

**conference**

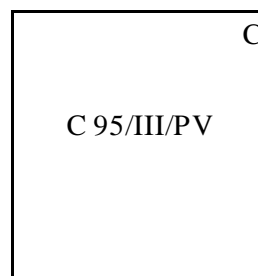
FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

**conférence**

ORGANISATION DES NATIONS UNIES POUR L'ALIMENTATION ET L'AGRICULTURE

**conferencia**

ORGANIZACION DE LAS NACIONES UNIDAS PARA LA AGRICULTURA Y LA ALIMENTACION



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Twenty-eighth Session

Vingt-huitième session

28º período de sesiones

COMMISSION III

COMMISSION III

COMISION III

Rome, 20-31 October 1995

VERBATIM RECORDS OF MEETINGS OF COMMISSION III  
OF THE CONFERENCE  
PROCÈS-VERBAUX DES SÉANCES DE LA COMMISSION III  
DE LA CONFÉRENCE  
ACTAS TAQUIGRAFICAS DE LAS SESIONES DE LA COMISION III  
DE LA CONFERENCIA

Food and Agriculture Organization of the United Nations  
Organisation des Nations Unies pour l'alimentation et l'agriculture  
Organización de las Naciones Unidas para la Agricultura y la Alimentación  
Rome, Roma, 1996

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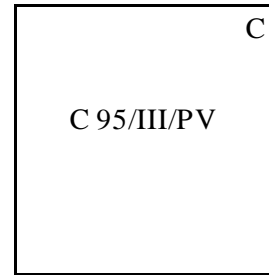
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(30 October 1995)

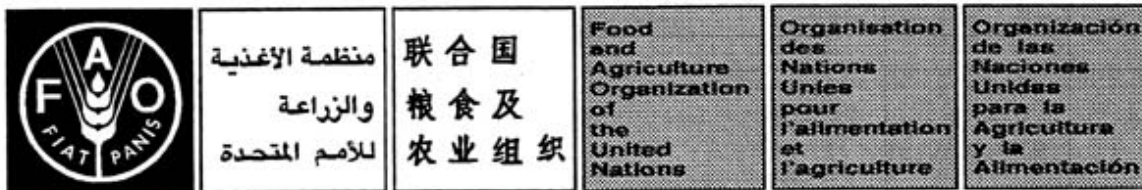
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27 October 1995



## CONFERENCE CONFÉRENCE CONFERENCIA

Twenty-eighth Session • Vingt-huitième session • 28° período de sesiones

**FIRST MEETING OF COMMISSION III  
PREMIERE SEANCE DE LA COMMISSION III  
PRIMERA SESION DE LA COMISION III**

27 October 1995

The First Meeting was opened at 10.30 hours  
Mr Thomas A. Forbord,  
Chairman of Commission III, presiding

La première séance est ouverte à 10 h 30  
sous la présidence de M. Thomas A. Forbord,  
Président de la Commission III

Se abre la primera sesión a las 10.30 horas  
bajo la presidencia del Sr. Thomas A. Forbord,  
Presidente de la Comisión III

**CHAIRMAN:** We are now quorate. I know all of you have much to do today; there are other meetings you will need to attend. I hope the business of this Commission can be carried out quickly and crisply. The items we will consider today have been reviewed by many of us individually and certainly by all of our countries in other fora. We are looking to give formal endorsement to these items today. Much of the debate has taken place and I hope that remarks today can be kept to a minimum. Those delegations which have written copies of a full speech will of course be welcome to insert them in the record.

I remind this gathering that Commission III deals with constitutional administrative matters. Five meetings of the Commission have been scheduled and the Commission must conclude its work by Tuesday 31 October, but I hope we can finish sooner than that.

At this point I would like to introduce the Commission's two Vice-Chairmen, who were elected earlier during the Conference. They are: His Excellency Carlos di Mottola Balestra, Ambassador and Permanent Representative of Costa Rica to FAO, and Ernst Zimmerl, Permanent Representative of Austria to FAO. On behalf of this Commission, may I congratulate our two Vice-Presidents on their election.

The Commission must also appoint a Rapporteur. I understand that, after meetings of regional groups, there is a consensus amongst them for the selection of the Alternative Permanent Representative from Senegal, Mr Moussa Bocar Ly. I request the endorsement of that appointment by this Commission.

**It was so decided**

**Il en a été ainsi décidé**

**Así fue estipulado**

The Commission has several very important items on its Agenda. As I have mentioned, these are largely a formal endorsement of documents, resolutions and changes that we have already approved in the various committees of the Council. I hope we can move very quickly, but finishing our Report by Tuesday will require the cooperation of all delegates and, in particular, that we start on time on Monday. Monday's meeting is scheduled for 9.30 hours and I hope we can achieve a quorum very quickly so that we can begin.

### **III. CONSTITUTIONAL AND ADMINISTRATIVE MATTERS**

### **III. QUESTIONS CONSTITUTIONNELLES ET ADMINISTRATIVES**

### **III. ASUNTOS CONSTITUCIONALES Y ADMINISTRATIVOS**

#### **A. Constitutional and Legal Matters**

#### **A. Questions constitutionnelles et juridiques**

#### **A. Asuntos constitucionales y jurídicos**

#### **17. Amendments to the General Regulations of the World Food Programme**

#### **17. Amendements aux Règles générales du Programme alimentaire mondial**

#### **17. Enmiendas a las Normas Generales del Programa Mundial de Alimentos**

**CHAIRMAN:** The first item on our Agenda this morning is a Draft Resolution together with revised General Regulations for the World Food Programme. The Resolutions and the revised Regulations were examined and endorsed by the World Food Programme's Committee on Food Aid and by the FAO Council in its Session last June. A similar Resolution and the revised Regulations were also approved by the UN Economic and Social Council in June. The UN General Assembly is expected to consider this matter soon after we complete our work here in the FAO.

I will call Mr Gerald Moore to introduce the Resolution and the revised Regulations. I should also like to present Mr Namanga Ngongi, the Deputy Executive Director of the World Food Programme, to answer any questions which Mr Moore cannot answer.



LEGAL COUNSEL: The document for this item is C 95/23: a revised version of the draft Conference Resolution prepared by the Resolutions Committee is also set out in C 95/LIM/29. The item is before the Conference for decision.

The matter now before you has a long legislative history, to which you, Mr Chairman, have referred. The Conference will recall that in December 1993 the UN General Assembly adopted Resolution 48/162, which decided on the transformation of the governing bodies of the UN programmes and funds responsible for operational activities in the development sector, such as UNDP, UNFPA and UNICEF, into Executive Boards with 36 members each, and also on the strengthening of the policy role of ECOSOC with regard to the governance of those programmes and funds.

The decision of the UN General Assembly applied also to the WFP but, in view of the joint parentage of the UN and FAO over the WFP, paragraph 30 of the Resolution called for consultations to be undertaken as soon as possible between the UN and FAO with a view to the preparation of parallel Resolutions for adoption by the General Assembly and the FAO Conference.

The matter of the implementation of General Assembly Resolution 48/162 was taken up by the Thirty-seventh Session of the CFA in May 1994. At that session, the CFA decided to set up an open-ended Working Group to revise the General Regulations of WFP to implement General Resolution 48/162 and at the same time to implement General Assembly Resolution 47/199 dealing with the introduction of a country-based programme approach, as opposed to the present project-based approach on which WFP functions. The Working Group was assisted by the Legal Counsels of the UN and FAO.

The report and recommendations of the Working Group, including a series of proposed amendments to the General Regulations of WFP giving effect to General Assembly Resolutions 48/162 and 47/199, together with draft parallel Resolutions for adoption by the UN General Assembly and the FAO Conference, were approved by the Thirty-eighth Session of the CFA in December 1994. CFA asked for the text of the revised General Regulations and the draft parallel Resolutions to be submitted to the FAO Conference and the UN General Assembly through the FAO Council and the UN Economic and Social Council (ECOSOC).

The revised General Regulations and the draft parallel Resolutions were considered first by ECOSOC in June in 1995 and approved by that body. They were then submitted to and endorsed by the 108th Session of the FAO Council in June 1995.

As I have already mentioned, the main import of the revised General Regulations and the proposed Conference Resolutions, as mandated by the General Assembly Resolutions, is to reconstitute the CFA as an Executive Board, to reduce the number of members to 36, to adopt a certain distribution of seats for an interim period of four years, to revise the functions of the new Executive Board to bring it into line with the other Executive Boards and the policy guidance role of ECOSOC and the FAO Council, as well as to make general reference in the revised General Regulations to the new country-based programme approach.

The revised General Regulations and Draft Resolution are now submitted to the Conference for formal adoption. Meanwhile, a parallel Resolution is being submitted to the UN General Assembly as the other joint parent of the WFP for its consideration and adoption early next week. The UN parallel Resolution has already been adopted by the Second Committee of the General Assembly on 13 October 1995.

I should also point out that our Resolutions Committee has taken account of some additional editorial amendments introduced by the United Nations to the Draft Resolutions and these are now included in the final version of the Draft Resolution as set out in document C 94/LIM/29. They are purely editorial revisions.

The Conference is invited to approve the revised General Regulations of the WFP and to adopt the Draft Resolution reconstituting CFA as the Executive Board of the World Food Programme.

**CHAIRMAN:** Many nations represented in this room today have worked long and hard to achieve the agreements we now have before us. Like much of our work, it represents a compromise which has been adopted by consensus in every forum where it has been approved. I anticipate the same action this morning

and, as we have already considered and adopted these measures several times in our earlier meetings, I hope that our formal adoption can be accomplished quickly. A proposal to endorse *en bloc* is certainly in order.

The floor is now open for discussion and to open the debate I will call on one of the delegates who has worked longest and hardest for this achievement - the Chairman of the Committee on Food Aid, Mr John Bailey of Australia.

**John Anthony BAILEY (Australia):** Thank you, Mr Chairman. Australia is a very strong supporter of the General Assembly Resolution 48/162 and Resolution 47/199 and is very happy that the Member States of the World Food Programme have been able to come to agreement, together with FAO Council and the Economic and Social Committee of the UN, in agreeing the implementation of these Resolutions by the World Food Programme. We would therefore like to propose, Mr Chairman, that this Commission adopt this Resolution *en bloc*.

**Kiho YOON (Korea, Republic of):** Thank you, Mr Chairman. I would like to make some comments on behalf of the Asia Group just to clarify the electoral process to be carried out by the FAO Council.

In Document C 95/23, Appendix A, paragraph 4 c) and additional paragraph 4 f) it shall be normally read as follows: "Three Members from the States in the List C, one for a term of three years, one for a term of two years, and one for a term of one year". And the new paragraph f) that we made reads as follows: "One additional Member for a term of two years, alternating between the States included in Lists B and C, starting with C". In this way we propose to attach to the Resolution the Appendix contained in the FAO Council Document providing same details as mentioned above.

