing Persons, but so far no non-member States have become parties to the Convention.

37/ G A resolutions 91 (I), 363 (IV), 805 (VIII) and 806 (VIII).

38/ G A resolution 455 (V).

39/ E S C resolution 517 (XVII).

40/ G A (IX), Suppl. No. 10 (A/2716), para. 22.

41/ Financial regulation 5.9.

F. The Working Capital Fund

23. A Working Capital Fund was established by the General Assembly at the first part of its first session 42/ and has been maintained since. 43/ The Working Capital Fund has been used mainly to finance the expenses of the Organization pending the receipt of contributions from Member States. 44/ It was required that all advances from the Working Capital Fund for the financing of expenditure be reimbursed. 45/ The amount at which the Fund was to be maintained each year has varied according to the discretion of the General Assembly. 46/ For the year 1955, the amount has been fixed at \$21,500,000. 47/ The source of moneys of the Working Capital Fund has been advances from Member States made in accordance with the scale of assessments as determined by the General Assembly for the apportionment of the expenses of the United Nations. 48/

G. Adjustment of accounts with Member States and non-member States

24. There has been no established procedure for the adjustment of differences between the United Nations and the Governments of Member States and non-member States with respect to the United Nations contributions account. Cases involving such differences, which have remained unsettled for a period of years, have been brought to the attention of the General Assembly by the Board of Auditors. 49/

H. Membership of the Committee on Contributions

1. Appointment of members

25. The Committee on Contributions is an expert committee of ten members, 50/ selected on the basis of broad geographical representation, personal qualifications and experience. No two members may be nationals of the same State. Each serves for a three-year term and is eligible for re-appointment. 51/

2. Substitute members

26. No provision was made in the rules of procedure of the General Assembly or elsewhere for a substitute to act for a member of the Committee on Contributions in his absence.

27. During the sixth session of General Assembly, the question was raised in the Fifth Committee whether, in a case of absence, it was possible for an expert elected in a personal capacity to one of the subsidiary bodies of the General Assembly to be

42/ G A resolution 14 H (I).

43/ The General Assembly has annually adopted a resolution relating to the functioning of the Working Capital Fund.

44/ G A resolution 892 (IX), para. 4 (a). This resolution is similar to the resolutions relating to the Working Capital Fund adopted in previous years.

45/ Financial regulations 6.3 and 6.4.

46/ Financial regulation 6.2.

47/ G A resolution 892 (IX), para. 1.

48/ Financial regulation 6.2. Annual provision has also been made to this effect in the resolution relating to the Working Capital Fund. For the provision relating to 1955, see G A resolution 892 (IX), para. 2.

49/ G A (VIII), Suppl. No. 6 (A/2392), para. 24; G A (IX), Suppl. No. 6 (A/2649), para. 21.

50/ Rule 159 of the rules of procedure of the General Assembly.

51/ Ibid., rule 160.

replaced by a substitute. An opinion by the Legal Department of the United Nations Secretariat, which was read to the Fifth Committee by its Chairman, concluded that members of expert bodies would require the authorization of the General Assembly to appoint substitutes. 52/

28. The Chairman of the Committee on Contributions then explained 53/ that the Committee had followed the practice of accepting substitute members since its inception, that in each case when this was done the fact was reported in the Committee's report 54/ and that there had been no criticism of this procedure in the General Assembly.

29. No further action has been taken by the General Assembly in this connexion. In its reports to the General Assembly at its seventh and eighth sessions, the Committee indicated that at each session a substitute had served in the place of an appointed member. 55/

52/ G A (VI), 5th Com., 319th mtg., pp. 208-211.

53/ G A (VI), 5th Com., 341st mtg., para. 52.

54/ A/80; G A (II), 5th Com., p. 16, annex 6 (A/377); G A (III/1), Plen., annexes, p. 94, A/628; G A (IV), 5th Com., annex, vol. I, p. 123, A/954; G A (V), Suppl. No. 13 (A/1330); G A (VI), Suppl. No. 10 (A/1859).

55/ G A (VII), Suppl. No. 10 (A/2161); G A (VIII), Suppl. No. 10 (A/2461): The further statement was added that the substitute "remained in constant consultation" with the appointed member.