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FINANCE COMMITTEE

Hundred and Fifty-first Session

Rome, 11 - 15 November 2013

**Incentive Scheme to encourage Prompt Payment of Contributions
Determination of Discount Rate**

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EXECUTIVE SUMMARY

- The Incentive Scheme to encourage Prompt Payment of Contributions document presents information on Member Nations qualifying for a discount for prompt payment of contributions in 2013.
- Applying the standard methodology, market rates have been used to arrive at the calculation of suggested discount rates of 0.03% for the US dollar and 0.01% for the Euro assessments.
- A full list of eligible countries in 2012 is provided in the Appendix which shows that the total discount for 2013 would amount to USD 7,720.19 and EUR 1,978.57, applicable to the 2014 Assessments of 55 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 2014 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 0.03% for the US dollar and 0.01% 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 2013 and request the Finance Committee's concurrence with the discount rate to be used in applying credits to 2014 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, 140th meeting in October 2011, and 147th meeting in November 2012, 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, 31 March 2011 and 31 March 2012 respectively. At its 148th meeting in March 2013 following a discussion on the effectiveness and costs of the incentive scheme, and considering the importance of sending a strong signal to Members regarding the importance of making timely payment of contributions, the Committee agreed to maintain the incentive scheme.

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
2011	51	56,600,693	55,151,763	12,651	64,715
2012	47	52,075,224	40,038,217	3,040	35,058

¹ C 91/REP, para 338 & 339

Proposed Discount Rate

6. In calculating the proposed discount rate to be applied to 2014 assessed contributions, in accordance with the standard methodology, an average of the Euro and US dollar interest rates for the first three months of 2013 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 2013.

7. The interest rates (Libor 1 month on Euro and BIS FIXBIS 1 month on US dollar) on deposits during the first quarter of 2013 are shown in Table 2:

Table 2

Date	USD	EUR
2 January 2013	0.16 % p.a.	0.05214 % p.a.
1 February 2013	0.10 % p.a.	0.05571 % p.a.
1 March 2013	0.12 % p.a.	0.05571 % p.a.
28 March 2013	0.11 % p.a.	0.06071 % p.a.

8. Numerical averages of the respective interest rates gives 0.12% per annum for US dollars and 0.06% for Euro: quarterly discount rates are 0.03% and 0.01% respectively.

9. The application of these rates to the assessments paid in full by 31 March 2013 of USD 37,798,934 and EUR 29,061,842 would result in total discounts of USD 7,720.19 and EUR 1,978.57 respectively. These discounts would be credited to the 2014 assessments of the 55 Member Nations which paid the full amount of their assessment (in both USD and EUR) by 31 March 2013. A full list of those Member Nations qualifying for a discount for prompt payment in 2013 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 2013 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 2013