**Mohamed Said M.A. HARBI (Sudan) (Original language Arabic):** In the name of God the Compassionate, I would like to thank you, Mr Chairman. I would agree with the speakers who have spoken before me and said that this should become an Executive Board and that we should revise the General Regulations of the World Food Programme. I would agree with all that. We also worked in the Working Groups in past months and made a contribution to perfect this new approach to WFP's Work and Assistance Programmes for needy countries. I would like to thank you, Sir, and congratulate you personally, Sir, on being elected Chairman of this Commission. We are sure that we will be able to do an excellent job under your guidance, Sir, and that of the Vice-Chairman too.

**Sra. Maria E. JIMENEZ DE MOCHI ONORI (El Salvador):** Señor Presidente, también nosotros compartimos plenamente la aprobación de este proyecto de resolución; hemos seguido con mucha dedicación los trabajos que en estos años nos han llevado al mismo.

He pedido la palabra para hacerle una pregunta, o mejor dicho una aclaración, y, por su medio, a la Asesoría Legal. En el Apéndice A, en el número 2, se dice: "Decide asimismo que los miembros de la Junta Ejecutiva del Programa Mundial de Alimentos serán elegidos, de forma provisional, por un período de cuatro años..." Como posteriormente tenemos las diferentes elecciones siempre para unos períodos de tres, dos y un año, yo quisiera una explicación sobre cómo se compaginan los períodos para los cuales vamos a elegir y estos cuatro años que se mencionan en el punto 2 del primer Apéndice. Probablemente la Asesoría Legal lo haya explicado en su introducción; lamentablemente acabo de entrar en la sala, ya que he estado en la Plenaria para la votación.

Por otra parte quisiera solicitar, señor Presidente, si es posible escuchar de usted, nuevamente, la propuesta que hizo el delegado de Corea con respecto al párrafo f), ya que mi delegación no la ha entendido muy bien.

**LEGAL COUNSEL:** Thank you, Mr Chairman. First of all, the proposal from the distinguished delegate of Korea: As I understand it, the intent of this proposal was to bring paragraph 4 more in line with paragraph 2, operative paragraph 2, of the Draft Conference Resolution. It would be, in paragraph 4, sub-paragraph (c), to change the number of "four members from the states included in List C" to "three members of the states

included in List C", one for a term of three years, and then one instead of two for a term of two years, and one for a term of one year. This is in paragraph 4, sub-paragraph (c) of the Draft Conference Resolution, which in the English text is on page 3 of the Annex. The proposal would then add a further sub-paragraph (f), which would say, "one additional Member for a term of two years, rotating between the Members Lists B and C, starting with List C". You will note that this really takes up the wording, I believe, from paragraph 2 of the Resolution and paragraph 2 (f) in particular.

Now, may I make a comment and a plea in connection with this suggested change.

The comment is that the original numbers - and this gets very complicated, but I'll try to explain it - the original numbers which were included in paragraph 4, sub-paragraph (c) are meant to take into account the rotating seat. That is why it is "four" members from the states included in List C, one for a term of three years, two for a term of two years (and that is where the rotating seat slides in; it slides in under the "two for the term of two years") and "one for a term of one year".

Now why I would suggest that it may be appropriate to remain with the Draft Resolution as submitted to you, is that we are not here dealing with a question with what happens in the future rotation of the seat between Lists B and C; we are dealing with a question of what should happen in this next Session of the Council, the 110th Session of the Council, which will take place next Friday. And what will happen in the next Session, in order to make it very clear and simple, is we will be asked to already allocate that seat into List C and to start and elect somebody for two years for that seat. We are not talking about rotation; that will come in the future. We are now talking about what will happen at the next Session of the Council, next Friday.

This is why I would suggest that the Resolution as presently drafted is, in fact, clearer because it gives very clear and precise instructions to the Council, at its Session next Friday, on exactly what to do. There is no difference, as I see it, in practice between the import of the amendment suggested by the distinguished delegate of Korea; it is merely a question of form. But I would say that it is, in fact, clearer to give instructions to the Council at the next Session as to exactly how many it should elect and for how many - for which List and for which period of time.

The plea is that this is a parallel Resolution, which has been fully negotiated and which has to also be kept in line with the United Nations Assembly Resolution. If one can avoid making any changes in this Resolution, in the Conference, it will make matters much easier. It will make matters extremely complicated if we now have to change the Resolution and change it also in New York.

The second question is with respect to the question of the interim period of four years. This is a change - the use of the words "on an interim basis for four years" - which was introduced as a result of negotiations in New York and Rome just before the ECOSOC Session last June. The purpose of this was that the whole question of the distribution of seats, not the number of seats but the distribution of seats, should be reviewed after a period of four years. In fact, the review starts after two years and should come into effect after four years. This was a compromise solution that was negotiated, I understand, with some difficulty and at some length to ensure that the whole distribution of seats will be subject to review and will be changed, if necessary, at the end of an interim period of four years.

Now, the fact that you are electing people for three years, etc., will not be affected by this, because, when you have a new distribution of seats, which will come into force, if there is a new distribution, after the interim period of four years, then transitional measures will be taken to ensure that the changed distribution slides in nicely with the staggered election of members. If this means that at that time you will have to have some additional members being elected only for two years instead of three years, this will then be done at that stage. In summary, I think you have to separate the aspect of electing members for periods of one, two, or three years in this Session from the fact that the whole system of distribution of seats will come under review in ECOSOC and the FAO Council after a period of four years. Thank you.

**CHAIRMAN:** Thank you, Dr Moore, for that very clear explanation. I hope that the delegate of Korea now understands the different purposes of paragraph 2 and paragraph 4 - where paragraph 2 establishes the rotation system, paragraph 4 begins the implementation of that process - and that the purpose of his proposal has been taken care of by those two paragraphs.

I would like now to call again the delegate from El Salvador.

**Sra. María E. JIMENEZ DE MOCHI ONORI (El Salvador):** Gracias señor Presidente. Agradezco mucho las palabras del Dr. Moore que nos ha dejado muy clara la situación.

Quisiera, nada más, darle el apoyo de mi delegación a esta resolución, tal como está aquí, sin ninguna modificación, ya que, como bien explicó el señor Moore, la parte 4 se refiere nada más a las elecciones que tendremos en el 110° período de sesiones, por lo cual, creería que no sería conveniente modificarlo en el sentido propuesto por el delegado de Corea.

**CHAIRMAN:** I see no other delegation seeking the floor for this item. Given the remarks that we have heard, unless there are other speakers I shall assume that there is unanimous consent to the approval of the Resolution and the change in the General Regulations. We will recommend that to the full Conference. Agenda Item 17 is approved.

- 18. Other Constitutional and Legal Matters**
  - Draft Revised Agreement between OAU and FAO**
- 18. Autres questions constitutionnelles et juridiques**
  - Projet d'accord révisé entre l'OUA et la FAO**
- 18. Otros asuntos constitucionales y jurídicos**
  - Proyecto de acuerdo revisado entre la OUA y la FAO**

**CHAIRMAN:** We now turn our attention to Conference Agenda Item No. 18, Other Constitutional and Legal Matters. There is one item under this Agenda - a draft revised agreement between the Organization of African Unity and FAO. Again, I would like to call on Dr Moore, Legal Counsel, to introduce this item.

**LEGAL COUNSEL:** The document before you today is C 95/24, Draft Revised Agreement between OAU and FAO. The Conference is being asked to agree the draft agreement and authorize the Director-General to conclude it. I will provide some background on the revised Agreement.

The Agreement presently in force with the OAU was approved by the Council at its 51st Session in October 1968, and was confirmed by the Conference at its 15th Session in November 1969. In October 1990, OAU expressed the desire to strengthen existing cooperation with FAO and expand it to other fields. Initial proposals for the revision of the Agreement were made by the Secretariat of OAU, and talks took place on the occasion of the official visit to FAO of the OAU Secretary-General in November 1990. In July 1992 the 17th FAO Regional Conference for Africa recommended that the FAO/OAU Agreement should be revised and updated. The proposal was endorsed by the last FAO/OAU joint meeting convened in accordance with Article IV/1 of the Cooperation Agreement held in November 1994. A draft text for the revision of the Agreement, prepared in close cooperation by the Secretariats of both Organizations, was agreed to in principle by the Director-General of FAO and the Secretary-General of OAU in Addis Ababa in June 1995.

In general, the revised Agreement follows quite closely the previous Agreement. The main objective of the proposed revision is to update the present Agreement and to provide for the strengthening of cooperation between the two Organizations. Many of the amendments introduced are of a rather formal nature, while others are of a more substantive nature. The proposed revisions to the Preamble, for example, are largely editorial in nature, and the amendments to Article XI deal with changes to the formalities for the entry into force of the revised Agreement. Paragraphs 2 and 3 of Article I, on the other hand, deal with forms for strengthening cooperation, including the provision that FAO should, as far as possible and in conformity with

its Constitutional instruments and decisions of its competent bodies, give due consideration to requests for technical assistance made by the OAU, and a provision that OAU in its turn should give its consideration to requests to enlist political, technical and financial support for the goals and objectives of FAO.

A new paragraph 3 in Article III provides for the possibility of OAU presenting a document to the FAO Regional Conference for Africa. A new paragraph 3 in Article V provides for the possibility of reciprocal invitations for the executive heads of OAU and FAO to address each other's governing bodies, and a new paragraph 2 in Article VI provides for joint studies to be undertaken by OAU and FAO and joint programmes to be established between them. In view of the limited nature of the amendments proposed, the Director-General did not consider it necessary to submit the text for detailed review by the CCLM.

The Director-General is now submitting this revised text to the Conference for approval, in accordance with paragraph 1 of Article XIII of the Constitution.

In presenting this Agreement for your approval, however, I should point out one reproduction error in the Preamble of the text before you. In the second preambular paragraph, the last clause at the end of the paragraph should read "and thus contributing toward an expanding world economy and ensuring humanity's freedom from hunger". That is unchanged from the original Agreement.

**CHAIRMAN:** Thank you, Dr Moore. The floor is now open for debate on Agenda Item 18.

**Robert S. THWALA (Swaziland):** Swaziland notes with satisfaction the amendments introduced into the Revised Agreement between FAO and OAU. It notes further that the strengthening of cooperation between the two Organizations has been long overdue, and in this regard wishes to congratulate the heads of the two Organizations for concluding the Revised Agreement at this time.

Swaziland endorses and supports the Revised Agreement and recommends its adoption by the Conference.

**CHAIRMAN:** Thank you, Swaziland. I am sure the entire Commission joins you in congratulating the leaders of the two Organizations for reaching this Agreement. Unless there are other speakers who wish to address this matter, I take it that it has the full approval of this Commission. It is so approved.

- 19. Audited Accounts 1992-93 and Report on Action taken on recommendations of the External Auditor**
- 19. Comptes vérifiés 1992-93 et rapport sur la suite donnée aux recommandations du Commissaire aux comptes**
- 19. Cuentas comprobadas de 1992-93 e informe sobre la medidas adoptadas en relación con las recomendaciones del Auditor Externo**

**CHAIRMAN:** Let us now turn our attention to Agenda Item 19, the Audited Accounts for 1992-93 and the Report on Action taken on recommendations by the initial External Auditor.

