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Продовольственная и
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Organización
de las
Naciones Unidas
para la
Alimentación y la
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FINANCE COMMITTEE

Hundred and Forty-third Session

Rome, 7 - 11 May 2012

Financial Position of the Organization as at 31 December 2011

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EXECUTIVE SUMMARY

The Report on the Financial Position of the Organization presents an overview of the unaudited results for the biennium ended 31 December 2011. The main points highlighted in the report are:

- **Regular Programme Liquidity Position and Outstanding Contributions.** As at 31 December 2011, the balance of Regular Programme cash, cash equivalents and short term deposits increased to USD 61.3 million (USD 55.4 million restated at 31 December 2009).
- **IPSAS Accounting Standards.** The Organization has implemented IPSAS Accounting Standards in relation to the accounting for and disclosure of its cash, cash equivalents and investment portfolios. This has resulted mainly in a reclassification between Short Term Investments and Cash and Cash Equivalents as at 31 December 2011. The comparative biennium end 31 December 2009 has also been restated accordingly.
- **Unfunded Staff Related Liabilities.** The total liability of the four plans as at 31 December 2011 was USD 1,152.1 million of which USD 817.7 million was unfunded (After Service Medical Coverage accounted for USD 750.4 million of the unfunded liability, whilst the Terminal Payments Fund accounted for the remaining unfunded portion of USD 67.3 million). The underfunding of the After Service Medical Coverage (ASMC) liability continues to be a cause of major structural deficit on the General Fund. In order to fully fund these plans, a funding source of USD 24.6 million per annum for 30 years would be required for the ASMC, and a funding source of USD 5.9 million per annum for 15 years would be required for the TPF.
- **Long Term Investments.** The value of long term investments at 31 December 2011 amounted to USD 326.9 million (USD 292.5 million at 31 December 2009) which represents both a recovery in market value as well as additional Conference-approved funding of USD 13.4 million. Market volatility increased significantly in August 2011 following the downgrade of US sovereign debt by Standard and Poors. The Organization has been monitoring the situation closely and will present an up to date review of investments during the Committee sessions.
- **General and Related Fund Deficit.** The General Fund deficit increased from USD 558.6 million as at 31 December 2009 to USD 635.2 million as at 31 December 2011 due to the structural deficit in the funding of the Organization's Staff Related Liabilities.
- **Measures to expedite the payment of arrears.** At its 140th Session in October 2011, the Finance Committee requested the Secretariat to review possible measures to expedite the liquidation of arrears and report on the matter to its Spring Session in 2012. To assist the members in discussing this matter, Annex 1 provides further information on the measures currently in place as well as measures considered in the past but for which decisions on implementation have been deferred. Also, an up-to-date report on outstanding assessed contributions will be presented at the Committee's 143rd session. As highlighted in the Annex, the impact of late payments of assessed contributions and measures to improve collections to alleviate the cash shortages of the Organization have been discussed in many past sessions. Whilst the Committee has also considered during these discussions more punitive sanctions, the conclusions of the Governing Bodies to date have been to not pursue them.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is invited to take note of the increased level of arrears outstanding from 2011, and the resulting reduction in liquidity available for operational activities at the outset of the new biennium, compared with prior periods. Currently, the cash flow forecast based largely on payment patterns of Members in 2011 indicates full depletion of operational resources by November 2012, and recourse to commercial borrowings would be required in the month of December 2012. It is essential therefore for Members to settle arrears and make timely payment of 2012 contributions to avoid recourse to external borrowing.
- The Finance Committee is invited to take note of the increased deficit of the Organization (USD 640.9 million as at 31 December 2011) principally due to the lack of funding of the After Service Medical Coverage Scheme and the Terminal Payments Fund.
- The Finance Committee is invited to take note of Annex 1: Possible Measures to Expedite Liquidation of Arrears.

Draft Advice

- **The Finance Committee notes the increased arrears outstanding at the start of 2012 and the negative impact on the Organization's liquidity position. Mindful of cash shortages in recent years due to non-payment of contributions, the Committee urges all Member Nations to make timely and full payment of assessed contributions to ensure that FAO continues to meet the operating cash requirements for the Programme of Work.**
- **The Finance Committee noted with concern the magnitude and the rising level of the General Fund deficit, due principally to the lack of funding of the After Service Medical Coverage Scheme and the Terminal Payments Fund.**
- **The Finance Committee reviewed the measures currently in place to improve the timely payment of contributions and arrears and urged the Secretariat to continue its efforts at Headquarters and in FAO offices worldwide to remind the Member Nations of their financial obligations, through the distribution of timely statements and through soliciting payments of current contributions and arrears.**

