



**REPORT
OF
THE COMMITTEE ON
CONTRIBUTIONS**

GENERAL ASSEMBLY
OFFICIAL RECORDS : SEVENTEENTH SESSION
SUPPLEMENT No. 10 (A/5210)

UNITED NATIONS

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New York, 1962

NOTE

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I. MEMBERSHIP OF THE COMMITTEE

1. The twenty-first session of the Committee on Contributions was convened at the European Office of the United Nations, Geneva, from 18 July to 1 August 1962. The following members were present:

Mr. Antonio Arráiz
Mr. Raymond T. Bowman
Mr. C. H. W. Hodges
Mr. C. S. Jha
Mr. F. Nouredin Kia
Mr. Sidney Pollock
Mr. José Pareja y Paz Soldán

Mr. Stanislaw Raczkowski

Mr. Maurice Viaud

2. Mr. P. Chernyshev, who is a member of the Committee, was unable to attend the session and designated Mr. A. A. Roshchin to represent him, and this designation was accepted by the Committee on the basis that the substitute would remain in consultation with the member he was representing.

3. The Committee re-elected Mr. Jha as Chairman and elected Mr. Arráiz as Vice-Chairman. Mr. Jha was obliged to leave the Committee on 25 July and Mr. Arráiz acted as Chairman for the remainder of the session.

II. TERMS OF REFERENCE

4. The Committee's general terms of reference were set out in the annex to its report to the sixteenth session of the General Assembly.¹ At that session, the Assembly asked the Committee, in resolutions 1691 A (XVI) and 1691 B (XVI), to carry out certain specific tasks at its meeting in 1962. Operative paragraph 5 of resolution 1691 A (XVI) reads as follows:

"Notwithstanding the provisions of paragraph 1 above [in which the Assembly adopted the scale of

¹ *Official Records of the General Assembly, Sixteenth Session, Supplement No. 10 (A/4775 and Corr.1).*

assessments recommended for 1962-1964], the Committee on Contributions shall at its meeting in 1962 examine the scale of assessments for the years 1962, 1963 and 1964, in the light of the discussion in the Fifth Committee at the sixteenth session and in the light of such further information as might be made available to it, and shall report thereon to the General Assembly at its seventeenth session; in the event that the Assembly should at its seventeenth session revise the scale set out in paragraph 1 above, the contributions for 1962 shall be adjusted accordingly."

III. EXAMINATION OF THE SCALE OF ASSESSMENTS FOR THE YEARS 1962-1964

5. The Committee examined the scale of assessments for the financial years 1962, 1963 and 1964 in the light of the discussions in the Fifth Committee at the sixteenth session and of such further information as was made available to it. With regard to the provision of further information, the Committee was informed that, in March 1962, the Secretary-General had taken the following special steps towards preparing the documentation for the Committee's 1962 session, which was scheduled to be held in July:

(i) Invitations were issued to the Governments of Hungary, the Union of Soviet Socialist Republics, the United Kingdom and the United States of America to nominate one member each to an expert group of economist/statisticians to assist the Secretariat in preparing the documentation;

(ii) A statistical questionnaire was sent to the Governments of those Member States whose own statistics of national income are based on the concept of "net material product" rather than on the United Nations System of National Accounts.

The meeting of the expert group, which the Chairman of the Committee on Contributions and its members from the USSR and the United States had been invited to attend as observers, was, however, cancelled towards the end of June, since one of the four Governments ap-

proached did not nominate an expert and sufficient data did not become available. Replies to the questionnaire were received from four of the ten Member States to which it had been addressed.

6. In examining the scale of assessments, the Committee gave further consideration to the question raised in the Fifth Committee and by certain members, namely, how much weight should be given to the two factors of "temporary dislocation of national economies arising out of the Second World War" and "the ability of Member States to secure foreign currency" which were mentioned in the Committee's original terms of reference adopted by the General Assembly in resolution 16 (I) on 13 February 1946² among the main factors to be taken into account in order to prevent anomalous assessments arising from the use of comparative estimates of national income. Some members urged that the dislocation caused by war in the Soviet Union and in some other countries of Eastern Europe was so profound and persistent that specific allowance should be made on this account in establishing their "taxable income" for the purpose of assessment. Other members pointed out that the consequences of temporary dislocation referred to by