The responsible Department Head, Mr Khalid Mehboob, will briefly introduce this item. I see that has been delegated to the Financial Director, Mr Owens.

The first three documents indicated in your list of documents for this meeting contain financial statements and reports to the External Auditor on the Regular Programme, UNDP, and World Food Programme respectively. This is essentially routine information which is provided at each Conference, and it should be noted that the report of the External Auditor on these accounts is without qualification. Documents C 95/LIM/12 and C 95/LIM/13 provide comments of the Council on the audited accounts and include a Draft Resolution for their adoption.

I would note that the Finance Committee is also intensively involved in the review of the accounts and the implementation of recommendations by the External Auditor. It is the Finance Committee's recommendation for approval that was endorsed by the Council.

I now turn to the Finance Director.

**Elmer S. OWENS (Director, Finance Division):** You have before you, as you said this morning the accounts for the 1992-93 biennium for the Regular Programme, Trust Funds and UNDP. These were audited by the External Auditor, and you have his report before you. The External Auditor found the accounts to be in order, and issued an unqualified opinion.

As far as implementation of the External Auditor's recommendations, these have been reported regularly to the Finance Committee. I am glad to report that we have made good progress on implementing those recommendations, and that at this point in time the Secretariat believes that most of these recommendations have been implemented.

I will not go any further at this time, but we will of course be glad to respond to any questions you may have.

**D.P.D. VAN RAPPARD (Netherlands):** In the atmosphere of this Commission, I shall be very brief. Netherlands' accountants have studied reports of the Audited Accounts and Report on Action very carefully. I am pleased to convey our satisfaction and approval to the External Auditor for each of the reports. I have also to express concern about the fact that these approvals were given only after the reports received major corrections.

Regarding the reports themselves:

First about FINSYS/PERSYS: this has been discussed many times already at this Conference, and it is satisfying to conclude that some major problems have been resolved. But regarding the new system, concern for a new failure remains. My delegation would like to receive information on which measures have been taken to prevent problems with this new system. Financial control of the central administration revealed problems with the unliquidated obligations, which are serious shortcomings, according to our accountants. The external accountant warned of the currency exchange fluctuations and endorsed reconsideration of the current measures in this field. My delegation would like to know what measures have been taken, and what currency exchange losses occurred in 1994.

Regarding WFP, the conclusion had to be drawn that during 1992-93, the Administration was nearly incomplete, due to arrears and the results of temporary accountants monitoring local offices. These appear to be problematic, and this resulted in lack of budget control.

**CHAIRMAN:** We will call on the Finance Director to answer the questions at the end of other comments.

**John Egan McATEER (United States of America):** Thank you, Mr Chairman, with regard to the approval of the accounts, the United States delegation accepts the 1992-93 Audited Accounts for the FAO Regular Program, UNDP and WFP. We note with satisfaction the unqualified opinion of the external auditor in all three instances. Turning to the work of the external auditor, we note with great interest the progress achieved by FAO in implementing his recommendations set forth in the FAO and UNDP financial statements for the 1992-93 biennium. We wish to see this progress continue.

Lack of timely and accurate monitoring of field expenditures, in particular, have given rise to deficiencies that must be corrected promptly.

Accounting systems neither should be unduly complex nor burdensome. Nevertheless, we would hope that expenditures can be fully documented, recorded properly in the books and records of FAO, and financial

data obtained quickly to enable Member States to review spending patterns of specific programmes at timely intervals.

Speedy compliance with the External Auditor's recommendations contributes greatly toward a strong oversight mechanism at FAO.

With respect to the current biennium, we look forward to a careful examination of the report of the Cour des comptes on the 1994-95 financial statements next year.

Turning to FAO's internal oversight mechanisms, we are encouraged that FAO attaches great importance to internal auditing and we would hope that this continues, particularly in times of budget stringencies. Internal oversight mechanisms promote good management improvements. Enhancement of internal oversight mechanisms is an issue we are pursuing throughout the UN System.

**Elmer S. OWENS (Director, Finance Division):** The distinguished delegate from the Netherlands has expressed some concern that corrections were required into the accounts before the final audited opinion was given by the external auditors. This is in fact correct. It is not an unusual event for a set of accounts to be presented to the auditors and for the auditors to recommend to the RD certain changes and adjustments in those accounts.

This was done at this time and is not an unusual practice. Those adjustments related primarily to obligations the auditors felt were not valid and justified. We undertook discussions with the external auditors for a review and made the necessary adjustments to satisfy their concerns.

As regards the replacement of FINSYS/PERSYS, it is not directly related to the audited accounts in themselves but the Organization has learned a number of lessons from its experience with the development and implementation of the FINSYS/PERSYS system. I can say I was not here at the time that happened.

We are taking a significantly different approach this time, looking at commercial software packages that are tried and tested and that are operating in similar organizations to FAO, as opposed to the approach for the FINSYS/PERSYS, which was to build our own custom-built system. A number of those types of projects in the early to mid-1980s were unsuccessful, not only in FAO, but in a number of national governments and other organizations. We are taking an entirely different approach to resolving the problem this time, looking at commercial software packages.

As regards the question on currency exchange laws, any time you hold foreign currencies in your accounts you are subject to the movements in the currency markets and therefore there is the possibility of sustaining currency losses. However, in 1994 we had a net foreign exchange gain. I am sorry I do not have the figure before me. Primarily that gain was related to the Organization's forward purchase to cover its lire requirements for the biennium and we had significant foreign exchange gains on those forward purchase contracts.

The concern of lack of budgetary control in the field has been a concern of all of us. With the decentralization effort that is going on in the Director-General's programme of decentralization we are working on training programmes and other efforts. We are going to institute monthly audits in the field offices to check the assets under the control of those offices to be sure that the accounting records are in order.

We have developed training programmes and if appropriate resources are available we will be conducting more training of our field offices particularly our field administrative staff in this coming biennium. I think that responded to the questions. If I have missed any I will be glad to come back to them.

**Srta. Maria Cristina FERRARI (Argentina):** Gracias señor Presidente. Argentina va a hacer, solamente, unos breves comentarios porque queremos respaldar las preocupaciones que había manifestado el delegado de Países Bajos respecto al informe del auditor.

Nosotros, Argentina, felicita al PMA por haber hecho conocer el informe del auditor externo porque muestra una verdadera autocrítica a lo que tiene que ser el sistema de gestión financiera del PMA. Sin embargo, creemos que el PMA necesita todavía un ajuste en el control de la gestión financiera.

Y queríamos hacer dos preguntas: la primera, es si el reglamento financiero del PMA prevé algún tipo de sanción para el responsable en la mala administración, sobre todo en los directores por países.

El informe del auditor externo indica que muchas veces los responsables de las oficinas en los países retienen cantidades considerables de recursos, que, con las fluctuaciones cambiarias, ocasionan graves pérdidas en dinero al PMA.

Por otra parte, queremos saber también si en la administración financiera que se controla generalmente por las sedes -según lo dice el informe- se han previsto algunos cambios, porque, al parecer, las rendiciones de cuentas de las oficinas de los países no llegarían en término a la sede.

**Gary EIDET (WFP):** Yes. Financial Rule 103.1 states: "All staff members of the Programme are accountable to the Executive Director for the regularity of the actions taken by them in the course of their official duties. Any staff member who takes any action contrary to these Regulations and Rules, or to instructions which may be issued pursuant to these Regulations and Rules, may be held personally responsible and financially liable for the consequences of such action."

The problems noted by the Auditors arose as a result of WFP having shifted, in many countries and rather suddenly, from Developmental to Relief activities without having its systems modified to reflect the new requirements.

As a result of both the External Auditor's and McKinsey's Company's findings, the Programme started a series of actions to remedy the situation reported. Progress reports on the implementation of External Auditor's recommendations were and are being submitted to the 39th and 40th Sessions of the CFA, after having been reviewed by the FAO Finance Committee and UN ACABQ.

Greater control over financial accounts in country offices are being introduced at WFP Headquarters. Financial returns from country offices are being monitored to ensure that they are being submitted on time. Processing of country office accounting returns has been accelerated significantly. Country Directors are being held more accountable for discharge of financial management duties in the field.

**CHAIRMAN:** Are there other comments on this Agenda Item? The item is approved.

**20. Scale of Contributions 1996-97**

**20. Barème des contributions 1996-97**

**20. Escala de cuotas para 1996-97**

The final item on our Agenda this morning is the Proposed Scale of Contributions for the 1996-97 biennium. This is a routine matter presented at each conference as it includes a Resolution for the Adoption of the Scale of Contributions.

There is available, and I hope you all have it, an update of the document issued some weeks ago to adjust the Scale of Contributions, to include the new members who are elected at this Conference. Is there any discussion of this item?

Thank you very much for your efficiency this morning. The item is approved.

**CHAIRMAN:** That completes our agenda this morning, but I do need to make a proposal to this Commission. It was the practice during the Conference in 1991, and again in 1993, to grant to a staff



representative the possibility of addressing Commission III on behalf of all three staff representative bodies, the Association of Professional Staff, the Field Staff Association, and the Union of General Service Staff.

This item will be scheduled on Monday under "Other Administrative and Financial Matters" if the address by the staff representative is agreeable to the Commission. Is there any objection? We will therefore invite them to speak to us on Monday under "Other Administrative and Financial Matters".

We also have on our Agenda for Monday morning the Financial Position of the Organization, including Status of Contributions and the Director-General's Proposal to Discontinue the Discount Scheme. I hope we can take those items very quickly. We also hope to have available on Monday morning a Draft Report on the items that we have covered today.

When the bureau has discussed our report we hope to give you a very short, very efficient, very to-the-point report that reflects our debate this morning. Unless there are any other matters that delegations wish to bring up at this time, this meeting is adjourned until 9.30 on Monday morning.

