FINANCE COMMITTEE

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Restoration by the Conference of the voting rights of Member Nations in arrears in the payment of their financial contributions to the Organization

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

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EXECUTIVE SUMMARY

- This item is presented further to the request by the Council at its 171st Session, for the Committee on Constitutional and Legal Matters (CCLM) and the Finance Committee to review the draft Conference Resolution included in document CL 171/19, *Restoration by the Conference of the voting rights of Member Nations in arrears in the payment of their financial contributions to the Organization.*

- The CCLM reviewed this matter at its 118th Session (6-8 March 2023). An extract of the Report of the 118th Session of the CCLM is provided in document FC 195/6 Add.1.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Committee is invited to review the document and provide guidance as deemed appropriate. The Committee is further invited to consider whether there is consistency between the different language versions of the draft Resolution.

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1 CL 171/REP, paragraph 45.
Introduction

1. The Council, at its Hundred and Seventy-first Session in December 2022, referred the draft Conference Resolution included in document CL 171/19, Restoration by the Conference of the voting rights of Member Nations in arrears in the payment of their financial contributions to the Organization, developed through informal consultations led by the Independent Chairperson of the Council (ICC), for review by the Committee on Constitutional and Legal Matters and the Finance Committee (hereinafter referred to as “the draft Resolution” unless otherwise specified).2

Background

2. This matter arose from the request of the Conference, at its Forty-second Session in June 2021, for a comprehensive review of the process for reinstating the voting rights of Member Nations in arrears,3 as foreseen in Article III, paragraph 4, of the Constitution.4 The matter was included on the agenda of the Committee on Constitutional and Legal Matters (CCLM) for its Hundred and Thirteenth Session in October 2021,5 its Hundred and Fifteenth Session in March 2022,6 its Hundred and Sixteenth Session in June 2022,7 and its Hundred and Seventeenth Session in October 2022.8

3. The matter was also included on the Finance Committee’s agenda for its Hundred and Eighty-eighth Session in November 2021,9 its Hundred and Ninety-first Session in May 2022,10 and its Hundred and Ninety-fourth Session in November 2022.11

4. The item, including the Council Committees’ recommendations, was included on the Council’s agenda for its Hundred and Sixty-seventh Session in June 2021,12 its Hundred and

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2 CL 171/REP, paragraph 45. The draft resolution submitted to the Council is annexed to document CL 171/19.
3 C 2021/REP, paragraph 25. The Conference “requested the conduct of a comprehensive review on the process for reinstating voting rights for Member Nations in arrears for consideration by the relevant Governing Bodies, including the Committee on Constitutional and Legal Matters, supported by a process of informal consultation led by the Independent Chairperson of the Council with the Chairpersons and Vice-Chairpersons of the Regional Groups”.
4 Constitution, Article III, paragraph 4: “Each Member Nation shall have only one vote. A Member Nation which is in arrears in the payment of its financial contributions to the Organization shall have no vote in the Conference if the amount of its arrears equals or exceeds the amount of the contributions due from it for the two preceding calendar years. The Conference may, nevertheless, permit such a Member Nation to vote if it is satisfied that the failure to pay is due to conditions beyond the control of the Member Nation”.
5 CCLM 113/3, CCLM 113/3 WA1, and CL 168/10, Section V.
6 CL 170/13, Section VIII. No CCLM document was prepared for that Session. An oral update was provided by the ICC on its informal consultations on this matter.
7 CL 170/21, Section III and Appendix A. No CCLM document was prepared for that Session. The CCLM discussed the document prepared by the ICC (CL 170/19), attaching a draft Conference Resolution _/2023 on the procedures for the restoration by the Conference of the voting rights of Member Nations in arrears in the payment of their financial contributions to the Organization (attached as Appendix A to CL 170/19). It reviewed the draft Conference Resolution _/2023, also in light of the recommendations of the Finance Committee in document CL 170/12, paragraph 16, and found it consistent with the Basic Texts of the Organization subject to the incorporation of the amendments reflected in Appendix A to CL 170/21.
8 CL 171/10, Section V. No CCLM document was prepared for that Session. An oral update was provided by the ICC on its informal consultations on this matter.
9 CL 168/9, paragraph 9.
10 FC 191/5 and CL 170/12, paragraphs 15-16. At that Session, the Finance Committee reviewed document FC 191/5 as well as the document prepared by the ICC (CL 170/19), attaching the draft Conference Resolution _/2023.
11 CL 171/9, paragraphs 13-14. At that Session, the Finance Committee reviewed the document prepared by the ICC (CL 171/19), attaching a revised draft resolution entitled “Procedures for the restoration by the Conference of the voting rights of Member Nations in arrears in the payment of their financial contributions to the Organization” (attached as Annex 1 to CL 171/19).
12 CL 167/REP, paragraph 11(a). The Council noted the request of the Conference.
Sixty-eighth Session in November-December 2021, its Hundred and Seventieth Session in June 2022 and its Hundred and Seventy-first Session in December 2022. Informal consultations led by the ICC have also taken place, as per the Conference’s request.