² For the Committee's general terms of reference, see *Official Records of the General Assembly, Sixteenth Session, Supplement No. 10 (A/4775 and Corr.1), annex.*

the General Assembly are still being felt in many other countries, particularly as regards population growth and housing; there was evidence that economic recovery in Eastern Europe has been very rapid after the war and, in any case, the effects of war dislocation were already reflected, as in the case of other countries, in national income figures. According to some members, serious difficulties experienced by certain Member States in earning dollars by exports to countries with convertible currencies should be taken into account as a further ground for specific allowances in arriving at taxable income, which could be related to their convertible currency earnings. Some members also considered that the economic situation of the under-developed countries created difficulties for such countries comparable to those resulting from war dislocations and that many of them had balance of payments problems.

7. After full discussion the Committee was unable to accept the specific proposals submitted by two members and decided to maintain the conclusions set out in several earlier reports and reiterated in the Committee's report to the sixteenth session of the General Assembly, namely:

"(1) That the consequences of war dislocations are largely reflected in the national income figures and therefore the countries concerned are receiving appropriate consideration for war damage under the existing system of allowances, and

"(2) That it would not be practicable to make a systematic allowance for the difficulty in securing foreign currency, although it may be possible to take this into account in arriving at certain individual assessments."⁸

8. The main question to which the Committee directed its attention was the problem of comparability of the national income estimates of Member States applying the concept of "net material product" and those applying the United Nations System of National Accounts. The Committee noted that the question had been raised in the Fifth Committee whether the turnover taxes levied in Member States applying the concept of "net material product" should be deducted from the national income figures which the Committee had used in 1961 as a guide in determining those Member States' relative capacities to pay. The Committee recognized that the nature of such turnover taxes, and their relationship to indirect taxes levied in other Member States, raised complex technical issues on which the opinions of specialists in national accounting theory were still divided.

9. Some members urged that in order to attain some reasonable degree of comparability the Committee should use as a guide the net national product at market prices instead of national income estimates at factor cost. This would mean the inclusion of net indirect taxes in the case of countries applying the United Nations System of National Accounts. Other members expressed the view that there are conditions under which it would not be justifiable to add anything to net national product at factor cost to make it comparable with the centrally planned economies' net national product (including non-material product) at market prices, especially as "market prices" in such economies represented realized prices rather than market prices in the normal sense. The point was also made that any addition of indirect taxes to the estimates of national income at factor cost might

mean that certain Member States would have to deduct from those estimates the amount of such public expenditures as are statistically treated as income distributed by the State. The Committee agreed that this point also required study during the consideration of the problem of the comparability of national incomes. The Committee noted that by taking the net national product (including non-material product) of the socialist countries and the net national product at factor cost of the other countries some incomparability may remain since, on the basis of the information available, no specific allowance could be made in the case of the socialist countries in respect of such elements as may correspond to the indirect taxes of the private enterprise economies. The Committee felt that at present it was not in a position to arrive at any decision with regard to the taxation factor, which is one among several to be weighed in arriving at comparable estimates of national income for all Member States. It considered that this and other questions relating to such comparability require further detailed expert study in depth. The Committee therefore recommends that the Secretary-General should undertake an expert study of different systems of national accounting with a view to obtaining advice on all relevant problems of comparability arising in the preparation of statistical material for the Committee's use when it further examines the scale of assessment.

10. In its report to the sixteenth session, the Committee described the action taken to bring, for the first time, the national income estimates of Member States applying the concept of "net material product" into closer comparability with those of other Member States by addition of an estimated value of services not included in "net material product".⁴ The Committee considered representations that the values then so added had in certain cases been too great. Additional information on this question was furnished by four Member States which also submitted figures relating to the taxation factor on which the Committee has commented in paragraph 9 above. In three cases, new data before the Committee agreed with, or indicated a greater addition for, non-material product than was made by the Committee at its last session. In one instance, the new data indicated a smaller addition for non-material product but the difference on this account would not entail a lower assessment than was recommended. Some members of the Committee considered that, during the working out of the scale of contributions, there had been erroneous calculations of the assessments of contributions of the socialist countries, due to the fact that, when calculating their national income, the prices of production were expressed in a way not comparable to non-socialist countries. There were therefore important reasons and undisputable grounds for a reconsideration of the shares of the above-mentioned four countries whose shares were incorrectly calculated and substantially increased without proper foundation. Other members pointed out that the assessments in question had been based in 1961 on the best data then available; that, in three of the cases under consideration, the percentages recommended had, in fact, been somewhat lower than what the calculations above would have entailed; that, even if some adjustments might later prove necessary on account of the taxation factor, it had been agreed that this aspect required further expert study before decisions could be reached; and that the evidence before the Committee regarding non-material product could not be said to justify the assess-