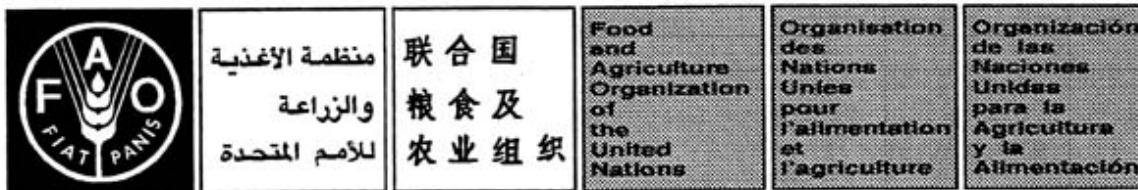
**The meeting rose at 11.00 hours.**

**La séance est levée à 11 heures.**

**Se levanta la sesión a las 11.00 horas.**



30 October 1995



# CONFERENCE CONFÉRENCE CONFERENCIA

Twenty-eighth Session • Vingt-huitième session • 28° período de sesiones

**SECOND MEETING OF COMMISSION III  
SECONDE SEANCE DE LA COMMISSION III  
SEGUNDA SESION DE LA COMISION III**

30 October 1995

The Second Meeting was opened at 10.00 hours  
Mr Thomas A. Forbord,  
Chairman of Commission III, presiding

La deuxième séance est ouverte à 10 heures  
sous la présidence de M. Thomas A. Forbord,  
Président de la Commission III

Se abre la segunda sesión a las 10.00 horas  
bajo la presidencia del Sr. Thomas A. Forbord,  
Presidente de la Comisión III

**III. CONSTITUTIONAL AND ADMINISTRATIVE MATTERS**  
**III. QUESTIONS CONSTITUTIONNELLES ET ADMINISTRATIVES**  
**III. ASUNTOS CONSTITUCIONALES Y ADMINISTRATIVOS**

**B. Administrative and financial matters**  
**B. Questions administratives et financières**  
**B. Asuntos administrativos y financieros**

**21. Financial Position of the Organization including Status of Contributions and the Discount Scheme**

**21. Situation financière de l'Organisation, notamment état des contributions et système de remise**

**21. Situación financiera de la Organización, incluidos el estado de las cuotas y el plan de descuentos**

**CHAIRMAN:** To those delegations who have been here since the scheduled beginning of the meeting, may I apologise on behalf of some other delegations for the late start. We have only just achieved a quorum.

We have a three-part agenda this morning. First we will take up Conference Agenda Item number 21 which includes the financial position of the Organization and the Payment Incentive Scheme. This first item is for information. Any delegations wishing to do so may make a statement. Statements submitted in writing for the record will be reproduced in full in the Verbatim.

After discussion of the financial position we will take up the proposal of the Director-General to discontinue the Payment Incentive Scheme.

As you agreed on Friday, following our decision on that item we have invited a representative of FAO staff members to address the Commission briefly. After the address by the staff member, the Secretariat will be available if there are delegations who have any questions. Following that, discussion will move directly to the adoption of REP/1 and REP/2, which record the discussions we had on Friday. Both of these documents are available at the documents desk. Unless there are any questions or comments we will turn our attention to the financial position of the Organization.

Since the document C 95/LIM/16-Sup.1 was published three additional members have made payments. The document I have just cited was updated as of 25 October. Since that date, Guinea Bissau has made a payment of US\$70 000, Ethiopia has made a payment of US\$65 380, and Mozambique has made a payment of US\$29 640. With the addition of those three you have an accurate record of the status of payments as of this morning.

We now turn to the proposal by the Director-General to discontinue the Payment Incentive Scheme which Conference adopted four years ago on an experimental basis.

**Elmer S. OWENS (Director, Finance Division):** The Commission has before it this morning document C 95/LIM/26 which for the information of the Commission contains extracts from the document submitted to the Finance Committee at its 86th Session in September of this year. This item was discussed at length in the Finance Committee. I draw the attention of the Commission to page 2 of C 95/LIM/26. The Table contained in paragraph 11 shows the results of the three years preceding the introduction of the Discount Schemes and the three years in which the Discount Scheme has been in effect.

If the Commission would look at the amounts received during the first three months of the year for the three years 1990 through 1992 compared with 1993 through 1995, this indicates the scheme has not been a contributing factor to the timing of receipt of contributions. In fact, there has been an increase in the number of Member Nations which have paid within the first three months. During that period, the total amount received from Member Nations paying their assessment in full during the first three months has not equalled or exceeded the amounts for the three years preceding the introduction of the Scheme. In the light of this experience of the three years in which it has been in operation, the Director-General strongly recommends the Scheme be discontinued, since it has not proved effective, while it has had the effect of reducing the interest income of the Organization, in turn reducing the amount of Miscellaneous Income available, which in fact results over time in an increase in Member Nations' contributions.

At the 109th Session of the Council preceding the start of this Conference, Council was informed that the Discount Scheme has not had the desired results. However, since there was no general consensus on the recommendation of the Director-General, Council decided to refer this matter to Conference for its consideration and decision. At this point I have no further comment to add.

**CHAIRMAN:** On behalf of the Commission, may I ask two questions? If the Discount Scheme is discontinued, what would be the impact on the payments in 1996 of those countries who paid their full assessment during the first quarter of 1995? If the Discount Scheme is discontinued, what would be the impact at current interest rates over the biennium - and over a normal biennium because it will impact on one year of the coming biennium - and what happens to assessments if the Discount Scheme is discontinued?

**Emmer S. OWENS (Director, Finance Division):** In regard to your first question, a total of 31 nations which paid their full assessments before 31 March 1995 would receive a credit against their 1996 contributions. We have to remember there is one criteria in the Discount Scheme - the discount is paid from interest income so there has to be a net positive interest income for the year, but assuming that to be the case, those countries who paid in 1995 would receive a credit against their contribution due for 1996 at the rate approved by the Finance Committee in its September Session.

As regards your second question, Mr Chairman, the impact for the next biennium, if the Conference approves the discontinuance of the Scheme, would be approximately US\$1.4 million or US\$1.5 million in discounts which would be credited in 1997. Assuming the payment pattern is the same and assuming the same number of Member Nations pay before 31 March, it would be approximately US\$1.4 million to US\$1.5 million in discounts which would not be applied to 1997 and which would remain in Miscellaneous Income. In future biennia it would be approximately US\$3 million in savings in Miscellaneous Income. I think I have responded to the question. If you need further clarification I will be glad to provide it.

**CHAIRMAN:** The floor is now open for discussion. I remind Members of the Commission that we are requested to make a decision on the proposal of the Director-General.

**Ernst ZIMMERMANN (Austria):** We have heard that the early payment Incentive Scheme has not worked, and the same thing also shows in the document. When I look at the percentage paid at the end of March there is no real increase. In previous years the Incentive Scheme has produced about 35 percent and this year it has produced only a little more, 40 percent, so it was really not an incentive.

Therefore, we must ask ourselves why it was not an incentive. I think there are two reasons why. First, a Member Nation does not know at the time of early payment how big is the incentive, because it does not know how big the interest income will be during the year. Secondly, in looking back, Austria has always had this incentive, and the incentive was too little.

Last year, in our case and also in that of others who paid early, it was 0.88 percent. I do not believe that an interest rate of 0.88 percent is an incentive; it is perhaps a disincentive. If I put my dollars on an account I receive a higher interest rate than 0.88 percent.

I can agree with the Director-General's proposal to discontinue this scheme. If the situation worsens in the future we should perhaps see if we can find another scheme.

Four years ago we also discussed a scheme which might punish the late payers. That is not a proposal which I make now but, if the situation does not improve in the future, perhaps at the next Conference we could consider such measures.

**CHAIRMAN:** Just a comment on your arithmetic - the 0.88 percent is for one quarter only. The annualized percentage rate would be closer to 3.5 percent as interest on that payment.

**Sra. Ileana DI GIOVAN BATTISTA (Argentina):** Gracias señor Presidente. Señor Presidente, la cuestión planteada, evidentemente, no es una cuestión política, ni ética, es simplemente una cuestión práctica, instrumental; por tanto, la base de nuestra decisión debe ser la evaluación de los efectos de esta práctica o de este mecanismo en el pasado y, al mismo tiempo, la estimación para el futuro del probable impacto de la supresión del esquema en el próximo bienio.

Ahora bien, se nos ha explicado por la Secretaría que de todas maneras, con la aplicación del esquema habrá un crédito para el año 1996 a la tasa aprobada por el Comité de Finanzas para los países que han cumplido puntualmente con sus cuotas. De tal manera que si se suspendiera el esquema, el efecto de esta suspensión se vería en 1997 y lo que estaría en juego sería alrededor de un millón y medio de dólares.

Señor Presidente, dadas las consideraciones expresadas por algunos miembros del Comité de Finanzas y por el propio Director General, la delegación Argentina apoya que sea discontinuado este esquema, es decir, que sea suspendido durante este bienio. Sin perjuicio de ello, el Comité de Finanzas observará el efecto de la suspensión de este esquema durante este bienio y podría proponer, como dijo la delegación de Austria, algún esquema alternativo de incentivos a los pagos o de desincentivos a los incumplimientos.

Pero creo que sería una buena oportunidad observar en el año 1997 cuál será el efecto de la suspensión de este esquema.

**John Egan McATEER (United States of America):** As a member of the Finance Committee, the United States actively participated in discussions on the issue of improvement of the collection of contributions. The United States wholeheartedly supports the Director-General's recommendation to discontinue the Discount Scheme, given its cost and the negative impact on Miscellaneous Income.

The findings of the Finance Committee reported in C 95/LIM/26, that during the three years in which the Scheme has been in effect the rate of receipt of current contributions in full does not exceed that of the three previous years, indicates the wisdom of discontinuing this plan. The trend that the Finance Committee noted would indicate that the Scheme is not a contributing factor in the timing of receipts of the larger contributors to the Budget and, consequently, does not have the desired beneficial effects on the cash flow of the Organization. We therefore think that it should be brought to an end.

**CHAIRMAN:** Thank you, USA. For an alternate view, I turn to Canada.

**Robert F. ANDRIGO (Canada):** I cannot quite understand why you would say that, Mr Chairman. I find the concerns of the Finance Committee and of this assembly salutary in respect to the financial straits in which the Organization finds itself; but I am also struck by the fact that we are looking to punish the virtuous.

What we are proposing in this piece of paper is to look at the extent to which those who pay, and on time, actually might be asked to pay a little more than they currently do. We are looking at the wrong end of the telescope on this and, in this respect, I come back to what we said in our intervention on the Programme of Work and Budget.

I believe that the real problem here is not the payment on time by those who do so and the small recompense they receive for that, but rather it is the additional cost to those who pay that is imposed on them unilaterally by those who do not pay or who pay late. The Secretary will probably bear me out: that as a result of the late and non-payment by members of their contributions, the impact is to increase the assessed contributions of all members and, most particularly, of those who pay by about four percent or five percent per biennium. Consequently, it is rather contradictory not at least to attempt to reward the responsible behaviour of those who do pay on time.

Before we claim that this particular measure has no impact, we need to recall the fact, as did my Austrian colleague, that our national treasuries do look at the opportunity costs of investments in this Organization or elsewhere. I would not gainsay the possibility that our treasuries, looking at the return that they do receive on early payment of the FAO, are indeed induced to pay on time. The removal of this Scheme, especially at this

particular point in time when treasuries are looking for ways of economizing, may well be much more negative than that which is contained in this report.

Unless and until we can put a measure in force which appropriately punishes negative behaviour, therefore, we would not be in support of the removal of this Scheme.

**XU NANSHAN (China) (Original language Chinese):** The Chinese delegation has given serious consideration to the documents prepared by the Secretariat on the Director-General's proposal to recommend the discontinuation of the Incentive Scheme.

At the present time, since we have not adopted new measures, we believe it is much better to use the present measures rather than to discontinue them. The continuation of the present measures will at least bring some comfort to those countries which have paid in time.