5. CCLM, at its Hundred and Thirteenth Session in October 2021, analysed the Governing Bodies’ previous consideration of this matter and FAO’s legal framework and practice on this question, as well as that of other UN system organizations. The Finance Committee, at its Hundred and Ninety-first Session in May 2022, undertook a similar review of the matter and, in particular, analysed the question of the payment of arrears in local currency which had arisen in the informal consultations. The Finance Committee also reviewed document CL 170/19, which was developed through the informal consultations and presented by the ICC. At its Hundred and Sixteenth Session, an additional session convened specifically to address this matter, CCLM commented on the version of the draft Conference Resolution incorporated into document CL 170/19, recommending amendments to the draft in order to align with the recommendations of the Hundred and Ninety-first Session of the Finance Committee (CL 170/12) and to ensure consistency with the Basic Texts of the Organization.

6. In the absence of consensus on certain aspects of that draft in the subsequent informal consultations, the ICC prepared a revised draft Resolution which was incorporated into document CL 171/19. The Council considered the draft Resolution at its Hundred and Seventy-first Session in December 2022, noting it was looking forward to reviewing the draft again following its review by CCLM and the Finance Committee, with a view to submitting the draft Resolution to the Conference at its Forty-third Session for approval.

Observations on the draft Resolution and proposed amendments

7. The text under review is the outcome of the ICC-led informal consultations as presented to the Council at its Hundred and Seventy-first Session in December 2022 in document CL 171/19. In this regard, it is noted that the Council, at that Session, welcomed the observation of CCLM that informal

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13 CL 168/REP, paragraph 27 (referring to the Report of the 188th Session of the Finance Committee) and paragraph 30 (referring to the Report of the 113th Session of the CCLM).
14 CL 170/REP, paragraph 41. At that Session, the Council noted the document CL 170/19 and the Report of the 116th Session of the CCLM, including its discussion on the draft Conference Resolution __/2023 included in CL 170/19.
15 CL 171/REP, paragraph 45. At that Session, the Council reviewed the document CL 171/19, noting that it would review the revised draft Resolution included in Annex 1 to CL 171/19 at its Session in April 2023 following review by the CCLM and Finance Committee, prior to submission to the Conference.
16 See CCLM 113/3, paragraphs 10 to 18, which contain a reference to: C 2011/REP, paragraph 29; C 1993/REP, paragraph 38; CL 107/REP, paragraph 207; paragraph 208, sub-paragraphs b) and e); C 95/LIM/28, paragraph 4; C 1995/REP, paragraph 115; C 2005/REP, paragraphs 32-33; FC 115/8 (2006); FC 118/13 (2007); FC 119/8 (2007); FC 118/REP (2007), paragraphs 55-57; C 2007/LIM/7, page 3; CL 132/REP, paragraph 96; CL 133/REP, paragraph 37; C 2007/LIM/22, paragraph 2 (referring to the two draft resolutions adopted by the Conference as Resolution 13/2007 “Measures to Encourage Timely Payment of Contributions and Resolution 14/2007 Measures to Encourage Timely Payment of Contributions – Acceptance of Non-Freely Convertible Currencies under Certain Conditions”; CCLM 95/14; CL 145/REP, paragraph 39, sub-paragraph f); CL 149/REP, paragraph 19.
17 See CCLM 113/3 and CCLM 113/3 WA1.
18 See FC 191/5 and CL 170/12, paragraph 16, sub-paragraphs a) to d). The Finance Committee recalled Conference Resolution 14/2007 “Measures to Encourage Timely Payment of Contributions – Acceptance of Non-Freely Convertible Currencies under Certain Conditions” and noted that the current practice of FAO is non-acceptance of payment of arrears in non-freely convertible local currencies.
19 See CL 170/12, paragraph 16, sub-paragraph e). The Finance Committee recommended that the procedures, criteria and draft resolution presented in document CL 170/19 also be considered by the CCLM prior to consideration by the Council at Hundred and Seventieth Session.
20 CL 171/REP, paragraph 45.
consultations do not replace the Governing Bodies of the Organization, in particular the Council Committees, in the Organization’s formal decision-making process.\textsuperscript{21}

