



منظمة الأغذية
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联合国
粮食及
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des
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pour
l'alimentation
et
l'agriculture

Organización
de las
Naciones
Unidas
para la
Agricultura
y la
Alimentación

CONFERENCE

Thirty-fourth Session

Rome, 17-24 November 2007

MEASURES TO IMPROVE THE ORGANIZATION'S CASH SHORTAGE SITUATION

(Extract from the Report of the 118th Session of the Finance Committee, 17-25 May 2007, and from the Report of the 132nd Session of the Council, 18-22 June 2007)

50. The Committee examined the document prepared by the Secretariat, as well as the document prepared for the 115th session on the same subject, and discussed the measures to improve the Organization's cash shortage situation. The Committee also welcomed the information on recent borrowings and borrowing forecasts provided by the Secretariat for the consideration of the Committee under its standing item on *Financial Highlights*.

51. The Committee agreed that the Regular Programme liquidity situation of the Organization was critical and would only be improved through timely payment of assessed contributions by the Member Nations. Nevertheless, it was recognized that some countries faced extremely difficult economic situations. The Committee also reviewed the results of the survey of Member Nations which had been carried out by the Secretariat at the request of the Committee to identify those issues that influenced the timing of payments or the reasons for non-payment of assessed contributions.

52. As for the measures to enhance the payment by the Member Nations, the Committee supported all measures currently in place. Several members had consulted with their respective regional groups, as agreed during the Committee's 115th session, on the measures which had been discussed in the past but not implemented and on the proposals made by one member at the 113th session, but conclusions had not been reached by all regions. The Committee thanked especially the representative from Japan for the proposals made and for pursuing various initiatives to improve collection of contributions.

53. The members therefore agreed to propose to the Conference certain measures which all Committee members supported at this time, postponing discussion of other measures to a later

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session, allowing further analysis as well as consideration of any relevant recommendations arising from the Independent External Evaluation.

54. The Committee agreed to propose that the Conference approve a derogation of Financial Regulation 5.6 in order to allow the Secretariat to accept contributions in non-freely convertible local currencies, under certain conditions as set out in document FC 110/17, paras 12 and 19.

55. The Committee agreed to propose to the Conference, through the Council, that Member Nations in arrears of more than the amount of the contributions due from them for the two preceding calendar years be required to submit an instalment plan to the Finance Committee for review, and subsequent approval by the Conference.

56. The Committee further agreed to propose to the Conference, through the Council, that the practice of automatically restoring voting rights for all Member Nations on the first day of the Conference be immediately discontinued.

57. The Committee agreed to recommend the following draft resolutions to the Conference through the Council for the introduction of the above-referenced additional measures to encourage timely payment of contributions, noting that Legal Counsel had not yet had an opportunity to review these texts in detail.

(Extract from the Report of the 132nd Session of the Council, 18-22 June 2007)

96. The Council agreed that the Regular Programme liquidity situation of the Organization was critical and would only be improved through timely payment of Assessed Contributions by all Member Nations. Accordingly, the Council supported all measures currently in place to enhance payments by Member Nations. In addition, the Council agreed in principle to propose to the Conference the introduction of the three measures recommended by the Finance Committee, as contained in paragraphs 54 to 57 of the Report of its 118th session, on the understanding that their final language will be discussed and refined during its 133rd session for transmittal and decision by the Conference.

Draft Resolution for the Conference

Measures to Encourage Timely Payment of Contributions

THE CONFERENCE

Noting that the Regular Programme liquidity situation of the Organization is critical and can only be improved through timely payment of assessed contributions by the Member Nations;

1. **Decides** that in order to encourage timely payment from Member Nations of assessed contributions, the practice of automatically restoring voting rights for all Member Nations on the first day of the Conference shall be immediately discontinued.

Adopted on .. November 2007

Draft Resolution for the Conference

Measures to Encourage Timely Payment of Contributions

THE CONFERENCE,

Noting that the Regular Programme liquidity situation of the Organization is critical and can only be improved through timely payment of assessed contributions by the Member Nations;

Recognizing that additional measures are required in order to encourage timely payment from Member Nations of assessed contributions;

1. **Decides** to introduce a rule whereby Member Nations in arrears of more than the amount of the contributions due from them for the two preceding calendar years shall be required to submit an instalment plan to the Finance Committee for review and subsequent approval by the Conference, as a condition for the restoration of their voting rights;
2. **Decides**, in order to facilitate the payment of contributions by those Member Nations with limited availability of convertible currency, to approve a derogation from Financial Regulation 5.6 to allow the Director-General to accept contributions in non-freely convertible local currencies under the following conditions:
 - the Organization requires to have activities in the country for which the currency can be spent;
 - the currency is usable without further negotiation within the exchange regulations of the country;
 - local currency contributions can only be accepted in such amounts as can be utilized during a short period of time, with a view to ensuring that the currency is received and spent at the same UN operational exchange rate;
 - credit shall be granted against assessed contributions at the UN operational rates of exchange in force on the date the local currency is received in a bank account of the Organization;
 - where the UN operational rate of exchange differs significantly from the market exchange, the rate of exchange to be applied for the purpose of crediting the contribution of the Member Nation is the rate that FAO will have obtained for the conversion into euro/dollars at the date on which the local currency is credited to the bank account of the Organization;
 - local currency amounts will not be accepted for those countries whose currency is subject to persistent devaluation. If at any time during the period of utilization of the local currency funds, there shall occur a reduction in the exchange value or a significant devaluation of the local currency with respect to the euro/dollar, the Member Nation will be required upon notification to make an adjusting payment to cover the exchange loss pertaining to the unspent balance of that contribution;
 - payments of arrears shall not be accepted in non-freely convertible currencies.
3. **Decides** that a Member Nation, whose currency is not freely convertible, wishing to avail itself of this payment method, shall submit a request to the Director-General and obtain approval prior to effecting any transfer of funds to the Organization. The Director-General shall decide on such a request based on whether it is in the best interests of the Organization and involves no risk of financial loss.

Adopted on .. November 2007