NOTE ON THE USE OF THE AUSTRIAN CONTRIBUTION
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The following clauses apply:

CONVENTION

"Article VII"

1. Each Member State shall contribute both to the capital expenditure and to the current operating expenses of the Organization.

(a) for the period ending on the thirty-first of December, 1956, as set out in the Financial Protocol annexed to this Convention, and, thereafter;

(b) in accordance with a scale which shall be decided every three years by the Council by a two-thirds majority of all the Member States, and shall be based on the average net national income at factor cost of each Member State for the three latest preceding years for which statistics are available, except that

(i) no Member State shall, in respect of the basic programme, be required to pay contributions in excess of twenty-five per cent of the total amount of contributions assessed by the Council to meet the cost of that programme;

(ii) the Council may decide, by a two-thirds majority of all the Member States, to take into account any special circumstances of a Member State and adjust its contribution accordingly."
"Article 4

(4) When any State becomes a member of the Organization after the thirty-first of December, 1954, the contributions of all Member States shall be re-assessed and the new scale shall take effect as from the beginning of the current financial year. Reimbursements shall be made, if necessary, to ensure that the contributions paid by all the Member States for that year are in conformity with the new scale."

It might be argued that the effect of these provisions read together is that both the annual contribution of Austria for the second six months of 1959 and their special contribution should be applied to reducing the amounts payable by Member States for 1959, and if necessary reimbursing them for any over-payments which might prove to have been made when the scale of contributions was recalculated. However, since Article 4 (4) of the Protocol refers to the recalculation of the scale of contributions, it seems irrational that this should be applied to the capital and "windfall" element in the Austrian payments, namely the special contribution. This should surely be applied as far as possible to capital purposes or the reduction of debt. Moreover, even as regards the six months' current contribution for 1959, it is suggested that there would be little point in using this to reimburse to Member States part of their 1959 contributions if the only effect were to be that they would sooner or later have to increase their contributions in future years so as to avoid the Organization running into debt owing to arrears of contributions. Article VII 3(b) clearly lays down the point of principle, that all contributions, annual or special, should be used for the relief of the budget and not for increasing expenditure. In the present circumstances, with expenditure for the next three years likely to press very hard on a rigidly fixed budget, it appears that the use of the whole Austrian special contribution, as it is paid and of the six months' current contribution for 1959 in order to reduce the "arrears of contribution" item in the balance sheet, could, if the Council so resolves, be regarded as a legitimate interpretation of the purpose of the Convention. The Austrian current contributions for 1960 and subsequent years will obviously affect the scale of contributions in those years.