Introduction and Contents

1. The Report on the Financial Position of the Organization presents an overview of the unaudited results as at and for the biennium ended 31 December 2011. The report is organized as follows:

- **Financial Results for the biennium ended 31 December 2011:**
 - i) **Statement of Assets, Liabilities, Reserves and Fund Balances** as at 31 December 2011 presented by source of funds and including comparative balances as at 31 December 2009.
 - ii) **Statement of Income and Expenditure and Changes in Reserves and Fund Balances** for the biennium ended 31 December 2011 presented by source of funds and including comparative balances for the biennium ended 31 December 2009.
- **Summary Comment on Financial Results for the biennium** ended 31 December 2011
- **Cash Flow Forecast for 2012 to 31 December 2012**
- **Annex 1: Possible Measures to Expedite Liquidation of Arrears**

Financial Results for the biennium ended 31 December 2011

2. The unaudited financial results as at and for the biennium ended 31 December 2011 are presented in the following tables:

- **Table 1** shows the assets, liabilities and reserves and fund balances for both the General and Related Funds and Trust and UNDP Fund activities.
- **Table 2** shows the income and expenditure for both the General and Related Funds and for Trust and UNDP Fund activities for the reporting period.

Table 1

STATEMENT OF ASSETS, LIABILITIES, RESERVES and FUND BALANCES				
As at 31 December 2011				
(USD 000)				
	Funds		UNAUDITED	
	General and Related	Trust and UNDP	31 December 2011	31 December 2009 Restated
ASSETS				
Cash and Short-Term Deposits	61,376	507,114	568,490	878,938
Investments - Short Term	-	367,168	367,168	78,368
Contributions Receivable from Member Nations and UNDP	110,376	7,292	117,668	97,103
less: Provision for Delays of Contributions	(12,631)	(6,288)	(18,919)	(19,861)
Accounts Receivable	51,101	-	51,101	43,907
Investments - Long Term	326,873	-	326,873	292,500
TOTAL ASSETS	537,095	875,286	1,412,381	1,370,955
LIABILITIES				
Contributions Received in Advance	17,570	705,913	723,483	785,893
Unliquidated Obligations	70,127	126,044	196,171	155,523
Accounts Payable	39,069	-	39,069	32,778
Deferred Income	73,440	-	73,440	54,099
Staff Related Schemes	906,060	-	906,060	782,443
TOTAL LIABILITIES	1,106,266	831,957	1,938,223	1,810,736
RESERVES AND FUND BALANCES				
Working Capital Fund	25,654	-	25,654	25,654
Special Reserve Account	20,043	-	20,043	18,960
Capital Expenditure Account	14,291	-	14,290	10,192
Security Expenditure Account	4,446	-	4,446	3,655
Special Fund for Emergency and Rehabilitation Activities	-	43,329	43,329	33,479
Unrealised Gains / (Losses) on Investments	7,288	-	7,288	26,842
Fund Balances (deficit) , End of Period	(640,892)	-	(640,892)	(558,562)
TOTAL RESERVES AND FUND BALANCES	(569,170)	43,329	(525,841)	(439,781)
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	537,095	875,286	1,412,381	1,370,955

Table 2

INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES for the biennium ended 31 December 2011 (USD 000)				
	Funds		UNAUDITED	
	General and Related	Trust and UNDP	31 December 2011	31 December 2009 Restated
INCOME:				
Assessment on Member Nations	1,004,340	-	1,004,340	970,199
Voluntary Contributions	108,067	1,619,264	1,727,331	1,200,418
Funds Received Under Inter-Oganizational Arrangements	1,249	12,912	14,161	8,955
Jointly Financed Activities	38,054	-	38,054	30,042
Miscellaneous	6,771	2,344	9,115	10,002
Return on Investments - Long-Term	38,934	-	38,934	(15,418)
Net Other Sundry Income	17,496	-	17,496	18,705
(Loss) / Gain on Exchange Differences	(12,411)	-	(12,411)	(6,663)
TOTAL INCOME	1,202,500	1,634,521	2,837,021	2,216,240
EXPENDITURE:				
Regular Programme	1,104,385	-	1,104,385	1,053,756
Projects	-	1,632,177	1,632,177	1,135,307
TOTAL EXPENDITURE	1,104,385	1,632,177	2,736,562	2,189,063
EXCESS OF INCOME OVER EXPENDITURE	98,115	2,344	100,459	27,177
Actuarial Gains or Losses	(40,393)	-	(40,393)	(22,052)
Interest Cost of Staff Related Liabilities	(114,953)	-	(114,953)	(94,749)
Provision for Contributions Receivable and Other Assets	305	-	305	(6,534)
Deferred Income	(19,430)	-	(19,430)	14,496
Net Movement in Capital Expenditure Account	(4,098)	-	(4,098)	(6,969)
Net Movement in Utilisation of Security Expenditure Account	(791)	-	(791)	(3,655)
NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE	(81,245)	2,344	(78,900)	(92,286)
Transfer of Interest to Donor Accounts	-	(2,344)	(2,344)	(5,486)
Net Transfers from/(to) Reserves				
Working Capital Fund	-	-	-	-
Special Reserve Account	(1,083)	-	(1,083)	6,663
Fund Balances, Beginning of Period				(465,282)
Change in Accounting Policy with respect to: Classification of Short Term Investment Income			-	(2,173)
Fund Balances, Beginning of Period (as previously reported)	(558,564)	-	(558,564)	(467,455)
FUND BALANCES, END OF PERIOD	(640,892)	-	(640,891)	(558,564)