**Moussa BOCAR LY (Sénégal) :** Monsieur le Président tout d'abord sur le point concernant la situation financière de l'Organisation, vous avez dit qu'il n'y avait pas d'intervention. En effet, mais j'espère simplement que ce que vous voulez dire par là c'est que nous prenons en compte les conclusions contenues dans le document C 95/LIM/16 puisque personne n'est intervenu. En effet les observations venant du Conseil impliquent d'être prises en charge. Ceci dit sur le plan d'incitation au paiement rapide des contributions je crois que le document C 95/LIM/16 n'a pas totalement reflété la réalité car le Comité financier était plutôt partagé - ce qui apparaît dans le document 26. Si certains ont dit que ce plan n'avait pas produit tous les effets escomptés et revenaient un peu plus cher, il reste que d'autres ont soutenu qu'en l'absence d'un autre système, il vaudrait peut-être mieux continuer ce plan d'incitation.

Puisque le Secrétariat a dit qu'il était disposé à écouter les questions, j'en poserai une moi-même: dans la mesure où la deuxième et la première commissions ont exhorté le Directeur Général à poursuivre ses efforts pour le paiement rapide des contributions, je me demande comment le Secrétariat lirait cela par rapport au plan d'incitation et je voudrais bien que devant cette exhortation de la Conférence, le Secrétariat puisse nous dire comment le plan d'incitation pourrait s'agencer dans cet appel fait par la Conférence au Directeur Général pour qu'il continue à intensifier ses efforts pour récupérer les contributions à temps.

Ceci dit, je crois que notre Commission pourrait, dans la ligne de ce qu'a dit le Conseil, proposer que ce plan puisse être continué tout au moins jusqu'à l'exercice prochain et, à ce moment-là faire une variante, étant entendu que la commission financière pourrait proposer une solution alternative c'est-à-dire un plan plus incitatif.

Voilà ce que notre Commission pourrait retenir pour tenir compte aussi bien des travaux du comité financier que de ceux du Conseil et de l'appel récent de la Conférence.

**CHAIRMAN:** In an attempt to have a dialogue both amongst members and between members and the Secretariat, let me now call on Mr Hjort, representing the Director-General, to answer the question from Senegal.

**DEPUTY DIRECTOR-GENERAL:** Thank you, Mr Chairman. In a general way, the lessons from alternative ways of trying to encourage timely payments in the entire UN system is that penalties work; incentives do not. There are, I believe, two organizations in the United Nations system that have a penalty scheme in operation, the UPU and the ITU, both small organizations, but their records in marked contrast to the rest of the system where they do not have a penalty system. So in searching for measures to accomplish this objective, it is, I suspect, time once again to consider the Penalty Scheme rather than an Incentive Scheme.

As indicated in the documents before you, it does not appear to us that the Incentive Scheme has had a positive impact and certainly not an impact of a magnitude equal to the loss in miscellaneous income. In this context, I wish to remind the Committee of the decision taken by the Conference last Friday evening. If this

Incentive Scheme is continued, there will be a loss of US\$3 million in Miscellaneous Income. If the Incentive Scheme is discontinued or, as the Representative from Argentina has suggested, suspended for the biennium, there will be US\$3 million more in Miscellaneous Income. While that might not sound like much relative to the US\$76.4 million that we have to find, it is significant.

**Kenji SHIMIZU (Japan):** Japan has had difficulty with the Incentive Scheme itself since its outset, as a matter of principle for a Member Nation. This position exists everywhere in all the international organizations, and as for FAO, this Organization, it now needs a sound financial base more than ever before. Therefore, my Delegation is able to support the Programme of the DG to eliminate the Scheme.

This position also has reflected the fact that the Scheme did not result in expected progress. My Delegation also noted very seriously that, as just stated by Mr Hjort, that penalty worked in all the United Nations organizations, which my Delegation was able to associate itself with, as I stated at Commission II of this Conference as well as at the last Council.

**Igor MARINCEK (Switzerland):** Thank you, Mr Chairman. Last Friday we agreed in consensus on a realistic budget. In paragraph 2 of this Resolution, which we approved, we recall that in order to implement a Programme of Work, Members have to make their Member contributions; so now we need to have solid financing. As we all recall, the budget will ask higher assessments from us of about US\$80-US\$90 million than in the present biennium.

Now it is time to take the second step. After having approved a realistic budget, we now need to approve a way to have solid financing of it; so the question of incentives/penalties is very important. The Incentive Scheme is, on the one hand, a financial question; on the other hand, we also have a political question in this respect. It is financing of the Miscellaneous Income. The Incentive Scheme is something which we put on the burden of the Organization. We should try to find a solution which is on the burden of the Members. That is why my country supports a Penalty Scheme. And we see also that the document recalls that in those UN Organizations where we have a penalty scheme, the financial discipline is a very good one.

We should also see that here we have some sanctions, some existing schemes for sanctions. Now, it seems that the sanctions with respect to Council Seat loss work but the sanctions with respect to Right to Vote in the Conference do not work, and we have been shown this again at this Conference.

As you know, we have now, I believe, 26 or 29 countries which still are at risk of sanctions. I would propose that in future, in the financial reports of the Organization, we have regular reporting on this. For the moment we do not have regular reporting. I think it is important that we have it.

This Discount Scheme which we have when we look at the success - I would share my opinion with the Austrian delegate - for those who look at the question in financial terms, it is not really an incentive because there are alternatives which are more interesting. When we look at the performance, we see that the discounts per year have increased; so we have a small success. But clearly, it is not very relevant for the financial situation of the Organization; so we cannot say it was not successful, but it was maybe successful but not very relevant.

In the discussion of the Council preceding the Conference, we heard the Australian delegate remind us how high the foregone interest income would be, if every country were to pay as it is stated in the Financial Regulations of this Organization. Then the miscellaneous income would be much, much higher. It seems that the foregone interest income is of the size of US\$30-US\$35 million per biennium. That is a very important amount. And if this is the amount which, according to the Secretariat, is the right amount, I think we should also put this in the report, that is, the foregone interest income.

We have also the actual interest income, which is maybe about US\$9 million - I would like Mr Owens to give us this figure as well - we have that part of the interest income which is given back to the good payers in the Incentive Scheme. So the potential interest income for the Organization, which would be an income under "Miscellaneous Income", is very, very relevant. And obviously, that is what could be gained by this



Organization if we had a penalty scheme, if we had the payment pattern those organizations have which have a Penalty Scheme.

My delegation strongly advocated a differential treatment between good payers and bad payers when the question was discussed in the Finance Committee. If we do not have a differential treatment, we have a disincentive for good payers. And I think, in particular now, where we are challenged to have a solid financing of this forthcoming biennium, it is important that we do not have this kind of disincentive.

So in order to conclude, my country is in favour of a differential treatment; it is in favour of a penalty scheme. Only if there is no possibility of finding agreement on a penalty scheme, our fallback position is to continue with the Incentive Scheme. This is not the scheme we would favour because it is a scheme which is on the shoulders of the Organization and not on the shoulders of the Members, but we cannot agree that we do not have a differential treatment at all. Either we could come to an agreement here at the Conference on the penalty scheme or we should give the Finance Committee a mandate to look into the matter and make clear proposals to the next Conference, but my delegation would favour a more rapid decision on this. Thank you.

**CHAIRMAN:** Thank you, Switzerland. Let me ask Mr Owens if he could answer the questions at this point.

**Elmer S. OWENS (Director, Finance Division):** I believe the specific question from Mr Marincek was the interest earnings of the Organization under the Regular Programme. I have the figure for 1992-93 here in the Audited Accounts, which was US\$4.3 million. The interest rates were a little lower in 1992-93 than they are in 1994-95; so I would suggest that the interest earnings for this period would be slightly improved. I do not have those figures in the room with me, but approximately half of our miscellaneous income at this time is from interest earnings.

**CHAIRMAN:** I believe there was a second part to the question.

If all contributions were paid in the first 30 days of the calendar year, what would the approximate interest income be for the year?

**Elmer S. OWENS (Director, Finance Division):** I have not actually sat down and calculated that, but the figure cited by Mr Marincek of US\$30- US\$35 million, depending on interest rates, seems reasonable over a biennium. We can calculate that and get that information back to you or have it included in the report if you wish.

Tore ZETTERBERG (Sweden): The statement on contributions clearly indicates that some radical measures are needed to come to grips with late payments and arrears. Like the delegations of Austria, Switzerland, and others, we agree that some fresh thinking must be done on how to get members to pay on time.

One could be less generous with voting rights for slow payers. My delegation found the General Committee a bit too lenient in document C 95/LIM/28 when 15 Members were authorized to vote having requested special consideration under Article III. 4 of the Constitution. For the future this has to be changed.

Other measures that could be contemplated are to bar such slow payers from keeping or taking seats on the FAO Council henceforth. Further activities could be to deny such countries the right to nominate candidates for posts in the Secretariat of FAO.

In conclusion, I mean to say that it should hurt to pay late or not at all.

**Francis Montanaro MIFSUD (Malta):** We have looked at the documentation for this item, and have carefully listened to what the Secretariat has had to say to us. We feel however that the Secretariat's point of

view is too narrowly an accounting point of view. Of course, you might argue that the Incentive Scheme has not induced enough early payers, and it is more than likely that the early payers would have paid with or without an Incentive Scheme.

However, we feel that this is not a main issue. The Organization is in need of resources and in need of those resources when they are due. What is happening at present is that the early payers are financing the late payers. We are therefore very prudent in this matter, and would not like the Scheme to be abandoned so early.

Mr Hjort has told us that in his experience and in the experience of other organizations penalties work -incentives do not. What is happening at the moment is that the early payers are being penalized.

I would therefore suggest that we do not discontinue this Scheme without introducing a Disincentive Scheme contemporaneously for late payers.

**Patrick PRUVOT (France):** Le plan d'incitation semble poser problème à certains, ici, il nous semble pourtant qu'en l'absence d'autres mesures existantes qui pénaliseraient les retards ou les non-paiements, le seul moyen positif, pour reprendre le mot de notre collègue du Canada est, en fait, une reconnaissance des Etats Membres vertueux. Les recettes accessoires, comme l'a souligné le délégué de la Suisse, augmenteraient bien plus si les pays membres concernés s'acquittaient tout simplement de leurs contributions, et n'accusaient pas de retard dans leurs versements. A cet égard, nous pensons qu'il conviendrait sans doute que les Etats Membres s'appliquent à eux-mêmes la rigueur financière qu'ils exigent de l'Organisation. Nous estimons donc qu'il est important de maintenir le plan d'incitation tel qu'il existe actuellement sans pour cela négliger l'application des sanctions telles que prévues par les textes ou d'envisager d'ailleurs tout programme d'incitation sur une base qui pourrait, par exemple, être le manque à gagner de l'Organisation du fait du retard de paiements de certains contributeurs.

**Jalal RASOLOF (Iran, Islamic Republic of):** Having had the very useful explanation by Dr Hjort, it seems very logical to support the Director-General's proposal for discontinuation of this Scheme. While asking the Secretariat or the Finance Committee to work on a Penalty Scheme which has proven useful in other organizations, to be discussed in the coming Council and Conference.