⁸ *Official Records of the General Assembly, Sixteenth Session, Supplement No. 10 (A/4775 and Corr.1), para. 16.*

⁴ *Ibid.*, para. 8.

ments being reduced. The Committee considered that on balance it would be premature to make changes in the scale on this account until there was greater agreement on all the concepts and calculations involved, particularly on those issues which were to be the subject of further expert study.

11. The Committee also considered submissions from a number of other Member States and concluded that no adjustment was at present called for in the assessments concerned.

12. During its examination of the scale, the Committee discussed the difficulties confronting Member States with low *per caput* income and assessments above the minimum of 0.04 per cent, and also the question of the minimum itself as it affected the less developed countries. In the light of the discussion in the Fifth Committee, the Committee believed that, when the scale is next reviewed, further consideration should be given to these questions, as well as to the effects of the "ceiling" and "*per caput* ceiling" principles in general.

13. Two members of the Committee abstained from approving paragraphs 5-12 above and submitted their

separate opinion as annexed to the present report (annex I).

14. The Committee felt that it was regrettable that section III of the report could not be approved unanimously and that two of its members should have decided to annex a separate opinion. The majority of the Committee felt that the views of these members are reflected, together with those of other members and within the limitations inherent in a report of this kind, in the paragraphs above. The majority of the Committee felt obliged to point out that it is incorrect to state that any members "declined to consider the practical aspects" of the problems of war dislocations and ability to secure foreign currency. These aspects were considered, but the suggestions put forward by some members appeared unacceptable to the majority. On the important question of statistical comparability, the Committee has made its position clear in paragraphs 8, 9 and 10 above. In general, the conviction was expressed that the fact that the meeting of the expert group mentioned in paragraph 5 did not take place was one of the important factors that precluded the Committee from arriving at a unanimous conclusion on these complex and technical questions.

IV. ASSESSMENT OF NEW MEMBER STATES

15. The Committee reviewed the statistical data available for the four new Member States admitted to the Organization during the sixteenth session of the General Assembly, and reached the conclusion that the minimum rate of assessment was appropriate in all four cases. The recommended assessments for these Member States are therefore as follows:

	<i>Per cent</i>
Mauritania	0.04
Mongolia	0.04
Sierra Leone	0.04
Tanganyika	0.04

16. Syria, which had resumed its separate membership in the Organization in October 1961, had been assessed jointly with the United Arab Republic at the rate of 0.30 per cent in the scale of assessments for 1962-1964, as approved by the General Assembly in paragraph 1 of resolution 1691 A (XVI), with the footnote: "Allocation between Syria and the United Arab Republic to be determined". The Committee examined the national income estimates available for the two States separately

and decided to recommend that the assessment of 0.30 per cent should be divided between them as follows:

	<i>Per cent</i>
Syria	0.05
United Arab Republic.....	0.25

17. Having agreed on the basic percentage rates of assessment for the four new Member States, the Committee considered the desirability of immediately incorporating the additional percentages in the existing scale of assessments. Since it is probable that several more new Member States may be admitted during the seventeenth session of the General Assembly, and having regard to possible consequences arising from the further expert study recommended in paragraph 9 above, the Committee recommends that the 1962 assessments for the four new Member States be additional to the scale of assessments for 1962-1964 of 100 per cent adopted by the General Assembly in operative paragraph 1 of resolution 1691 A (XVI), the contributions to be paid by the new Members being calculated on the same basis of assessment as for other Member States.

V. ASSESSMENT OF NEW MEMBER STATES FOR THE YEAR OF ADMISSION

18. Under regulation 5.8 of the Financial Regulations of the United Nations, "New Members shall be required to make a contribution for the year in which they become Members and to provide their proportion of the total advances to the Working Capital Fund at rates to be determined by the General Assembly". As regards the contribution to be paid by new Members for the year of admission, the General Assembly has decided (resolution 69 (I) of 14 December 1946) as follows:

"That new Members be required to contribute to the annual budget of the year in which they are 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."