8. The observations detailed below regarding the proposed text of the draft Resolution are made for the consideration of CCLM and the Finance Committee, in light of their mandates under Rule XXXIV, paragraph 7(a)\textsuperscript{22} and Rule XXVII, paragraph 7\textsuperscript{23} of the General Rules of the Organization respectively, and having regard to the version of the draft reviewed and amended by CCLM at its Hundred and Sixteenth Session.\textsuperscript{24}

9. Proposed amendments reflecting the above observations as well as proposed adjustments of an editorial nature are set out in the Annex to this document and explained below in Sections A and B.\textsuperscript{25} In light of certain discrepancies between the English version of the draft Resolution contained in Annex 1 to document CL 171/19 on the one hand and the other language versions thereto on the other hand (e.g. at paragraphs 3 and 4, “Requests for” is translated in Spanish: “Solicita que”), and considering that some editorial adjustments may not be necessary in all languages, the Committee is advised that the explanations set out below in Sections A and B, and the related proposed amendments and adjustments for the Members’ consideration which are reflected in the Annex to this document, concern the English version of the draft Resolution. It is observed that there is a particular need to consider whether the actions requested under this draft Resolution are consistently reflected in all the official language versions.

A. Preamble of the draft Resolution

10. First preambular paragraph: As the Constitution reflects legally binding obligations which do not need to be reaffirmed, it is suggested that the verb “Reaffirming” be replaced with “Recalling”. It may be appropriate to also recall Article III, paragraph 4 of the Constitution in the Preamble, as this is the formal basis for the restoration of voting rights of Member Nations in arrears. Harmonization of references to this provision throughout the text of the draft Resolution is also recommended. The verb “urging” should be in bold as it is an action of the Conference.

11. Second preambular paragraph: Reference is made to the liquidity situation of the Regular Programme in 2018 and “prior years”. Consideration could be given as to whether, if this is to be longstanding guidance from the Conference, reference to a specific year is appropriate rather than a more generic reference to the impact that delays in payment of contributions and non-payment may have on the Regular Programme’s budget. For example, the text could be modified as follows: “Noting the critical liquidity situation of the Regular Programme in 2018 which can arise as a result of delays in the payment of contributions and when the a continued high level of contributions that remained unpaid from prior for several years, in particular by major contributors”. This proposal may be particularly relevant if the Members determine that the Resolution, if adopted, should be included in Volume II of the Basic Texts (see paragraph 22 below).

12. Third preambular paragraph: To confirm consistency with the Basic Texts, a reference to Rule XXXVIII, paragraph 2(j) of the General Rules of the Organization, which mandates the

\textsuperscript{21}See CL 171/REP, paragraph 37: “The Council welcomed the CCLM’s recalling of the role of the Governing Bodies of the Organization, in particular the Council Committees, in the Organization’s formal decision-making process”.