**Shahid RASHID (Pakistan):** The figures presented in the documents on this subject clearly indicate that the Incentive Scheme has not proved beneficial for the financial situation of the Organization. The original presumption that the Incentive Scheme would not create a deficit in earnings from investments has obviously proved not to be a valid one. It does therefore appear that much deeper insights into this whole question of incentives versus penalties is required. On the other hand, we do not yet have the necessary information, or the results of any clear analytical examination on the relative advantages of incentives or a Penalty Scheme. Pending that, I think that it might be difficult to clearly pronounce judgement in favour of one or the other.

But this much is clear from the experience of the last three years: that the Incentive Scheme has not met its intended objectives. There is therefore apparently a rather strong case for discontinuing the Scheme at this stage but at the same time, as has been mentioned by several Delegations, there is a need to recognize the difference between those who pay on time and those who pay late. I think that is also very important.

So I think that at this stage it might be more useful to discontinue the Scheme, perhaps on a temporary basis -that is, a suspension of the Scheme, as has been suggested by another Delegation, for the next biennium, and during the biennium the Finance Committee could review what other incentives or penalties can be adopted to encourage prompt payment of contributions.

**CHAIRMAN:** I have on the speaker's list now Italy, and Argentina for a second time. Before calling on Argentina I would ask if there are other delegations wishing to speak on this issue. From my perspective it would seem that there are really at this point three different views being expressed in this Commission, fairly evenly divided between those who wish to eliminate the Discount Scheme, those who want to maintain it and

a third view, which is recommending that we look at other alternatives and specifically that there be some consideration of a Penalty Scheme. That would probably require an examination to come back to the Conference in two years from the Finance Committee and the Council.

So, if there are other delegations that wish to speak on this issue -I am trying to keep track of a general sense of the meeting and it would be useful to hear from as many delegates as possible.

**Franco GINOCCHIO (Italy):** The Italian delegation has taken note of the proposals of the Director-General for FAO to discontinue the Discount Incentive Scheme. We would like to express our worries about the possible negative impact of the elimination of this Scheme.

We think in particular of the risk that many countries could delay their payments, and we therefore wonder whether it would not be better to postpone a decision on this point to the next FAO Conference. In this case, there would be the possibility of a more detailed examination of this proposal by the FAO Finance Committee.

**Robert S. THWALA (Swaziland):** My delegation, having examined the documents presented here, has found that comparisons of figures over a 5-year period have indicated no significant change in contributions at the expected time, up to October. This is either because members have remained indifferent to the presence of this Scheme, or have concluded that the Scheme has not made the desired impact for which it was put in place.

Bearing this in mind, my Delegation has also noted on the other hand the appeal by the Director-General, that the Scheme itself is a cost burden to the Organization. When looking at the amounts involved, several Member States could most definitely benefit from small programmes, specific projects, and other such.

My delegation would therefore support the Director-General's appeal for a discontinuation of this Scheme. Having given it a biennium, I think that if this was done as only a temporary measure, it would allow the Secretariat to examine further other options that may be available to make member countries pay on time -because that is the primary thing. My delegation truly feels that it would only be paying lip service to the importance of this Organization now and in the future if we cannot demonstrate our commitment to supporting the Organization.

We therefore feel that a suspension would be in order to cut down the costs that have been experienced and that could be experienced if it continues, and that at the same time the Secretariat should be given time to examine other options - and we allude to the one that was raised by Switzerland, namely, a Penalty Scheme which could transfer the costs of making members pay from the Secretariat to the member countries themselves, in order to raise members' consciousness of the need for commitment, or demonstration of commitment, to the Organization through payments in time.

**CHAIRMAN:** Given the importance of member contributions to the Organizations, I assume, Swaziland, that you meant to say that you would like to have the members examine other possibilities with the assistance of the Secretariat, rather than have the Secretariat determine how we will make payments.

**Mlle Colette TAQUET (Belgique):** La Belgique regrette de ne pouvoir se rallier à la proposition du Directeur général qui est à l'examen. Nous sommes favorables au maintien du système de ristourne tel qu'il existe; en tout cas, pour toute la période où un système de pénalités, appliqué aux Etats Membres indisciplinés, ne sera pas en vigueur.

**Ahmad Rusli JOHARIE (Malaysia):** On the issue of whether there is a need to continue or discontinue the present Scheme, I think we must consider two questions. The first is whether the three years that have passed is an adequate time frame to judge the effectiveness of the Scheme, or we need a longer time frame. Secondly, is it not possible for the Scheme to be improved?

If the answer to question 1 is "yes" and the answer to question 2 is "no", then there is very good justification to review the Scheme and to discontinue it. At the same time, there is a need to think of other plans or schemes, whether it be a Penalty Scheme or a Disincentive Scheme, to replace the existing one.

**Ms Maria KADLECIKOVA (Slovakia):** My delegation is in favour of the elimination of the Incentive Scheme for the forthcoming biennium. This point comes from the decision of the 28th Conference made last Friday. Some savings should be made. Perhaps the Conference can propose a more appropriate solution for incentive penalties.

**Sra. Ileana DI GIOVAN BATTISTA (Argentina):** Gracias señor Presidente por concederme, nuevamente, el uso de la palabra. Pedí nuevamente el uso de la palabra porque en el debate, realmente, las opiniones están divididas y, será su tarea extraer una conclusión. Sin perjuicio de ello, señor Presidente, de decidir mantener o discontinuar el sistema de incentivos, creo que es importante adoptar orientaciones para establecer un sistema de penalidades al incumplimiento.

Yo dije, al principio, que el tema no es ético porque creo, francamente, que los países que cumplen en tiempo con sus obligaciones lo hacen, sobre todo, por una fuerte conciencia de cumplir con esas obligaciones y por un principio de solidaridad internacional.

Permítame decir hasta que punto los países en desarrollo reconocemos la importancia de los países que cumplen puntualmente con sus obligaciones y les escuchamos en sus intervenciones con todo el respeto que merecen.

Creo, sin embargo, que ellos no necesitan, a lo mejor, incentivos para cumplir, pero también creo que los países que demoran el cumplimiento, que no cumplen puntualmente, pueden necesitar un incentivo para hacer mayores esfuerzos para cumplir en tiempo con sus obligaciones.

Además, señor Presidente, debemos tener presente que en muchos países los ministros de Economía no siguen las recomendaciones o las prácticas de cooperación internacional que piden los ministros de Relaciones Exteriores, por lo cual, la Delegación Argentina cree que un sistema de castigos de tipo financiero, más allá de mantener los castigos o las sanciones que ya tiene la Organización en cuanto a derecho a voto y derecho a ser nominado; creo que un sistema, repito, de castigo financiero, como existe en la Unión Postal Universal o en la Unión Internacional de Telecomunicaciones sería, a lo mejor, conveniente en esta Organización.

Pero sobre este punto, señor Presidente, la Delegación Argentina quisiera escuchar opiniones para ser transmitidas al Comité de Finanzas y al Consejo, es decir, si encaminarnos hacia el estudio de un esquema de castigo de orden financiero, es decir, aplicación de intereses progresivos o no.

**Moussa BOCAR LY (Sénégal):** Monsieur le Président j'avais posé une question à laquelle vous avez répondu en partie. Implicitement est-ce que cela veut dire que ce plan d'incitation n'aidera pas en fait le Directeur général dans les efforts que lui a demandé de faire la Conférence pour que les Etats Membres puissent payer rapidement leurs contributions. Je voudrais savoir si j'ai bien compris.

Ceci dit, Monsieur le Président, je suppose que vous êtes en train de chercher une solution susceptible de satisfaire tout le monde. A mon avis, ni l'élimination du plan d'incitation ni son maintien n'ont rencontré un accord à l'heure actuelle. Cependant je pense qu'il y a un moyen terme qui serait, ainsi que l'a proposé l'Argentine, soit de suspendre pour l'exercice biennal et de demander au Secrétariat mais également au Comité financier de rechercher simplement, avez-vous dit, un plan de pénalités, soit de voir toutes les possibilités d'aide dans la modération du plan actuel d'incitation. Je crois que ce pourrait être une porte de sortie car si l'on continuait ainsi, vous ne pourriez conclure de manière heureuse. Je pense qu'il y a un compromis possible comme l'a proposé le représentant de l'Argentine.

**Robert F. ANDRIGO (Canada):** As I understand it, for the next year the Incentive Scheme will pay back 1.49 percent against assessed contribution analysed and compounded. That implies an incentive of well over 6 percent to national treasuries to pay early and on time.

I believe it was Malta who said it may be premature to pronounce the Scheme as ineffective. I believe that may well be the case, because 6 percent to national treasuries is something they will consider very seriously.

However, considering the fact that one person's disincentive is another person's incentive, as we indicated in our earlier intervention, we are quite happy to replace an Incentive Scheme with a Disincentive Scheme, in so far as such a scheme is workable.

I would suggest that it is not necessary for us to spend a great deal of time asking the Finance Committee and the Council to work out a scheme. In effect, the Scheme that might be workable as a Disincentive Scheme, or as a Penalty Scheme is the obverse of the Incentive Scheme that we have. This particular assembly could take a decision that, beginning with 1 January 1996, there will be a penalty paid that is based on a calculation of the 12th month Euro Dollar deposit rate.

For example, at the moment the 30 days net payment terms have been exceeded. This will imply, for example, that beginning with February next year the assessed contributions would be increased by 0.5 percent. This would continue every month until the end of December, when the penalty would be 5.5 percent.

All national treasuries seeing the potential additional costs might well be induced to pay early. We do not need a great deal of study to do this. That rate can be established at the beginning of each year based on what the Euro Dollar deposit rate for the following 12-month period might be. If that is something on which we can reach an agreement, we conceivably have a solution to our problem. At least this is something worthwhile trying and it fits in perfectly with what Mr Hjort has said as to penalties being more effective than incentives. Let us try it.

**Kenji SHIMIZU (Japan):** There are three different views on the issue before us. Japan is in the second group, but partly in the third group, particularly in terms of severing the penalty. The important element of the penalty is the voting right.

It may also be necessary to look into the other various services Member Nations now enjoy, for example delivery of documents and Conference support. Perhaps that could be considered by the Finance Committee. As a compromise for the next biennium, the Incentive Scheme rate may be reduced, as contained in paragraph 3.54 in document CL 109/4. Severing the penalty could also be considered by the Finance Committee.

**Sra. María E. JIMENEZ DE MOCHI ONORI (El Salvador):** Gracias, señor Presidente. En forma muy breve mi delegación quería apoyar la suspensión provisional del plan de incentivos que propuso la delegada de Argentina en su primera intervención.

Asimismo, nosotros compartimos lo expresado por esa misma Delegación en el sentido de que es necesario establecer un plan de penalización para ayudar a los países a pagar en tiempo sus cuotas.

**Ernst ZIMMERL (Austria):** It is obvious that there are about 35 countries who paid in time. They did not do so because they got the incentive. They did so because they respected the Financial Regulations where it stated clearly that they should pay within 30 days of receipt of the Director-General's letter. Therefore the incentive did not work.