By General Assembly decisions, exceptions have, however, been made to the one-third rule and the prescribed minimum has been reduced for practically all new Members admitted since 1955, as will be seen from the annexed statement of the proportion of assessments paid by new Members for their year of admission (annex II).

19. The dates on which the new Members now under consideration were admitted are:

<i>State</i>	<i>Date of admission</i>
Mauritania	27 October 1961
Mongolia	27 October 1961
Sierra Leone	27 September 1961
Tanganyika	14 December 1961

after discussing the various considerations involved and bearing in mind its own earlier recommendations as well as previous General Assembly decisions, the Committee decided to recommend that, should the General Assembly favour some reduction in the prescribed minimum of one-third, the reduced contribution should not be less than one-sixth of the assessment for the full year.

20. In respect of the advances of new Members to the Working Capital Fund, the Committee decided to recommend that they should be calculated by applying their percentage rates of assessment for 1962 to the

authorized level of the Fund and that these advances should be additional to the authorized level of the Fund pending the inclusion of the rates of assessment for the new Members in the scale of 100 per cent.

21. As Syria resumed its membership in the Organization in October 1961 and is not a new Member State, it is assumed that the Governments of Syria and the United Arab Republic will inform the Secretary-General of any adjustment that may be required for the full payment of the contribution for 1961.

VI. STATUS OF THE COLLECTION OF CONTRIBUTIONS

22. The Committee took note of a report by the Secretary-General on the status of payment of Member States' contributions as at 16 July 1962. This report showed the following totals of unpaid contributions on that date:

	Contributions due for 1962 \$US	Arrears due for prior years \$US
United Nations budget.....	24,622,559	5,387,784
United Nations Emergency Force Special Account	5,996,223	25,332,897
United Nations Congo <i>ad hoc</i> Account	59,457,760	51,480,610
TOTAL	90,076,542	82,201,291

23. The Committee felt bound once again to record its grave concern at the large amounts of unpaid contributions, as indicated in the preceding table. The Committee expressed the sincere hope that, in the interests of the Organization as a whole, the Member States concerned will not fail to pay their outstanding contributions as

soon as possible and that the Secretary-General will intensify, and meet with greater success in, his efforts to accelerate the collection of contributions.

24. In resolution 1731 (XVI), the General Assembly, recognizing its need for authoritative legal guidance as to the Charter obligations of Member States in the matter of financing the United Nations operations in the Middle East and in the Congo, decided to submit a question to the International Court of Justice for an advisory opinion. The International Court delivered its advisory opinion on this question on 20 July 1962.

25. At the present time, the amount of arrears due by any Member State to the regular budget is in all cases less than the amount of contributions due from it for the preceding two full years. If the contributions to the United Nations Emergency Force Special Account and to the Congo *ad hoc* Account are included in the calculations, the contributions unpaid by a few Member States would at present exceed the total amounts for which they were assessed by the General Assembly for 1960 and 1961.

VII. STUDY OF ARRANGEMENTS FOR FACILITATING THE PAYMENT OF MEMBER STATES' CONTRIBUTIONS IN CURRENCIES OTHER THAN UNITED STATES DOLLARS

26. At its sixteenth session, the General Assembly adopted the following resolution (resolution 1691 B (XVI)):

"The General Assembly,

"Bearing in mind the provisions of regulation 5.5 of the Financial Regulations of the United Nations and the existing arrangements for facilitating the payment of contributions to the regular budget of the United Nations in currencies other than United States dollars,

"Aware of the difficulties experienced by many Member States in securing United States dollars for the payment of their contributions to the regular budget of the United Nations,,

"Taking into account paragraphs 17 and 35 of the report of the Committee on Contributions,

"Considering that it is desirable to expand the existing arrangements for facilitating the payment of contributions,

"Recommends that the Committee on Contributions:

"(a) Study all the possible ways and means of expanding the existing arrangements for facilitating the payment of contributions by Member States to

the regular budget of the United Nations in currencies other than United States dollars;

"(b) Submit a detailed report and recommendations on this matter to the General Assembly at its seventeenth session."

