FINANCE COMMITTEE

Forty-sixth Meeting

Geneva - 11 September, 1962

SPECIAL CONTRIBUTION

(by the Directorate Member for Administration)
SPECIAL CONTRIBUTION

1. At the Forty-fifth Meeting of the Finance Committee, during the discussion of the accounts for 1961, the British Delegation referred to the item "Fund for Special Contributions - 1 552 800 Swiss francs" which appears in the balance sheet. There was a brief discussion of this item and Finance Committee finally agreed that the Administration should prepare a paper putting forward proposals for this fund. The history of this fund is as follows:

At the Fourteenth Session of Council, in December 1959, there was considered a paper CERN/332 which proposed that the Austrian current contribution for the second half of 1959 and their special contribution, which was to be paid over three annual instalments, should be placed in a suspense account held at the disposal of Member States, but that for the moment Member States should not draw on these funds. This was approved by the Council subject to the following (U.K.) reservations:

" 1) The arrangements made under the terms of this resolution should be reviewed within twelve months;

2) the funds should eventually be used to decrease the contributions of the other Member States; and

3) the resolution should not have the effect of relaxing the efforts made to obtain payment of arrears of contributions."

(CERN/341, page 37)

During the discussion in 1960 of the reduction in the rate of the contribution of Yugoslavia, which seemed likely to supervene in the middle of a financial year, it was pointed out that the effect of this reduction, after the contributions had been fixed for that year, and unless the Member States were prepared to see the contributions of other Member States raised, would leave a gap of 845 000 Swiss francs in CERN's accounts for the year (CERN/356). Such a course in the middle of the year would have been embarrassing for several Member States and would moreover have run into the difficulty that it would have raised the British contribution above the maximum of 25% required by the Convention. It was therefore suggested that the Administration should be authorized to borrow from the 845 000 Swiss francs of the suspense account mentioned in the previous paragraph. The Council approved these arrangements at its session on 14 June, 1960 (last paragraph of page 5, CERN/366).
Later in the same year the Finance Committee proposed (CERN/383), and the Council approved at its session on 8/9 December, that the 845,000 Swiss francs should definitely be transferred from the suspense to revenue account (item 9, page 13, CERN/389).

When Spain became a member of the Organization at the end of 1960, the percentage contributions of other Member States was for the following years automatically reduced and the first instalment of the special contribution which was to be paid in equal instalments over three years was placed in the special suspense fund. The position and composition of this account was reported to the Council in the introduction to the accounts for 1961.

The make-up of the items in the 1961 accounts and the future development of this account are indicated in the following table:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austrian contribution 2nd half of 1959</td>
<td>497,800.---</td>
</tr>
<tr>
<td>Special contribution</td>
<td>1,000,000.---</td>
</tr>
<tr>
<td>1/3 special contribution Spain 1961</td>
<td>900,000.---</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,397,800.---</strong></td>
</tr>
</tbody>
</table>

Transfer to revenue account as a result of reduction in Yugoslav contribution | 845,000.---
Balance at 31.12.61 | 1,552,800.---

1/3 special contribution Spain 1962 | 900,000.---
Balance at 31.7.62 | 2,452,600.---

1/3 scheduled for 1963 | 900,000.---
Expected total at end July 1963 | 3,352,800.---

Consisting of:
- Austria | 652,800.---
- Spain | 2,700,000.---

2. Early in 1962, while discussions were in progress with the Yugoslav Government to see whether financial arrangements could be made which would enable Yugoslavia to remain a member of the Organization, the following paragraph occurred in a paper (CERN/436) which was put to the Committee of Council, which was then considering the possibility of a moratorium or a reduced rate of repayment of the Yugoslav arrears of contributions:
"Owing to the combined Greek and Yugoslav arrears of contribution, CERN is short of money at the end of each year and has, up to the present, been able to carry over only because such items as the special contributions of Spain and Austria, guarantee sums retained against construction contracts, and so on, have made up the cash deficit. If, at any time, the Council decided to distribute to Member States the special contributions, now kept in a special account, CERN would sooner or later have to borrow to fill the gap, or to ask for increased contributions from Member States for the same purpose. It is therefore proposed that the Council should be asked to resolve that the whole of the remaining special contribution of Austria, plus the special contribution of Spain, should be left in a special account, to be available at year-end for financial purposes, not to form part of any annual budget, and that the question of its distribution to Member States should not be considered until the arrears of the contributions had been cleared. This should be done in any case, and, if it is done, we could face the somewhat worsened position which would result if the Yugoslav arrears, instead of reducing year by year, were left stable for a period or, under proposition 2c), the rate of reduction were considerably smaller. If the Council is prepared to freeze the special contribution fund for the moment, we could therefore accept either proposal 2a) (or 2c) and offer the Yugoslav Government a moratorium for 5 years."

In the event, the negotiations with Yugoslavia broke down and the point raised in the above quotation was not brought to the Council but the position remained as it was, or, if anything, became worse owing to the increasing stringency of the budget situation. The Finance Committee is therefore invited to consider recommending to the Council a resolution based upon the proposal set out above.