If we can not agree today on a penalty I can go along with that. In my first intervention I stated that one of the reasons why incentives did not work was that we did not know at the time of payment how large the incentive would be.

If you go shopping and you pay by cash or credit card you know immediately if you have got a 3 percent discount. Perhaps we can make the incentive scheme better, so that the Member Nation will know

immediately how large the incentive will be. The Director-General's letter could state: "If you pay within 30 days, or before 31 March, you will get a 1, 2 or 3 percent discount". Perhaps that could help to make the Incentive Scheme more effective.

**CHAIRMAN:** I would simply note with regard to your comments that when the Incentive Scheme was set up a discount level was established. The discount level is the average Euro Dollar rate on short-term deposits payable over the first quarter of the following year.

In terms of establishing a precise rate, Member Governments and their treasuries have as good an idea of what the future rate will be as the Secretariat has. Establishing the set rate without knowing what future interest rates will be is a dangerous practice for the Organization. It may end up losing money, as well as saving a little bit from the early payment.

**John Egan McAITEER (United States of America):** The United States of America continues to support the discontinuation of the Incentive Schemes for the reasons which we have already stated. As the remarks of the last two or three speakers have indicated, this is a fairly complicated procedure not only as to whether we discontinue, but rather, where do we go from this point? In an effort to narrow the divergence of views of at least three groups which you have mentioned, Mr Chairman, the United States would support what we understand to be the original suggestion of the delegation of Argentina, and some others, that the Incentive Scheme be suspended provisionally for the coming biennium with nothing said about what would happen in the following years.

During that two-year period, this broader issue with all its diversity could be further discussed particularly in the Finance Committee, or at least beginning in the Finance Committee, which is where these matters will have to be begun if we are to find a solution to all this.

**CHAIRMAN:** Could I ask the delegate of Switzerland if he could address the Argentine proposal for a suspension in the coming biennium while making his other remarks?

**Igor MARINCEK (Switzerland):** There are three points here and the first is whether we all agree that what we have is a soft Incentive Scheme. The Austrian delegation has already suggested it should be a stronger Scheme and one with better information. When we are thinking of the idea of a penalty scheme, one possibility would be to make a soft Penalty Scheme, more or less, to take what we have here and apply it in a Penalty Scheme. I think this would be quite a practical and uncomplicated solution.

With respect to the suggestion of a provisional suspension, my delegation has already made it clear we do not favour this. We are for maintaining differential treatment between good and bad payers. This is important in the next biennium also. If we have a provisional suspension we take away some of the urgency of dealing with the problem and finding a solution, so we want to keep a little pressure on this issue.

Thirdly, even though this is not really the question here, we should look at other sanctions: how they have to be applied, and whether there is a chance to extend them. Our proposal is, for example, that eligibility of all nations to be on the Finance Committee should be the same as for Council itself. In the Finance Committee we have big defaulters who, on the question of financial discipline, have a very biased view, which is not to say that this comes under the same rules as for the Council.

**Kenji SHIMIZU (Japan):** I wish to clarify a point in my statement. First of all, my delegation belongs to the first category, not the second - namely that my delegation supports the elimination of the Incentive Scheme in the future. Secondly, the penalty is on those in arrears, not against those who pay on time.

**Robert F. ANDRIGO (Canada):** Simply to recall that the delinquency of those who do not pay or who pay late has the net effect of taking the resources away from the Organization and/or of increasing the assessed

contributions of those who pay - indeed of all of us. I do not believe that a penalty scheme which results, for example, in reduced access to the restricted committees would be particularly meaningful given the small number of countries who can participate in those committees. Similarly in respect to Council. I think financial problems need to be addressed with financial solutions.

Unless and until we do have a workable alternative in place for the current Incentive Scheme which, as I have stressed earlier, is probably under-estimated in terms of its impact on national treasuries in that there is a return which can be identified, that can be annualized and related to what the particular costs of their investment might be - until we have an alternative in place, I would not favour, as suggested by the delegate of Argentina, the discontinuance of this Scheme and the study of the issue by the Finance Committee. We know what needs to be done. We either do it or maintain the present Scheme.

**I. RUFF (United Kingdom):** The United Kingdom supports the suggestion made a few moments ago by the delegation of the United States, namely, that we suspend the present Scheme for the coining biennium and ask the Finance Committee to look at other options during that period.

**CHAIRMAN:** You have made it very difficult for your Chairman to come up with a consensus or some decision from this body. Let me try to do so. Twenty delegations have spoken on this issue. There is not a majority in favour of the proposal of the Director-General to eliminate the scheme, one less than half of the members who have spoken before the proposal. However, I believe a clear majority of this Commission wishes to examine other means by which we can obtain prompt payment from member countries.

Therefore, it is the Commission's recommendation that Conference request the Finance Committee to consider other options. There have been three types of proposals on what those options could be, and the Committee can be asked to look into, I think, at least two of those; first of all as penalties for late payments, and the Committee would have to consider various definitions of late payment - whether a payment after 30 January is considered late: whether there would be interest on arrears, any interest on obligations due during the current year, and other possibilities. They would have to examine the experience that other UN Organizations may have had with similar schemes.

Several delegations indicated that eligibility to vote in the Conference and to participate in other restricted bodies than the Council (which also has a very strict rule) should be considered. I think we should ask the Committee to do that.

One delegation proposed that the Finance Committee should also consider a penalty which involves eligibility for services of the Organization. I heard no other support for that. This issue has been discussed previously in the Finance Committee and I must say there is very little support for denying the services of the Organization to those countries that have not been able to pay their prompt payment.

The Chairman concludes that there is not even majority support for the proposal. Indeed, there is not majority support for any proposal. Maybe one of the problems with our decision of four years ago, in 1991, is that we made a tentative decision to establish an experimental Discount Scheme. At that time we did not put in what is called a "sunset" mechanism which says that if the experiment does not prove to be successful it is automatically eliminated. I suggest we should consider that type of provision in future, whether a Positive Incentive or a Negative Penalty Scheme, and that the Financial Committee build such a provision into any recommendation that it makes on this issue, or we will be back in the same position two years from now that we are in today. We are unable to make a decision because of the wide variety of issues we have, and in the absence of a positive decision we are stuck with a tentative decision made some years ago.

I conclude that there is not sufficient support for the recommendation to eliminate the Discount Scheme, but there is very great support for asking the Finance Committee to examine other alternatives which may be more effective in obtaining prompt payment of dues owed to the Organization. That concludes the discussion on this item.

**DEPUTY DIRECTOR-GENERAL:** I would just encourage members of this Commission to reflect upon the debate you have heard between now and the time when you have to adopt your Report, and make your recommendations to the Conference.

No one has denied the facts of the matter. The facts are that there has been no apparent benefit associated with the Scheme. However, there has been a very clear cost. Conference has asked the Secretariat to search for every possible means of increasing income and making further improvements in efficiency and effectiveness. Conference has called upon the Secretariat to give more attention to benefits and costs, to inputs and outputs. If you ever had a case before you where the facts suggest a decision, it is this one.

It is a fact that part of the matter is uncertain. It is not easy to quantify the benefit side. It is easy, however, to see the magnitude of the cost. We will have to give discounts at January 1996 of US\$1 453 184. There is no way we can avoid that.

I want to correct one point. I said that there would be a US\$3 million difference in this biennium. That will be the cost over the forthcoming two years; but we could only capture US\$1.5 million from suspension, because the other US\$1.5 million would become a discount at the beginning of the following biennium. Nevertheless, in our present situation US\$1.5 million is equivalent to about seven P-4 posts. The trade-off you are asking us to do, therefore, is to cut out a nice chunk of this Organization's work - to cut one sub-programme or one element - in order to be able to keep this discount which so far has no tangible benefit.

**CHAIRMAN:** I would like to make a couple of points on Mr Hjort's statement. First of all, I hope that he did not mean to suggest that we will re-debate this issue when we adopt our Report. The adoption of the Report will be an attempt to make sure that it reflects the debate; it will not be an attempt to re-open the debate. If there are delegations wishing to continue the debate now is the time to do that.

I would also note that cutting personnel is not the only way of reducing the cost of the programme. The US\$1.5 million could be saved in a number of different ways rather than cutting personnel.

Are there any other delegations wishing to continue the debate at this point? If not, let us proceed to Agenda Item 22.

## **22. Other Administrative and Financial Matters**

### **22. Autres questions administratives et financières**

### **22. Otros asuntos administrativos y financieros**

**CHAIRMAN:** I have been asked by the Secretariat to bring a document to your attention which will be issued later today. It is C 95/INF/24. This is for information; there need be no discussion at this time. It is the Administrative Committee on Coordination's statement on the report of the International Civil Service Commission (ICSC) on staff salary adjustments.

I will now call on Steve Dembner, President of the Association of Professional Staff. On Friday we invited him to give a short address to this Commission on FAO staff members' concerns.

**Steve DEMBNER (FAO Staff):** It is an honour and a privilege to speak to you here today on behalf of the three staff bodies: the Association of Professional Staff, the Union of General Service Staff and the Field Staff Association. The FAO Manual specifies that the staff associations may ask to address the Governing Bodies under extraordinary circumstances. We are grateful to the Director-General and to you, Mr Chairman, for acceding to our request.

We think you will agree that our Organization indeed finds itself under extraordinary circumstances. We are not referring, although we might wish we were, to the historic milestone of FAO's 50th Anniversary. For FAO's staff that proud occasion has been overshadowed by the harsh realities of the present and the seemingly bleak prospects for the future.



For many months now we have heard and read about proposals drastically to reduce FAO's budget. Many of these proposals have seemed to consider FAO staff not as its greatest asset but rather as the crux of its problem. Such proposals inevitably cause alarm among staff; but as much as we fear for our own jobs and careers we are equally concerned about the future of this Organization and its ability to fulfil its mandate.

We would argue that, before making significant reductions to the budget, several basic questions ought to have been posed, discussed and answered. The first question is why have you been talking about cutting FAO's budget at all? Is it that too much money is being focused on the challenges of agriculture and sustainable development? We doubt that anyone can make that affirmation in good conscience - not when some 800 million people still go hungry, not when soil degradation, deforestation and depletion of fish resources threaten the resource base that is the key to our very survival.

A second question is could the member countries truly not have afforded to continue funding at the current levels? We also find that hard to believe, when we consider the vast sums generated by trade and agricultural products, or the generous subsidies provided to farmers in some donor countries; not to mention the monies which are still devoted to military expenditure in almost all of our member countries.

Is the problem then that Member Nations feel that we have not been using our resources as efficiently and as productively as possible? If that is the problem, simply cutting the budget is not the answer. We would have proposed a different solution: a solution that involves support and expanding a process of reform and renewal, fully engaging the knowledge, the experience and the commitment of staff, to help FAO meet the challenges of the next millennium.