EXISTING ARRANGEMENTS

27. Financial regulation 5.5 provides that "Annual contributions and advances to the Working Capital Fund shall be assessed and paid in United States dollars". Considering the difficulties that some Members experienced in obtaining United States dollars for the payment of their contributions and recognizing that expenditures were incurred by the United Nations in currencies other than United States dollars, the General Assembly, in its resolution 238 B (III) adopted in 1948, decided that notwithstanding the terms of the Financial Regulations "the Secretary-General shall be empowered to accept, at his discretion and after consultation with the Chairman of the Committee on Contributions, a portion of the contribution of Member States for the financial year 1949 in currencies other than United States dollars". This authority has been reaffirmed by the General Assembly for all subsequent years.

28. In determining each year the currencies other than United States dollars and amounts thereof that can be accepted in payment of contributions, an estimate is made of possible expenditures in the various currencies. The major element in the determination of the currency of the expenditures of the United Nations is the actual location of its offices, economic commissions, information centres, and other missions. Aside from the currency usage which derives from the location of offices, the major items of expenditures in non-United States currencies are: transportation, printing, purchase of equipment and supplies. The Secretary-General has each year advised Member States of the currencies in which payment of the annual contributions could be accepted and has asked them to inform him of their interest in contributing in such currencies. On the basis of the replies received and taking into account the United Nations expenditures in each currency, arrangements have been made to accord to Member States the maximum facility for payments in currencies other than United States dollars. A report by the Secretary-General on the arrangements made with Member States for payment of part of their contributions in non-United States currencies has been submitted for each year to the Committee on Contributions.

29. The arrangements made for payment by Member States of part of the 1962 contributions in currencies other than United States dollars were outlined in a letter to Member States from the Secretary-General dated 31 January 1962. This letter contained a list of nine non-United States currencies in which payment might be accepted, and Member States were requested to inform the Secretary-General in which of these currencies they would wish to effect payment in respect of their 1962 contributions, the maximum amount they would be prepared to remit in each currency, and the approximate date by which such remittance or remittances could be expected. Seventeen Member States have availed themselves of the facility to pay in one or more of the non-United States currencies, and out of the total of \$13,875,000 estimated to be required for the financing of United Nations expenditures in non-United States currencies for 1962, a total of \$5,900,000 was allocated in full compliance with the requests received from Member States.

30. In deciding on the amounts that it will be possible to accept for 1963 in currencies other than United States dollars, the Committee was informed that it may be necessary to take into account the amounts that will be paid in non-United States currencies by Governments as subscriptions to the United Nations bond issues.

POSSIBLE WAYS OF EXPANDING EXISTING ARRANGEMENTS

Payment in freely convertible currencies

31. At the twentieth session of the Committee on Contributions, it was suggested that the possibility be examined of extending the present arrangements for payment of contributions in currencies other than United States dollars to include currencies recognized as convertible under the regulations of the International Monetary Fund.

32. Under the existing arrangements, payment of contributions is already acceptable in a number of freely convertible currencies in which United Nations expenditures are incurred, within the limits of such expenditures, such as Belgian francs, Netherlands

guilders, French francs, pounds sterling and Swiss francs.

33. If the arrangement is extended to include all freely convertible currencies, irrespective of United Nations requirements in such currencies, two possibilities may be considered, namely:

(a) That all Member States whose currencies are freely convertible be permitted to pay their contributions to the United Nations in their national currencies, or

(b) That all Member States be permitted to pay their contributions in any freely convertible currency they may wish to select.

34. In all arrangements made hitherto, Member States have had the same opportunity for paying part of their contributions in non-United States currencies, and in the interest of equity the second alternative that gives all Member States the right to pay in freely convertible currency might be preferable. Furthermore, the Member States whose currencies are freely convertible could themselves at any time convert such currencies into United States dollars, and would therefore not have any difficulty in obtaining dollars for the payment of their contributions as at present required under the United Nations Financial Regulations.