Summary Comment on Financial Results of the biennium ended 31 December 2011

Implementation of IPSAS compliant investments, cash and cash equivalents

3. During the 2010-2011 biennium, FAO introduced accounting standards in relation to the accounting treatment and disclosure requirements of its investment portfolios, cash and cash equivalents that are compliant with IPSAS. This partial introduction is consistent with the Organization's move towards full IPSAS compliance, and is permissible under the United Nations System Accounting Standards (UNSAS).
4. Accordingly, the accounting policy changes, resulting from transition to IPSAS from UNSAS in recognizing, measuring and presenting investments, cash and cash equivalents are explained in paragraphs below.
- Cash and Short-Term Deposits have been restated to include cash equivalents and short term investments with an original maturity of less than three months. Primarily, this has resulted in a reclassification of the Organization's HSBC Euro, HSBC USD, and BIS (Bank of International Settlements) money market funds and term deposits from Short term Investments to Cash.
 - Accrued interest receivable on all investment portfolios at the reporting date has been recorded within Accounts Receivable instead of being recognized as part of the investment market value.
 - Short term investments are defined as those with a duration of less than 12 months and are being treated as Trading Investments. Consequently, all unrealized gains and losses on short term investments are being recognized in the Statement of Income and Expenditure. Unrealized Gains/(Losses) on Investments within the Organization's Reserves and Fund Balances, have been re-stated to only include amounts in relation to FAO's Long Term Investment portfolios.
 - Long term investments have been restated to reflect the use of the bid price in the valuation of the Fair Market Value of assets, instead of using the mid-price as is the practice under UNSAS.
 - Miscellaneous Income recognized in the Statement of Income and Expenditure has been restated to include the Unrealized Gains/(Losses) on Trading portfolios.
5. Comparative opening balances in the Statement of Assets, Liabilities, Reserves and Fund Balances and in the Statement of Income and Expenditure and Changes in Reserves and Fund Balances have been restated and adjusted.
6. The main points arising from the 2010-2011 financial results include:

Liquidity position and outstanding contributions

7. The liquidity of the Organization under the General Fund as represented by cash, cash equivalent, and short term deposits totalled USD 61.4 million at 31 December 2011 which had increased by USD 6.0 million from the 31 December 2009 amount of USD 55.4 million. The short term liquidity position of the Organization at the biennium end provided for approximately 1.4 months of expenditure. See below for further discussion on the projected cashflow of the Organization.