The staff would be among the first to agree that steps should be taken to improve the efficiency and productivity of the Organization. What Conference delegates and FAO management may see as inefficiency, the Organization's staff experience as frustration, when we are impeded, among other things by limited resources, from contributing to the best of our abilities. Who could possibly be in a better position to identify problems and propose solutions? We would gladly participate in a process to reduce such inefficiencies and frustrations and identify possible economies. We fear, however, that the drive for quick reductions in the budget will short-circuit the possibility for a genuine consultative process and inflict significant damage on our ability to perform the work assigned to the Organization by our Member Nations.

Effectively, we have already weathered two years of deep cuts in which the Organization has operated with funding well below the budgeted level, in which both our working conditions and the work of the Organization have suffered. The question now becomes one of how the budget cuts you have imposed will be implemented.

We hear discussion of sharply reducing the number of posts, both among Professional and General Service staff, but we do not hear proposals for corresponding reductions in the quantity and the quality of work that we, the staff, will be expected to perform. Cuts of this sort cannot enhance productivity and efficiency. There is no gain in efficiency when a technical officer is compelled to absorb the duties of a vacant post whose responsibility falls outside his or her area of expertise. Productivity is not enhanced when a General Service staff member who has been trained to assist with desktop publishing or other advanced skills must take on additional low-level administrative functions because there is nobody left to handle them.

We hear it suggested that the Organization as a whole could cut costs and improve performance by employing more consultants and fewer staff. Our experience tells us that this proposal ignores hidden costs of consultancies and unrecognized benefits of staff employment.

We also hear suggestions that savings can be achieved by downgrading posts and recruiting younger, less experienced and less expensive staff. We would welcome the infusion of energy and new ideas but we also know the value of experience, and we cannot believe that a systematic elimination of high-level technical posts will enhance the standing of FAO as a Centre of Excellence - a hub of information.

We recognize that careful examination of possibilities for cost savings are necessary, but we would suggest that the short- and long-term effects of widespread downgrading cannot be justified. The Organization already

has grave difficulties in hiring and retaining qualified staff at the current grading levels and their accompanying uncompetitive pay scales.

The General Service staff are particularly concerned about two aspects of the discussion on cost containment. The first is the way the General Service category is increasingly defined by relation to the Professional category rather than on its own terms. The second refers to the way basic principles are being ignored.

You will recall the discussion of a few years ago concerning the question of the salary overlap between the higher-level General Service grades and the lower-level Professional grades. The real problem lay in the misapplication of the Noblemaire principle, thereby setting the level of Professional salaries too low; but instead of dealing with this, the General Service salaries were considered too high by comparison and measures were taken to curtail them. Today, the result is that the General Service salaries are firmly on a downhill track, but the problem of the level of Professional salaries remains unresolved.

In the current discussion there is the risk of making a similar mistake with regard to the size of the General Service category that this Organization requires. It is misleading to consider the General Service/Professional ratio as an objective indicator of the cost-effectiveness or efficiency of an organization. The different agencies have different mandates and different structures, each requiring a different balance between General Service and Professional ratios. If FAO is compared with other Agencies with significant field programmes, we might actually appear understaffed in the General Service category.

On the question of respect for principles, the recent General Service Salary Survey conducted by the International Civil Service Commission gave little consideration to the technical aspects and the methodology, and will lead to unjustified erosion of General Service salaries. It appears that anything is acceptable as long as it cuts costs, and the General Service staff will lodge an appeal against the ICSC to emphasize that financial considerations must not override respect for principles.

We would also like to draw your attention to an important part of the Organization that has already undergone deep cuts in the budget and staff over a period of several years - the field programme. In 1988, FAO employed almost 1 200 experts worldwide in a range of projects. Today only 450 remain. Field experts with long-standing experience have seen their careers terminated with little or no prospects for future employment at FAO or in their home countries. The situation not only threatens the careers of our field experts but also implies for the Organization the loss of valuable and unique technical experience. The Field Staff Association hopes to be able to establish a mechanism with FAO management to maintain the pool of eminent FAO field experts.

In confronting a short-term financial crisis it may be appropriate to spread the impact more or less evenly across the programmes of the Organization, and to mobilize extraordinary efforts from staff to avoid erosion of the quality and quantity of our work. If what we are facing, however, is a permanent and perhaps ever-deepening reduction of the budget of the Organization, a different approach must be taken. It would be necessary to retain only a limited number of priority tasks and to eliminate other programmes completely, so that we could perform well rather than struggle without the resources to complete our work programme properly. Decisions of this sort cannot responsibly be taken in haste, however. They would need to be the subject of careful analysis and consultation, both among the Member Nations and among the staff - those with the most direct knowledge about the working of our Organization.

In conclusion, we would like to pose another question. Do you honestly believe that any viable alternative exists or even could exist to FAO, in terms of shouldering the wide range of responsibilities in the area of agriculture, forestry and fisheries, and of performing the tasks that we have taken on over the past 50 years?

If FAO had not been created by your predecessors 50 years ago, might you not be meeting today to invent it? We would suggest that you, the Conference of this Organization, do in fact invent FAO every two years when you meet to set its Programme of Work and Budget. In taking up your challenge, you have an advantage over your predecessors of 50 years ago. You have a nucleus of expertise and commitment that you can draw on in defining priorities and allocating resources. That nucleus is the current staff of this Organization.

The staff of FAO are proud of what we have accomplished over the past half century. At the same time we are acutely aware of the enormous challenges that remain, and we are convinced that the Organization can

only build upon its achievements and overcome its shortcomings through a process that fully recognizes and engages the knowledge, the commitment, and the creativity of its staff.

Consultation and negotiation are not the fastest way to arrive at decisions, but they are the best way. We would even argue that they are the only way to take the decisions that could truly improve the efficiency and the productivity of this Organization while minimizing the damage both to the working conditions of the staff and to the quality of the work that we perform for the benefit of our Member Nations. I thank you for your attention.

**CHAIRMAN:** Thank you, Mr Dembner. The Committee has taken note of your remarks, and the full text will be printed in the Verbatim Record.

Is there other financial and administrative business that members of this Commission would like to conduct this morning? That concludes, then, our regular agenda, but let us turn immediately to the adoption of the Report.

I would like to ask the Rapporteur of the Committee, Mr Ly of Senegal, to join us to discuss the Report. As Mr Ly is coming to the table, let me, on behalf of all of the Members, congratulate him on a very concise Report, one that I hope we can adopt very quickly this morning.

#### **ADOPTION OF REPORT**

#### **ADOPTION DU RAPPORT**

#### **APROBACION DEL INFORME**

#### **DRAFT REPORT OF COMMISSION III - PART I**

#### **PROJET DE RAPPORT DE LA COMMISSION III - PREMIERE PARTIE**

#### **PROYECTO DE INFORME DE LA COMISION III - PARTE I**

**CHAIRMAN:** There are two documents that will contain this section of the Report. We have available C 95/III/REP/1 and C 95/III/REP/2. REP/1 is the report on our deliberations on the amendments to the General Regulation of the World Food Programme. Our decision is recorded in the first sentence of that report.

That is the only item that I would ask you to look at for possible revision. The rest of this report is the draft of the Resolution which we adopted, and therefore there would be no change in that unless you have detected typographical or translation errors. And finally there is an appendix attached to our report which shows how the changes in the Regulations will appear in the World Food Programme General Regulations. Is there discussion on the sentence in REP/1?

**LE RAPPORTEUR:** Comme le veut la coutume, vous me permettrez d'introduire le rapport sur la forme, en tant que rapporteur que cette Commission a bien voulu élire; et je voudrais tout d'abord remercier Monsieur Bombin et Monsieur Hla du Secrétariat qui ont bien voulu répondre à notre attente en nous aidant à produire un rapport concis qui va au but ainsi que le souhaitait la Conférence.

J'aurais à indiquer des changements possibles sur l'autre document REP/2. Pour ce qui est du document REP/1, nous avons simplement voulu nous conformer à ce que le Conseil de la FAO avait pu arrêter et je crois que les projets sont devant vous. Je n'ai plus rien d'autre à ajouter. Je vous remercie.

**CHAIRMAN:** Is there any proposal to change the Report? REP/1 is adopted.

**Draft Report of Commission TU - Part 1 (including Resolution .../95 and Appendix ...) was adopted**

**Le projet de rapport de la Commission HI - Première partie (y compris la Résolution .../95 et l'annexe) est adopté**

**El proyecto de informe de la Comisión DI - Parte 1 (incluida la Resolución .../95 y el Apéndice) es aprobado**

**DRAFT REPORT OF COMMISSION III - PART II**

**PROJET DE RAPPORT DE LA COMMISSION III - SECONDE PARTIE**

**PROYECTO DE INFORME DE LA COMISION III - PARTE II**

**LE RAPPORTEUR:** Le document REP/2 au point 18 ne fait que reproduire la substance des débats qui ont eu lieu sur cette question du renforcement des relations entre l'OUA et la FAO. De même, je crois que le Secrétariat a donné des réponses pertinentes aux questions sur les comptes vérifiés qui avaient été posées. Sous cette condition, nous avons donc adopté le libellé qui est proposé à la Commission. Je crois que le français est en accord avec le texte anglais. Je me suis entretenu tout à l'heure avec le Secrétariat et je crois que tout est en ordre. Je recommanderai donc à notre Commission d'adopter ce rapport sur les trois points qui lui sont proposés.

**Sra. Maria JIMENEZ DE MOCHI ONORI (El Salvador):** Señor Presidente, nuestra delegación no tiene ninguna objeción en que se aprueben en bloque. Quisiera solicitar solamente que el punto 3), que en la versión en español está en la página 9, se refleje de una forma más adecuada. Estamos hablando de que en el punto 2) se dice: "la Conferencia examinó" en el punto 4): "la Conferencia tomó nota" y el punto 3) queda como deseo de la Conferencia: "La Conferencia deseaba manifestar su apreciación".

Desearía que se corrija la versión en español de esta frase, por favor, por la expresión: "La Conferencia manifestó su aprecio por la labor realizada por el auditor externo".

**John Bruce SHARPE (Australia):** I was just coming in to endorse that proposal.

**I. RUFF (United Kingdom):** We endorse that proposal.

**Robert F. ANDRIGO (Canada):** To endorse, Mr Chairman.

**CHAIRMAN:** Any objection to that proposal? There being none, it is adopted.

**Draft Report of Commission III - Part 2 (including resolutions .../95 and Appendix) was adopted**

**Le projet de rapport de la Commission HI - Seconde partie (y compris les Résolutions .../95 et l'annexe) est adopté**

**El proyecto de informe de la Comisión III - Parte 2 (incluidas las Resoluciones .../95 y el Apéndice) es aprobado**

This is the final meeting, then, of Commission III. We will try to get the report out this afternoon, and we will ask the Secretariat to schedule it before the full Conference as soon as possible, hopefully moving the schedule up a little bit, and maybe we can even cut a day or two off the Conference itself. Thank you very much for your cooperation. The Commission is adjourned.

**The meeting rose at 12.00 hours.**

**La séance est levée à 12 heures.**

**Se levanta la sesión a las 12.00 horas.**