35. In order to estimate the effects of the second of the two possibilities referred to in paragraph 34 above, it would probably be necessary to obtain from all Member States an indication of the freely convertible currencies in which they would in fact effect their payments. Some conclusion may perhaps be drawn from the requests received from Member States under the existing arrangements, which, as mentioned previously, include a number of freely convertible currencies. Very few requests, if any, were received for payment in the various currencies, including freely convertible currencies, the only exceptions being French francs and pounds sterling, in respect of which it was found possible to meet all requests in full within the existing arrangements.

36. The acceptance of payment of contributions in freely convertible currencies, over and above the United Nations requirements in such currencies, would, of course, mean that the United Nations would have to convert such payments into other currencies. This might in some cases result in exchange losses, and it would therefore be necessary to introduce provisions safeguarding the United Nations against such losses, which would otherwise have to be carried by all Member States whether or not they had the benefit of paying part of their contributions in non-United States currencies.

37. The unlimited acceptance of payment of contributions in freely convertible currencies might involve some complication in administration and might also reduce the amount of funds available for investment because of the distribution of many accounts in different countries as well as involving the maintenance of working balances in many currencies. The main factors to be considered in deciding on an extension of the present arrangements to include freely convertible currencies would, however, be the following:

(a) The interest that Member States would have in paying in such currencies;

(b) The guarantees that can be introduced to protect the United Nations against exchange losses that may result from such payments.

Wider usages of non-convertible currencies

38. As pointed out in paragraph 28 above, aside from the currency usage which derives from the location of offices, the major items of expenditure in non-United States currencies are: transportation, printing, purchase of equipment and supplies. There may be some scope for exploring further sources of supplies and services so that the range and amounts of acceptable currencies other than United States dollars could be broadened. At the same time, the Committee recognized that important administrative and budgetary considerations enter into the Organization's procurement and contracting policy and that uneconomic arrangements need to be avoided.

39. The suggestion was made that the Secretary-General should undertake a study of the possibility for Member States to pay a certain share of their contributions in their national non-convertible currencies.

Technical assistance programmes

40. The Committee considered the question, which had been raised by some Member States, whether payment of their total or part of their contributions

to the United Nations could be accepted in their national currencies in view of the fact that substantial amounts would be required for the financing of United Nations technical assistance programmes in their countries. It was pointed out that all arrangements of this kind would be subject to agreement by the heads of the technical assistance programmes, since the acceptance of additional funds in local currency against dollar credits might have to be considered in the light of the over-all utilization of currencies contributed to the programmes.

41. The Committee noted that the funds required by the United Nations and its specialized agencies for the financing of technical assistance programmes and projects in local currencies are to a large extent met from the voluntary contributions and the local cost assessments paid by the respective Governments in their national currencies. In some cases, however, additional funds may have to be provided by conversion of dollars or other currencies.

42. The Committee expressed the hope that the Secretary-General would, in consultation as necessary with the heads of the technical assistance programmes, keep under review the possibility of wider use of local currency in the technical assistance field.

VIII. SCALE OF CONTRIBUTIONS FOR SPECIALIZED AGENCIES

43. By resolution 311 B (IV) of 24 November 1949, the General Assembly authorized the Committee "to recommend or advise on the scale of contributions for a specialized agency if requested by that agency to do so".

44. Under this authority, the Committee supplied to specialized agencies, at their request, theoretical probable percentages in the United Nations scale for States that are not Members of the United Nations. In accordance with the arrangements made by the Committee in pursuance of the above resolution, the Secretary-General has supplied to specialized agencies, at their request, statistical data and other relevant information, including the formula used for making allowance in the United Nations scale for low *per caput* income and other explanatory material on the technical methods used by the Committee.

ANNEXES

ANNEX I

Separate opinion of Mr. S. Raczkowski (Poland) and Mr. Roshchin (Union of Soviet Socialist Republics)

1. Mr. Raczkowski and Mr. Roshchin, for the following reasons, abstained from voting on the section of the Committee's report entitled "Examination of the scale of assessments for the years 1962-1964".

2. They stated that by resolution 1691 A (XVI), the General Assembly decided that the Committee on Contributions shall "examine the scale of assessments for the years 1962, 1963 and 1964, in the light of the discussion in the Fifth Committee at the sixteenth session and in the light of such further information as might be made available to it". During the discussion in the Fifth Committee, it was pointed out that the scale of assessments presented by the Committee on Contributions was calculated incorrectly, and infringed important General Assembly resolutions relating to the apportionment of the Organization's expenses. It was also pointed out that the establishment of the scale of assessments was based on erroneous calculations. These calculations were incorrect because they depended on the comparison of economic indicators which are essentially non-comparable. To be precise, the calculation of the national income of the socialist countries was based on market prices for material and non-material output, whereas for the non-socialist countries it was based on "factor cost" prices, which are lower than the market prices because they do not include indirect taxation.