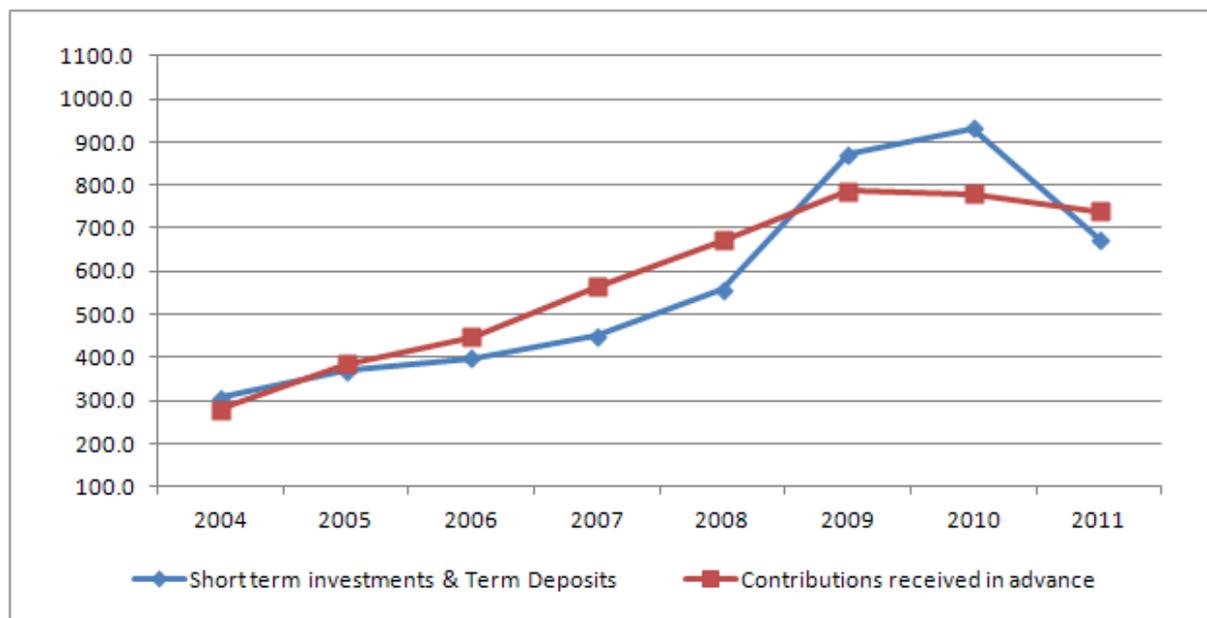
Short Term Investments

8. The value of Short Term Investments as at 31 December 2011 amounted to USD 367.2 million, and together with Term deposits (USD 306.7 million) reported within Cash and Cash Equivalents, represent mainly unspent Trust Fund balances held pending disbursements on project implementation.
9. FAO's prudent, conservative, low risk investment style and the continuing near zero interest rate environment in 2011 kept Short term investment returns very low, with a total return of 0.15% for

the year. However, this exceeded the benchmark return of 0.05 %. In 2010 the return figures were at 0.22 % compared to a benchmark return of 0.13 %.

10. Table 3 presents information on balances of the Trust Fund portion of Short Term Investments and Term deposits, and the correlation with contributions received in advance at the end of each year for 2004-2011.

Table 3



Long Term Investments

11. Long Term investments increased in value from USD 292.5 million at 31 December 2009 to USD 326.9 million at 31 December 2011. The increase was due to several factors including:

- additional funding totalling USD 13.4 million was injected into the portfolio in line with the receipt of contributions which include specific Conference-approved funding towards the ASMC liability;
- during the 2010-11 biennium, the return on the long term portfolio of investments generated a net gain of USD 38.9 million, despite a negative impact on foreign exchange translation of Euro denominated investments. Overall, the gain was due to favourable market conditions and comprised USD 14.3 million of interest income, USD 27.3 million of net realised gains, offset by USD 2.7 million of management fees charged by the Organization's investment portfolios managers.

Staff Related Schemes

12. FAO has four staff-related plans (the "Plans") that provide benefits to staff members either upon completion of service or as a result of work related illness or injury. The Plans are as follows:

- After-service Medical Coverage (ASMC)
- Separation Payments Scheme (SPS)
- Compensation Plan Reserve Fund (CPRF)
- Termination Payments Fund (TPF)

13. The results of the latest actuarial valuation and related funding requirements and issues are presented in detail in document FC 143/4 - 2011 Actuarial Valuation of Staff-Related Liabilities.