\textsuperscript{22}General Rules of the Organization, Rule XXXIV, paragraph 7(a): “The Committee shall hold sessions to consider specific items referred to it by the Council or the Director-General which may arise out of: (a) the application or interpretation of the Constitution, these Rules and the Financial Regulations or amendments thereto”.

\textsuperscript{23}General Rules of the Organization, Rule XXVII, paragraph 7: “The Finance Committee shall assist the Council in exercising control over the financial administration of the Organization”.

\textsuperscript{24}See Appendix A of document CL 170/21 reviewed by the CCLM at its Hundred and Sixteenth Session (available at https://www.fao.org/about/meetings/cclm/cclm116/documents/en/).

\textsuperscript{25}Under sections A and B, the proposed amendments involving insertions to the draft resolution are shown in bold and deletions are shown in strikethrough mode.
Director-General to “request and receive payments of contributions of Member Nations and Associate Members and report oner”, could be added.

13. **Fifth preambular paragraph**: On the understanding that the intended focus of this draft Resolution is the process for the restoration of the voting rights of Member Nations in arrears, consideration could be given to adjusting this preambular paragraph so that it acknowledges “the need for a more specific procedure for the payment of arrears in relation to restoration of voting rights of Member Nations in arrears in the payment of their financial contributions to the Organization in accordance with Article III, paragraph 4, of the Constitution”.

14. **Sixth preambular paragraph**: This preambular paragraph does not appear to fully reflect the overall conclusions of CCLM at its Hundred and Fifteenth Session and of the Finance Committee at its Hundred and Ninety-first Session. The paragraph may also raise the question as to why other sessions of the two Council Committees which considered this matter since the Conference’s Forty-second Session in June 2021 are not identified. It is further noted that discussions by the Governing Bodies on this matter go back to the 1990s. Consideration could be given to deletion or, if considered an important component, adjustment of this preambular paragraph.

**B. Operative paragraphs of the draft Resolution**

15. **General observation regarding the numbering of the operative paragraphs and proposed adjustments thereto**: It is noted that the numbering of the draft Resolution led to some confusion between the clauses announcing actions or requests of the Conference and the clauses detailing the content of those actions and requests. This, in turn, led to differences between the various language versions of the draft Resolution presented in document CL 171/19. A reading of paragraph 1 of the English version – “Decides to adopt the procedures as outlined in this Resolution for (…)” – suggests that this paragraph is a chapeau, and that paragraphs currently numbered 2 to 6 in the draft Resolution describe the process under that chapeau. If this understanding is correct, clauses currently numbered 2 to 6 could be renumbered as sub-paragraphs a) to e); and the numbering of subsequent standalone paragraphs adjusted accordingly.

16. **Sub-paragraph 1, a)**: It is recommended to insert “leading to the failure to pay” to more closely reflect the content of Article III, paragraph 4 of the Constitution.

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26 See CL 170/13, paragraphs 34 to 37: “34. The ICC provided an oral update on his consultations on the restoration of voting rights of Member Nations in arrears in the payment of their financial contributions to the Organization. 35. The Committee appreciated the ICC’s update, noting the impact of arrears on the Organization’s financial situation. 36. The Committee welcomed the ongoing work being undertaken with a view to addressing recommendations of the 168th Session of the Council on a procedure for timely submission of applications, types of information, means of payment and payment plans. 37. The Committee expressed its readiness to consider, within the context of its mandate, any criteria developed by this process or draft resolution for consideration by the Council and the Conference.”

27 See CL 170/12, paragraphs 15-16: “15. The Committee reviewed documents FC 191/5 and CL 170/19 on Restoration by the Conference of the voting rights of Member Nations in arrears in the payment of their financial contributions to the Organization. 16. The Committee: a) took note of the comprehensive review conducted by Management on the process for reinstating voting rights for Member Nations in arrears; b) took note of the importance of continuing the efforts to reduce arrears by Member Nations in collaboration with Management; c) expressed support for strengthening the existing procedures followed by the Organization when reviewing requests for reinstating voting rights, while taking into consideration timing, flexibility and rescheduling of Members’ payments, in line with FAO’s regulations; d) recalled the Conference resolution 14/2007 (Measures to Encourage Timely Payment of Contributions – Acceptance of Non-Free Convertible Currencies under Certain Conditions), and noted that the current practice of FAO is non-acceptance of payment of arrears in non-free convertible local currencies; e) recommended that the procedures, criteria and draft resolution presented in document CL 170/19, Restoration by the Conference of the voting rights of Member Nations in arrears in the payment of their financial contributions to the Organization, also be considered by the Committee on Constitutional and Legal Matters (CCLM) prior to its consideration by the 170th Session of the Council.”