	Member Nations	2013 Assessment (USD)	2013 Assessment (EUR)	Date of Receipt	No. of Days	Potential Discount (USD)	Potential Discount (EUR)
1	Algeria	319,951.61	245,995.91	08 February 2013	52	55.46	14.21
2	Bosnia and Herzegovina	34,723.43	26,697.23	15 February 2013	45	5.21	1.33
3	Burundi	2,480.25	1,906.95	01 January 2013	90	0.74	0.19
4	Cambodia	7,440.74	5,720.84	23 January 2013	68	1.69	0.43
5	Canada	7,991,349.39	6,144,176.79	01 January 2013	90	2,397.40	614.42
6	Central African Republic	2,480.25	1,906.95	01 January 2013	90	0.74	0.19
7	Colombia	359,635.53	276,507.03	26 March 2013	6	7.19	1.84
8	Cyprus	114,091.27	87,719.47	17 January 2013	74	28.14	7.21
9	Czech Republic	870,566.00	669,337.70	01 January 2013	90	261.17	66.93
10	Democratic Republic of the Congo	7,440.74	5,720.84	08 February 2013	52	1.29	0.33
11	Denmark	1,835,381.30	1,411,139.30	22 February 2013	38	232.48	59.58
12	Egypt	235,623.28	181,159.78	19 February 2013	41	32.20	8.25
13	Estonia	99,209.80	76,277.80	11 January 2013	80	26.46	6.78
14	Finland	1,411,259.41	1,085,051.71	19 February 2013	41	192.87	49.43
15	Gambia	2,480.25	1,906.95	01 January 2013	90	0.74	0.19
16	Haiti	7,440.74	5,720.84	29 January 2013	62	1.54	0.39
17	India	1,331,891.57	1,024,029.47	02 January 2013	89	395.13	101.27
18	Indonesia	592,778.56	455,759.86	26 February 2013	34	67.18	17.22
19	Ireland	1,240,122.50	953,472.50	14 January 2013	77	318.30	81.57
20	Israel	957,374.57	736,080.77	01 January 2013	90	287.21	73.61
21	Jordan	34,723.43	26,697.23	25 March 2013	7	0.81	0.21
22	Kiribati	2,480.25	1,906.95	21 February 2013	39	0.32	0.08
23	Kuwait	654,784.68	503,433.48	06 March 2013	26	56.75	14.54
24	Latvia	94,249.31	72,463.91	09 January 2013	82	25.76	6.60
25	Lesotho	2,480.25	1,906.95	27 February 2013	33	0.27	0.07
26	Luxembourg	225,702.30	173,532.00	28 January 2013	63	47.40	12.15
27	Malaysia	629,982.23	484,364.03	13 March 2013	19	39.90	10.23
28	Mali	7,440.74	5,720.84	01 January 2013	90	2.23	0.57
29	Mauritius	27,282.70	20,976.40	11 January 2013	80	7.28	1.86
30	Monaco	7,440.74	5,720.84	19 February 2013	41	1.02	0.26
31	Mozambique	7,440.74	5,720.84	21 March 2013	11	0.27	0.07

	Member Nations	2013 Assessment (USD)	2013 Assessment (EUR)	Date of Receipt	No. of Days	Potential Discount (USD)	Potential Discount (EUR)
32	Myanmar	14,881.47	11,441.67	22 February 2013	38	1.88	0.48
33	Namibia	19,841.96	15,255.56	26 February 2013	34	2.25	0.58
34	Netherlands	4,623,176.68	3,554,545.48	19 February 2013	41	631.83	161.93
35	New Zealand	679,587.13	522,502.93	11 February 2013	49	111.00	28.45
36	Nicaragua	7,440.74	5,720.84	05 February 2013	55	1.36	0.35
37	Norway	2,170,214.38	1,668,576.88	20 February 2013	40	289.36	74.16
38	Oman	215,781.32	165,904.22	01 January 2013	90	64.73	16.59
39	Panama	54,565.39	41,952.79	19 March 2013	13	2.36	0.61
40	Philippines	225,702.30	173,532.00	25 February 2013	35	26.33	6.75
41	Romania	441,483.61	339,436.21	28 January 2013	63	92.71	23.76
42	Russian Federation	3,993,194.45	3,070,181.45	28 January 2013	63	838.57	214.91
43	Saint Lucia	2,480.25	1,906.95	01 February 2013	59	0.49	0.13
44	Samoa	2,480.25	1,906.95	15 February 2013	45	0.37	0.10
45	San Marino	7,440.74	5,720.84	22 February 2013	38	0.94	0.24
46	Sudan	24,802.45	19,069.45	01 January 2013	90	7.44	1.91
47	Suriname	7,440.74	5,720.84	11 February 2013	49	1.22	0.31
48	Sweden	2,651,381.91	2,038,524.21	15 February 2013	45	397.71	101.93
49	Switzerland	2,815,078.08	2,164,382.58	22 January 2013	69	647.47	165.94
50	Thailand	520,851.45	400,458.45	18 February 2013	42	72.92	18.69
51	Timor-Leste	2,480.25	1,906.95	01 January 2013	90	0.74	0.19
52	Tonga	2,480.25	1,906.95	22 January 2013	69	0.57	0.15
53	Trinidad and Tobago	109,130.78	83,905.58	22 January 2013	69	25.10	6.43
54	Viet Nam	81,848.09	62,929.19	06 March 2013	26	7.09	1.82
55	Zimbabwe	7,440.74	5,720.84	08 March 2013	24	0.60	0.15
	Total	\$ 37,798,933.80	€ 29,061,841.80			\$ 7,720.19	€ 1,978.57