3. At the present session of the Committee on Contributions, the two members again pointed out that in establishing the scale of assessments it is necessary to adhere strictly to the resolution adopted by the General Assembly at its first session on the subject of the main factors to be taken into account in apportioning the Organization's expenses. These factors 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." (Resolution 14 A (I), para. 3.)

4. In fact, despite this resolution of the General Assembly, the Committee completely and without proper justification ignored the last two main factors, (b) and (c), in examining the scale of assessments.

5. Yet, in calculating the scale of assessments on the basis of national income data for the Member States of the United Nations during the years 1957-1959, it was impossible not to take into account the fact that a certain proportion of the national incomes of some States was used for covering expenses entailed by the Second World War. The main items of this expenditure are as follows: pensions and medical care for ex-soldiers and the families of persons killed during the war, scholarships for certain classes of students, school and boarding school fees for children whose fathers were killed in the war, the maintenance of homes for persons disabled by the war, etc. In the same category are expenditures on the restoration of the housing stock destroyed during the Second World War, and on the reconstruction of industrial, agricultural and other enterprises, highway equipment, hospitals, schools, and so on.

6. One of the indicators of the consequences of the Second World War is, for example, the fact that, according to the population census of 15 January 1959, there are now 20 million more females than males in the USSR. In the 35-39 age group, the proportion by which the number of females exceeds the

number of males is 56 per cent, in the 40-44 age group 62 per cent and in the 45-49 age group 60 per cent.

7. It was pointed out to the Committee that in the USSR, about 15 per cent of the national income in the years 1957-1959 was spent on needs arising from the consequences of the Second World War.

8. The two members suggested that, in calculating the contributions of the Members of the United Nations to the budget of the Organization, deductions should be made according to the proportion of the national income spent on needs arising from the consequences of the Second World War. Unfortunately the other members of the Committee declined to consider the practical aspects of this problem.

9. They further stated that the scale of assessments cannot be established without reference to another of the important factors mentioned by the General Assembly—the ability of Members to secure foreign currency.

10. For the United States of America, the problem of making foreign currency payments to the budget of the United Nations does not exist. The fact that United Nations Headquarters are situated in New York actually produces a flow of foreign currency into the United States, estimated at about \$50 million a year. For a number of Western countries having considerable inflows of convertible currency, the difficulty of obtaining such currency is considerably less than for many other Member countries of the United Nations. At the same time, countries whose currency is inconvertible, or whose convertible currency receipts level is low, have considerable difficulty in obtaining convertible currency, especially if restrictions of various kinds have been imposed on trade with them; and this should be taken into account in assessing the contributions of these States to the United Nations budget.

11. On the basis of the above-mentioned General Assembly resolution regarding the main factors which should be taken into account, the two members proposed that the Committee on Contributions should work out for the Member States of the United Nations a coefficient of deduction reflecting the extent of their difficulty in obtaining convertible currency. They proposed that, for each Member State, this coefficient should be based on the relationship between, on the one hand, the volume of convertible currency receipts from exports and other sources of such currency and, on the other hand, the total national income. They proposed that, for example, for States whose convertible currency receipts amount to less than 1 per cent of the national income, the coefficient of deduction should be 20 per cent, and that for States whose convertible currency receipts amount to less than 2 per cent of the national income it should be 10 per cent.

12. The two members were obliged regretfully to note that the other members of the Committee declined to consider the practical aspects of this problem.

13. Thus they had to point out that, despite the General Assembly's resolution regarding the need for taking the above-mentioned main factors into account in establishing the scale of assessments, the Committee ignored these factors and thus evaded the task of carrying out the General Assembly's resolution.