28 See paragraph 5 and footnote 15 above.
17. **Sub-paragraph 1, b):** Considering that the word “requests” in this specific context is used as a noun rather than a verb, it is considered that this should not be in bold to follow the FAO style. Also, to complete the sentence in this sub-paragraph as a word appears to be missing if the passive form is to be retained, “to be submitted” could be replaced with “are to be submitted” or “should be submitted”. Consideration could also be given to specifying, as is done in sub-paragraph 1, c), that the requests need to be submitted “in writing”.

18. **Sub-paragraph 1, c):** As for sub-paragraph b) above, it is recommended to remove the bold character from the word “Requests” as it is used here as a noun rather than a verb. It is also suggested to replace “to be submitted” with “are to be submitted” or “should be submitted” as a word appears to be missing if the passive form is to be retained. With reference to “of the responsible minister of the government of the Member Nations concerned”, consideration could be given to following the usual terminology of the Basic Texts as reflected in, for example, Rule XXI, paragraph 4, of the General Rules of the Organization, i.e. “the minister for foreign affairs or the minister of the department concerned”.

19. **Sub-paragraph 1, d: Sub-paragraph 1, b) specifies that requests for the restoration of voting rights are submitted “to the Secretary-General of the Conference”. Proposed sub-paragraph 1, d) indicates that payment plans are to be submitted “to the Director-General”. Members may wish to consider why a proposed payment plan would be addressed to the Director-General while the request for restoration of voting rights would be addressed to the Secretary-General of the Conference, bearing in mind that decisions on both matters rest with the Conference.29 As the sentence refers to Member Nations, in the plural, it is suggested to change the reference to “its” to “their” in the latter part of the sentence.

20. **Paragraph 2:** It is noted that the status of payment of assessed contributions is already available on FAO’s website.30 Accordingly, consideration could be given to adjusting the text as follows: “Requests FAO to establish and continue to maintain (…)”. 

21. **Paragraph 3:** It is recommended to edit the end of the clause as follows: “(…) in advance of the Conference, as well as published it on (…)”. Also, if the intention is to refer to the FAO website www.fao.org, then the word “relevant” could be deleted.

22. It is recalled that the version of the draft Resolution reviewed earlier by the Council Committees included a request to the Director-General to include the Resolution in Volume II of the Basic Texts. However, as advised by the Legal Counsel during the informal consultations, recommendations for inclusion of resolutions in Volume II of the Basic Texts are normally presented separately, outside the resolutions in question.31 Recommendation for inclusion in Volume II of the Basic Texts is a matter for the Members to determine. It is noted that the CCLM has observed that Volume II of the Basic Texts includes “a number of important policy and legal documents of the Organization” and a review of the contents of Volume II reflects that these tend to be instruments intended to be of longstanding application.32

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29 It is noted that the Conference has previously received and approved instalment plans (e.g. Resolution 2/2021) and has adopted resolutions urging countries to submit instalment plans (e.g. Resolution 13/2007, in which the Conference “[urged] all Member Nations to make all necessary efforts to pay promptly all their assessed contributions to the Organization both for the ongoing year and the past years if applicable, or to submit an instalment plan to accommodate their payment in the latter case where appropriate”).


31 See, for example, document C 2015/LIM/12, which reflected that the Council endorsed the draft Conference Resolution on “Review of FAO Statutory Bodies” and decided to forward it to the Conference for approval and recommended that this Resolution, as well as Conference Resolution 13/97, be inserted in Volume II of the Basic Texts of the Organization. This followed a recommendation from the CCLM, which was made “given the importance of this matter” (see CL 150/2, paragraph 24).