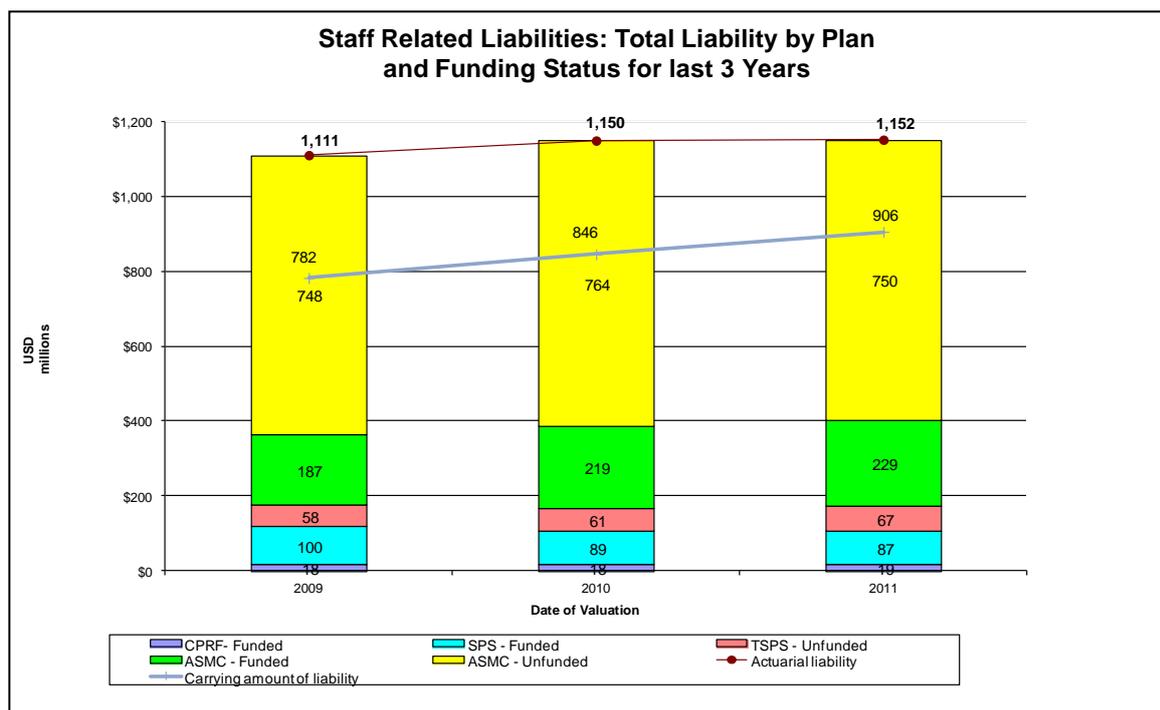
14. The total liability of the Plans at 31 December 2011 amounted to USD 1,152.1 million (USD 1,149.8 million as at December 2009). The balance of USD 906.1 million in the Statement of Assets, Liabilities, Reserves and Fund Balances at 31 December 2011 represents the recorded liability of the Plans as per the 2011 actuarial valuation. Unrecorded liabilities as at 31 December 2011 amounting to USD 246.0 million reflect the adoption of the corridor method¹ for recognizing actuarial gains and losses available under IPSAS.

15. During the biennium to 31 December 2011, the Organization has recorded for all the Plans in the Income and Expenditure statement a current service cost (included in Regular Programme Expenditure) of USD 66.3 million, amortization of actuarial losses of USD 40.4 million and interest cost of USD 115.0 million. Returns on the Long Term Investment portfolios are intended to be used to address the interest cost associated with the accretion in present value of the staff liabilities. As the liability is not fully funded, the Returns on the Long Term portfolio fall short of the interest costs by some USD 76.9 million.

16. As at 31 December 2011 unfunded staff related liabilities amounted to USD 817.7 million of which After Service Medical Coverage (ASMC) accounts for USD 750.4 million and the Terminal Payments Fund (TPF) accounts for USD 67.3 million. Table 4 presents the analysis of the total actuarial liability by plan by funding status.

¹ Under the corridor method, actuarial gains and losses that exceed 10 per cent of the value of the actuarial liability are deferred and recognized over the expected average remaining working lives of the employees participating in the plan.

Table 4



General and Related Fund Balance

17. The General Fund deficit increased from USD 558.7 million as at 31 December 2009 to USD 640.9 million as at 31 December 2011. The increase in the deficit has been driven by the unfunded costs associated with the After Service Staff Related Liability funds, as only two of the four plans are fully funded and the maintenance of the remaining two plans (ASMC and TPF) consequently cause a drain on the Organization's financial health. These costs specifically include interest costs and the amortization of actuarial losses, as noted in paragraph 15 above.

18. A net chapter surplus of USD 8.7 million for the biennium is carried forward as authorized by Conference Resolution 5/2011 and which is detailed in the Annual Report on Budgetary Performance and Budgetary Transfers in the 2010-11 Biennium (see doc FC143/7). The carry forward has been included in deferred income and is to be used for full implementation of the IPA, including one-time IPA investment costs to be incurred during the 2012-13 financial period.

TCP Expenditure and Available Appropriation

19. During the biennium ended 31 December 2011, TCP expenditure charged against the 2010-2011 appropriation amounted to USD 41.9 million whilst that against the 2008-09 appropriation amounted to USD 54.0 million. At the end of the 2010-2011 biennium, USD 0.1 million of the TCP 2008-09 appropriation remained unspent and has been released back to Miscellaneous Income in Statement I. The average monthly TCP expenditure during the biennium was USD 4.0 million, which represents a decrease from the average expenditure during the comparative period ended 31 December 2009 of USD 4.9 million. As at 31 December 2011, the total TCP deferred income (i.e. the available appropriation) amounted to USD 64.7 million.