14. There was also some discussion in the Committee on the question of both upper and lower "ceilings" established for assessing the contributions of particular States. The two

members pointed out that such "ceilings" are contrary to the basic criterion laid down by the first session of the General Assembly for the contributions of Members of the United Nations for covering the Organization's expenses, namely that the assessments should be calculated according to the Member countries' ability to pay. They considered that a review of the question of "ceilings" is of primary and urgent importance, and that the whole financial position of the United Nations depends on a correct solution of this question.

15. It was their opinion that, in strict accordance with the General Assembly's directives, the Committee could consider the practical aspects of the question of "ceilings" at the present session and work out definite recommendations on the subject. At the same time, they considered that the belief expressed by the Committee that this question should be considered at the next review of the scale of assessments represents some advance towards a solution of this urgent and important question.

16. At the present session of the Committee, consideration was given to the question referred to above, namely that the national income data used for calculating the assessment of the Member States' contributions to the United Nations budget are not comparable, and as a result the calculations of the assessments proved to be incorrect. In order to make sure that the national income figures for the socialist and non-socialist Member States of the United Nations are comparable, the two members suggested that all calculations should be made in comparable market prices. For this purpose, they proposed that indirect taxes should be included in the national income figures for the non-socialist countries, and that the scale of assessments should be revised accordingly.

17. The Committee on Contributions decided to postpone the review of the scale of assessments necessitated by the non-comparability of the figures used for the calculations until the question had been studied by experts. At the same time, the

Committee refused to recognize the perfectly obvious fact that the national income figures are non-comparable, and merely conceded that some incomparability may exist since no specific allowance had been made in the case of the socialist countries in respect of such elements as may correspond to the indirect taxes of the private enterprise economies.

18. The two members considered that direct recognition by the Committee of the non-comparability of the national income figures used for calculating the scale of assessments for 1962, 1963 and 1964 would help to secure the speedy removal of an anomaly in the calculation of the scale—an anomaly which has resulted in an unjustifiably high level of assessment for the socialist States.

19. They therefore considered that, in order to remove the anomaly in the calculation of the scale of assessments, it is necessary:

(a) To take into account the following two main factors laid down by the first session of the General Assembly: temporary dislocation of national economies arising out of the Second World War, and the ability of Members to secure foreign currency;

(b) To reconsider the upper and lower "ceilings" established for the assessments of certain States, since these ceilings are contradictory to the basic principle that the assessments of States should be calculated according to the ability of the States to pay;

(c) To establish comparability between the figures used for calculating the scale of assessments, for without such comparability the calculation would be arbitrary and not scientific.

20. These measures would remove the serious defects and the inaccuracies which have been allowed to enter into the calculation of the existing scale of assessments, and the finances of the United Nations would be correspondingly simplified.

ANNEX II

Statement of proportion of assessments paid by new Member States for their year of admission

State	Date of admission	Proportion of assessment paid	State	Date of admission	Proportion of assessment paid
1. Afghanistan	19 November 1946	1/3	26. Morocco	12 November 1956	1/9
2. Iceland			27. Sudan		
3. Sweden			28. Tunisia		
4. Thailand	16 December 1946	Nil	29. Japan	18 December 1956	1/9
5. Yemen	30 September 1947	1/3	30. Ghana	8 March 1957	1/3
6. Pakistan	30 September 1947	"	31. Federation of Malaya	17 September 1957	1/6
7. Burma	19 April 1948	2/3	32. Guinea	12 December 1958	1/9
8. Israel	11 May 1949	7/12	33. Cameroun	20 September 1960	1/9
9. Indonesia	28 September 1950	1/3	34. Central African Republic		
10. Albania	14 December 1955	1/9	35. Chad		
11. Austria			36. Congo (Brazzaville)		
12. Bulgaria			37. Congo (Leopoldville)		
13. Cambodia			38. Cyprus		
14. Ceylon			39. Dahomey		
15. Finland			40. Gabon		
16. Hungary			41. Ivory Coast		
17. Ireland			42. Madagascar		
18. Italy			43. Niger		
19. Jordan			44. Somalia		
20. Laos			45. Togo		
21. Libya			46. Upper Volta		
22. Nepal			47. Mali	28 September 1960	1/9
23. Portugal			48. Senegal	28 September 1960	1/9
24. Romania			49. Nigeria	7 October 1960	1/9
25. Spain					

" The Government of India paid the total 1947 and 1948 assessments for India and Pakistan, subject to an inter-governmental adjustment between the two States.

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