

August 2011



منظمة الأغذية
والزراعة للأمم
المتحدة

联合国
粮农组织
农业组织

Food and
Agriculture
Organization
of the
United Nations

Organisation des
Nations Unies
pour
l'alimentation
et l'agriculture

Продовольственная и
сельскохозяйственная
организация
Объединенных
Наций

Organización
de las
Naciones Unidas
para la
Agricultura y la
Alimentación

FINANCE COMMITTEE

Hundred and Fortieth Session

Rome, 10 - 14 October 2011

Incentive Scheme for Prompt Payment of Contributions

Queries on the substantive content of this document may be addressed to:

Mr Nicholas Nelson

Officer in Charge, Finance Division

Tel: +3906 5705 6040

This document is printed in limited numbers to minimize the environmental impact of FAO's processes and contribute to climate neutrality. Delegates and observers are kindly requested to bring their copies to meetings and to avoid asking for additional copies. Most FAO meeting documents are available on the Internet at www.fao.org

EXECUTIVE SUMMARY

- The Incentive Scheme for Prompt Payment of Contributions document presents information on Member Nations qualifying for a discount for prompt payment of contributions in 2011.
- Applying the standard methodology, market rates have been used to arrive at the calculation of suggested discount rates of 0.04% for the US dollar and 0.21% for the Euro assessments.
- A full list of eligible countries in 2011 is provided in the Appendix which shows that the total discount for 2011 would amount to USD 12,650.55 and EUR 64,715.08, applicable to the 2012 Assessments of 51 Members.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Director-General seeks the Finance Committee's concurrence with the discount rate to be used in applying credits to 2012 assessed contributions.

Draft Advice

- **Considering the importance of sending a signal to members regarding the need for early payment of contributions, the Committee agreed that the discount rate should be set at 0.04% for the US dollar and 0.21% for the Euro assessments.**

Introduction

1. The Conference, at its Twenty-sixth Session in November 1991¹, noted that the Director-General should consult the Finance Committee in determining the discount rate to be applied for prompt payment of contributions.
2. The methodology currently in use in the determination of the incentive discounts was approved by the Finance Committee at its 88th Session in September 1997. Most notably the requirement is that a discount is earned if the full assessment is paid prior to 31 March of the year of the assessments, and that the discount earned is applied in the year after payment.
3. The purpose of this paper is to provide information on the amount of discount earned on qualifying contributions in 2011 and request the Finance Committee's concurrence with the discount rate to be used in applying credits to 2012 contributions.

Recent experience

4. Following the period 2004-2008 during which the discount rate had been set at zero, at its 128th meeting in July 2009, the Committee agreed that positive discount rates should be reinstated to apply as credits towards 2010 contributions for Members who paid their assessed contributions in full by the end of the first quarter 2009. At its 135th meeting in October 2010, the Committee recalled discussions in several past sessions concerning the efficacy and appropriateness of the incentive scheme to encourage prompt payment of contributions and reconfirmed positive discount rates for assessed contributions paid in full by 31 March 2010.
5. Table 1 provides information on the number of Member Nations which qualified for discounts in the period since 2004.

Table 1

Year	No. of Member Nations meeting conditions for discount	Assessed Contributions paid to which discount rate is applied		Discount	
		USD	EUR	USD	EUR
2004	35	23,400,883	24,099,178	0	0
2005	40	29,458,815	30,337,881	0	0
2006	37	37,904,736	37,958,309	0	0
2007	53	34,360,581	34,415,238	0	0
2008	38	49,208,372	42,115,371	0	0
2009	50	34,716,179	29,712,114	5,124	62,854
2010	53	40,492,139	39,455,574	15,951	22,203

Proposed discount rate for 2011

6. In calculating the proposed discount rate to be applied to 2012 assessed contributions, in accordance with the standard methodology, an average of the Euro and US dollar interest rates for the first three months of 2011 has been used to determine the amount of discount to credit to the Member Nations who qualify, applying one fourth of this average for the first ninety days of 2011.
7. The interest rates (Libor 1 month on Euro and BIS FIXBIS 1 month on US dollar) on deposits during the first quarter of 2011 are shown in Table 2:

¹ C 91/REP, para 338 & 339

Table 2

Date	USD	EUR
2 January 2011	0.18% p.a.	0.71% p.a.
2 February 2011	0.16% p.a.	0.855% p.a.
2 March 2011	0.14% p.a.	0.81938% p.a.
31 March 2011	0.08% p.a.	0.91625% p.a.

8. Numerical averages of the respective interest rates gives 0.14% per annum for US dollars and 0.8252% for Euro: quarterly discount rates are 0.04% and 0.21% respectively.

9. The application of these rates to the assessments paid in full by 31 March 2011 of USD 56,600,693 and Euro 55,151,763 would result in total discounts of USD 12,651 and Euro 64,715 respectively. These discounts would be credited to the 2012 assessments of the 51 Member Nations which paid the full amount of their assessment (in both USD and Euro) by 31 March 2011. A full list of those Member Nations qualifying for a discount for prompt payment in 2011 is provided in the Appendix.

10. The rules also provide that the amount of such credits should not exceed the interest earned on Regular Programme funds during the year. Accordingly, a final decision on whether to apply the discounts for 2011 will be taken at year-end when the actual amount of interest earned on Regular Programme funds is known.