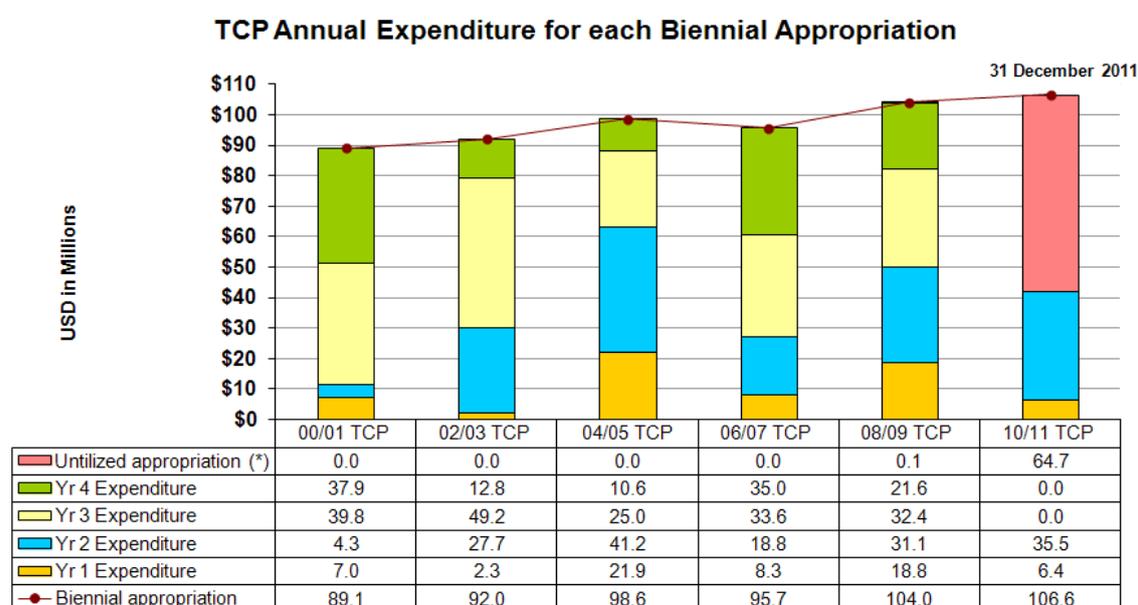
20. The average monthly TCP expenditure of all appropriations is shown in Table 5 below:

Table 5

	Biennium			
	2010-11	2008-09	2006-07	2004-05
Average monthly expenditure	4.0	4.9	2.5	5.2

21. Table 6 presents the TCP expenditure (including accruals) for all appropriation periods and TCP available appropriation (i.e. deferred income) for each year from 1 January 2000 to 31 December 2011. The 2008-09 unutilised appropriation of USD 0.1 million has been surrendered to Miscellaneous Income as it can no longer be carried forward to the following biennium (2012-2013).

Table 6



Notes:

Biennial Appropriation Source: Conference Budget Resolution for relevant biennium

Expenditure Source: Audited Financial Statements for periods 00/01 to 08/09; unaudited financial statements for period to 31 December 2011.

Losses on Exchange Differences

22. During the biennium ended 31 December 2011 the Organization recorded a net loss of USD 12.4 million. Of the USD 12.4 million Foreign Exchange losses, the actual gross losses of the Organization were generated on the Euro portion of the Assessments on Member Nations² (USD 13.7 million). Actual cash backed foreign exchange differences incurred by the Organization amounted to USD 1.3 million gain for 2010-2011. This gain was transferred to the Special Reserve Account, together with a small adjustment to previous years to restore the SRA to its cash-backed

² The exchange differences are generated both as Assessments are received and also on the translation of the outstanding balance of Assessments at the period end.

value, in line with the agreement reached by Member Nations to cease transfer of Euro-to-Dollar translation differences (non-cash) to the SRA during the Finance Committee's 135th session and reported in document FC 135/2.

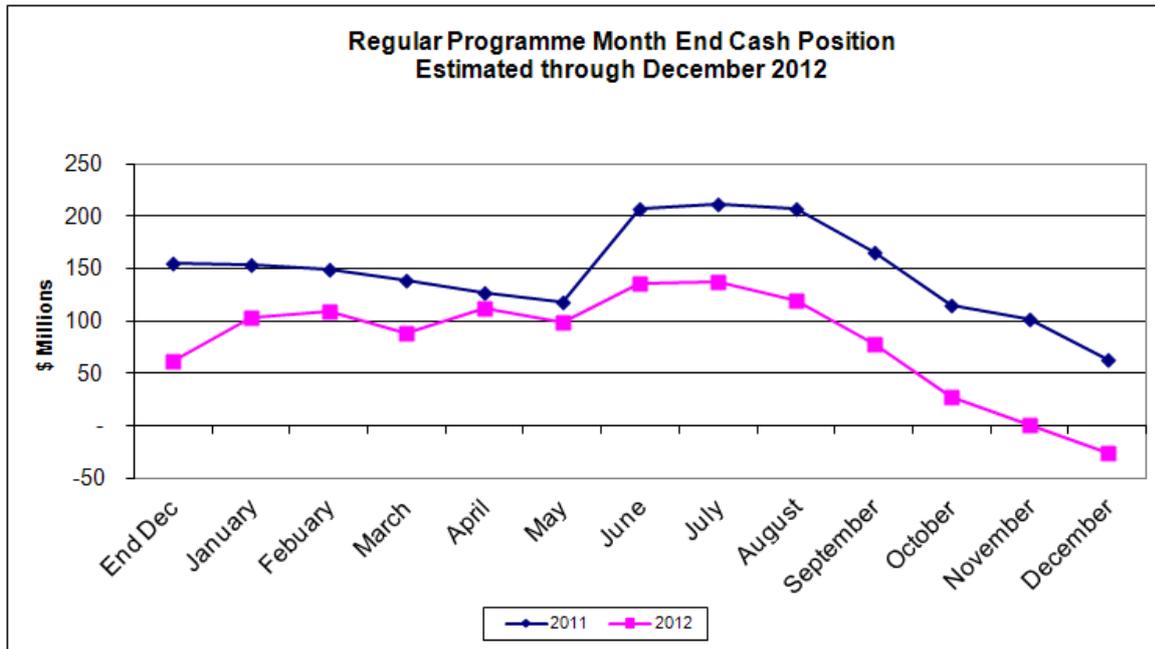
2012 Cash Flow Forecast (Regular Programme)

23. Table 7 below presents the Organization's consolidated Regular Programme month end short term liquidity position (which includes cash and cash equivalents and short term investments) from 1 January 2012 through 29 February 2012 and a forecast through 31 December 2012. All figures are expressed in millions of USD. The main points arising and assumptions included in the forecast data are as follows:

- The percentage of assessed 2012 contributions paid to the Organization by Member Nations in the first two months of the year was 18.5 percent, a rate of receipt higher than that at the end of February 2011 (17.1 percent).
- US 2011 Arrears: the United States paid EUR 32 million of its 2011 arrears in January 2012, USD 15 million in February and EUR 13.8 million in March, while the balance of arrears of USD 1.7 million is expected in December 2012.
- US 2012 Contribution in line with actual experience in 2011, only 50% is included in the forecast to be paid this year, with USD 29.4 million likely arriving in November and EUR 21 million in December.
- Japan 2012 Contribution: expected to be paid in full in June (USD 31.2 million and EUR 24.0 million).
- UK 2012 contribution: expected to be paid in full in April (USD 16.5 million and EUR 12.6 million).
- Other Contributions: other countries' payment patterns are assumed to remain unchanged from 2011.
- Based on Members' past payment patterns, the Regular Programme cash level for the initial months of 2012 is expected to be sufficient to cover operational needs, however the net effect of the assumptions is a forecast that Regular Programme cash balances will be depleted in November and require commercial borrowing in the final month of the year.

24. The accuracy of the forecast in Table 7 below is dependent on the actual timing of the receipts of the most significant contributions in 2012. A full update as of end April will be presented to the 143rd session of the Finance Committee.

Table 7



Annex 1: Possible Measures to Expedite Liquidation of Arrears

1. In reviewing the Incentive Scheme for Prompt Payment of Contributions at its 140th Session in October 2011, the Committee requested the Secretariat to review possible measures to expedite liquidation of arrears and report thereon to its Spring session in 2012. To assist the Members in discussing this issue, this annex provides further information on the measures currently in place as well as measures considered in the past but for which decisions on implementation have been deferred.

2. The level of outstanding arrears has fluctuated significantly in recent biennia, primarily due to the timing of receipt of contributions from the largest contributors. Whilst arrears at 1 January 2012 were USD 102 million, receipts during the first quarter of 2012 have reduced this balance to USD 21 million at 31 March 2012, of which 8.4 million is due from ex-Yugoslavia.