Appendix

Member Nations eligible for Discount at 31 March 2011

	Member Nations	2011 Assessment (USD)	2011 Assessment (EUR)	Date of Receipt	No. of Days	Potential Discount (USD)	Potential Discount (EUR)
1	Algeria	184,318.21	179,599.82	28 January 2011	63	51.61	264.01
2	Angola	6,429.71	6,265.11	01 January 2011	90	2.57	13.16
3	Belarus	42,864.70	41,767.40	14 February 2011	46	8.76	44.83
4	Benin	2,143.24	2,088.37	01 January 2011	90	0.86	4.39
5	Bhutan	2,143.24	2,088.37	28 January 2011	63	0.60	3.07
6	Bosnia and Herzegovina	12,859.41	12,530.22	03 March 2011	29	1.66	8.48
7	Burkina Faso	4,286.47	4,176.74	01 January 2011	90	1.71	8.77
8	Canada	6,412,559.12	6,248,403.04	01 January 2011	90	2,565.02	13,121.65
9	Central African Republic	2,143.24	2,088.37	01 January 2011	90	0.86	4.39
10	Chad	2,143.24	2,088.37	01 January 2011	90	0.86	4.39
11	Congo	2,143.24	2,088.37	01 January 2011	90	0.86	4.39
12	Cyprus	94,302.34	91,888.28	01 March 2011	31	12.99	66.47
13	Czech Republic	604,392.27	588,920.34	20 January 2011	71	190.72	975.64
14	Denmark	1,592,423.61	1,551,658.91	28 January 2011	63	445.88	2,280.94
15	Egypt	190,747.92	185,864.93	16 March 2011	16	13.56	69.39
16	Eritrea	2,143.24	2,088.37	29 March 2011	3	0.03	0.15
17	Estonia	34,291.76	33,413.92	09 February 2011	51	7.77	39.76
18	Fiji	6,429.71	6,265.11	03 February 2011	57	1.63	8.33
19	Finland	1,215,214.25	1,184,105.79	04 February 2011	56	302.45	1,547.23
20	France	13,570,964.02	13,223,558.84	31 March 2011	1	60.32	308.55
21	Gambia	2,143.24	2,088.37	01 January 2011	90	0.86	4.39
22	India	968,742.22	943,943.24	23 March 2011	9	38.75	198.23
23	Indonesia	347,204.07	338,315.94	07 March 2011	25	38.58	197.35
24	Ireland	958,026.05	933,501.39	18 January 2011	73	310.83	1,590.06
25	Israel	902,301.94	879,203.77	02 March 2011	30	120.31	615.44
26	Kuwait	392,212.01	382,171.71	04 February 2011	56	97.62	499.37
27	Lao People's Democratic	2,143.24	2,088.37	04 February 2011	56	0.53	2.73
28	Latvia	38,578.23	37,590.66	01 January 2011	90	15.43	78.94
29	Mali	2,143.24	2,088.37	01 January 2011	90	0.86	4.39
30	Mauritius	23,575.59	22,972.07	11 March 2011	21	2.20	11.26
31	Monaco	6,429.71	6,265.11	02 February 2011	58	1.66	8.48
32	Mongolia	2,143.24	2,088.37	01 February 2011	59	0.56	2.87
33	Mozambique	2,143.24	2,088.37	14 March 2011	18	0.17	0.88
34	Namibia	12,859.41	12,530.22	01 January 2011	90	5.14	26.31
35	Netherlands	4,033,568.27	3,930,312.34	11 February 2011	49	878.42	4,493.66
36	New Zealand	550,811.40	536,711.09	07 February 2011	53	129.75	663.73
37	Oman	156,456.16	152,451.01	23 February 2011	37	25.73	131.62
38	Romania	150,026.45	146,185.90	29 March 2011	3	2.00	10.23
39	Russian Federation	2,584,741.41	2,518,574.22	22 March 2011	10	114.88	587.67
40	Rwanda	2,143.24	2,088.37	09 February 2011	51	0.49	2.49
41	Saudi Arabia	1,611,712.72	1,570,454.24	01 March 2011	31	222.06	1,135.96
42	Slovakia	135,023.81	131,567.31	02 February 2011	58	34.81	178.05
43	Solomon Islands	2,143.24	2,088.37	01 January 2011	90	0.86	4.39
44	Suriname	2,143.24	2,088.37	28 March 2011	4	0.04	0.19
45	Sweden	2,306,120.86	2,247,086.12	22 February 2011	38	389.48	1,992.42
46	Switzerland	2,619,033.17	2,551,988.14	31 January 2011	60	698.41	3,572.78
47	Syrian Arab Republic	34,291.76	33,413.92	24 March 2011	8	1.22	6.24
48	Thailand	400,784.95	390,525.19	31 January 2011	60	106.88	546.74
49	Tonga	2,143.24	2,088.37	01 January 2011	90	0.86	4.39
50	Trinidad and Tobago	57,867.35	56,385.99	21 January 2011	70	18.00	92.10
51	United Kingdom	14,306,093.63	13,939,869.75	01 January 2011	90	5,722.44	29,273.73
	Total	\$ 56,600,693.12	€ 55,151,763.33			\$ 12,650.55	€ 64,715.08