3. Given their significant impact on the liquidity position of the Organization, the Committee has discussed ways to improve the timely payment of contributions and arrears in many of its past sessions:

- 128th session of FC: 27-31 July 2009 (Measures to Encourage Timely Payment of Contributions)
- 126th session of FC: 11-15 May 2009 (Measures to Encourage Timely Payment of Contributions)
- 123rd Session of FC: 6-10 October 2008 (Measures to Encourage Timely Payment of Contributions)
- 118th Session of the FC: 17-25 May 2007 (Measures to Improve the Organization's Cash Shortage Situation)
- 115th Session of the FC: 25-29 September 2006 (Measures to Improve the Organization's Cash Shortage Situation)
- 113th Session of the FC: 8-12 May 2006 (Measures to Improve the Organization's Cash Shortage Situation)
- 110th Session of the FC: 19-23 September 2005 (Acceptance of Local Currency from Developing Countries in Payment of Assessed Contributions)
- 109th Session of FC: 9-13 May 2005 (Incentive Scheme to encourage Prompt Payment of Contributions - Analysis of Impact of Zero Discount Rate)
- 108th Session of FC: 27 September - 1 October 2004 (Analysis of Contributions Received and proposals for Improvement).

4. The measures currently in place to encourage timely payment of contributions and arrears are listed below:

- A Circular State Letter is sent to all Member Nations each December in accordance with Financial Regulation 5.4 informing of their obligation to the Budget for the following calendar year and of arrears of contributions outstanding.
- Statements of contributions outstanding are sent by the Finance Division to Member Nations on a quarterly basis.
- Specific action is taken to notify those Council Members who are considered to have resigned their seat due to non-payment of contributions in accordance with General Rule XXII.7 of the General Rules of the Organization (GRO), to encourage them to regularize their positions well before the Council session.
- Similarly, specific action is taken at the highest level to ensure that those Member Nations with potential voting rights problems are notified well in advance of the Conference session and have ample time to regularize their contributions position or clarify the reasons for the non-payment of assessed contributions.
- The Finance Division writes directly to each FAO Representative office of Member Nations with outstanding amounts on a quarterly basis, with the request for follow-up with local authorities to ensure payment is made.

- Country briefs are provided to the Director-General on an ongoing basis to assist him in his high level talks with Heads of State and Ministries where he stresses the importance of timely payment of contributions.
- Letters are sent periodically by the Assistant Director-General, CS to Ministries reminding of their country's obligations to pay outstanding contributions and providing explanations of the Organization's rules and regulations regarding loss of voting rights.
- Ongoing contacts with Permanent Representations and Representatives to FAO.
- Month-end arrears reports are regularly posted and available to all Permanent Representatives on the Permanent Representatives' Website.
- Several reports on Regular Programme contributions by country are posted on FAO's public website.
- The Incentive Scheme to Encourage Prompt Payment of Contributions whereby Member Nations receive a discount if the full assessment is paid prior to 31 March of the contribution year.
- Loss of voting rights in the Conference under Article III-4 of the Constitution (for Members with arrears equal to or in excess of the contributions due for the two preceding calendar years).
- Ineligibility for election to the Council under Rule XXII-5 of the General Rules of the Organization (for Members with arrears equal to or in excess of the contributions due for the two preceding calendar years).
- Loss of seat in the Council under Rule XXII-7 of the General Rules of the Organization (for Members with arrears equal to or in excess of the contributions due for the two preceding calendar years).
- To facilitate the payment of contributions by those Member Nations with limited availability of convertible currency, the Conference approved a derogation from Financial Regulation 5.6 to allow the Director-General to accept contributions in non-freely convertible local currencies under certain conditions (Resolution 14/2007).

5. The Governing Bodies have also considered other alternative measures during past discussions but for which implementation has been deferred, with some Members cautioning that the application of these measures would mainly impact developing countries in difficulty. These proposals included:

- Extension of the restriction under General Rules of the Organization (GRO) XXII-5 & XXII-7 to include loss of seat in the Finance and Programme Committees, and in Council Committees;
- That the sanctions provided under Article III.4 (loss of voting rights) and GRO XXII-5 and XXII-7 (Council election or seat) should be amended so that only one year of arrears (instead of two) would result in the sanctions;
- Interest should be charged on late payments or external borrowing costs should be borne by countries with outstanding contributions;
- Member Nations in arrears of more than the total of contributions due for the two preceding calendar years should be required to submit an instalment plan to the Finance Committee for review, and subsequent approval by the Conference, while Member Nations in arrears for amounts less than that should be required to provide written explanation on the reason for such arrears to the Finance Committee for review;
- Existing regulations on loss of voting rights should be rigorously applied;
- TCP assistance and recruitment of nationals should not be available for countries in arrears; and
- A set of guidelines should be developed setting out conditions for accepting voluntary contributions from Member Nations in arrears;

6. The Committee is requested to review the various alternative measures aimed at ensuring payment in full and on time by all Member Nations of their assessed contributions and arrears and provide guidance as necessary.