32 See for example CCLM document C 2009/LIM/12-Rev.1, paragraph 7, which includes a discussion of the CCLM regarding document CFS 2009/2, Rev. 1 “Reform of the Committee on World Food Security”, and its
Annex

Draft Conference Resolution

Procedures for the restoration by the Conference of the voting rights of Member Nations in arrears in the payment of their financial contributions to the Organization

THE CONFERENCE,

Recalling affirining Article III, paragraph 4 and Article XVIII of the Constitution and the obligation of each Member Nation and Associate Member to contribute annually to the Organization its share of the budget, as apportioned by the Conference, and urging all Member Nations and Associate Members to pay their assessed contributions in full, on time and without conditions;

Noting the critical liquidity situation of the Regular Programme in 2018 which can arise as a result of delays in the payment of contributions and when the a continued high level of contributions that remained unpaid from prior-for several years, in particular by major contributors;

Noting that Member Nations are quarterly informed about Member Nations in arrears and that every Member in arrears will be notified two months in advance of the Conference, in accordance with Rule XXXVIII, paragraph 2(j) of the General Rules of the Organization;

Acknowledging the necessity of maintaining sufficient cash flow to cover obligations and ensure implementation of the approved Programme of Work;

Acknowledging the need for a more specific procedure for the payment of arrears in relation to restoration of voting rights of Member Nations in arrears in the payment of their financial contributions to the Organization in accordance with Article III, paragraph 4, of the Constitution;

Recalling that the Committee on Constitutional and Legal Matters, at its 115th Session, and the Finance Committee, at its 191st Session, convened in March and May 2022, respectively, examined and recommended to the Council at its Hundred and Seventieth Session, to endorse the proposal to complement the General Rules of the Organization in order to strengthen the measures imposed for the non-payment of contributions;

1. **Decides** to adopt the procedures as outlined in this Resolution for the restoration of voting rights under Article III, paragraph 4 of the FAO Constitution:

   a) Member Nations in arrears requesting the restoration of voting rights under Article III, paragraph 4 of the FAO Constitution should provide an explanation of the nature of the conditions beyond the Member Nation’s control leading to the failure to pay, and are encouraged to provide:

      i. the fullest possible supporting information, which may include, where possible, information on economic aggregates, government revenues, and expenditure, foreign exchange resources, indebtedness, difficulties in meeting domestic or international financial obligations;

      ii. an indication of the measures which will be taken in order to settle the arrears;

and

inclusion in Volume II of the Basic Texts. In that case, a provision indicating that this document should be inserted in Volume II of the Basic Texts was included in the Resolution itself.

Deletions are indicated using strikethrough text and insertions are indicated using underlined italics.
any other information that might support the claim that failure to make
necessary payments had been attributable to conditions beyond the control of the
Member Nations.

b) Requests for the restoration of voting rights under Article III, paragraph 4 of
the Constitution to be submitted by Member Nations in writing to the Secretary-General of the
Conference preferably two weeks ahead of the session of the Conference concerned, to ensure
a complete review of the requests by the General Committee.

c) Requests for the restoration of voting rights under Article III, paragraph 4 of
the Constitution to be submitted in writing by the Permanent Representative of the Member
Nation, the designated chargé d’affaires, or the responsible minister for foreign affairs or the
minister of the department concerned of the government of the Member Nation.

d) Member Nations in arrears who wish to reschedule the payment of their arrears as part
of an arrangement to have their voting rights restored should submit with their request in
writing to the Director-General a written payment plan.

e) The payment plan as referred to in sub-paragraph 5, d) should include the following
information:

i a) the total amount due, including the current year’s assessment;

ii b) the period over which payment is proposed;

iii c) the minimum amount of payment that the Member Nation intends to make each
year;

iv d) the date and the amount of the first payment;

v e) an indication of whether the Member Nation expects to request approval from
the Director-General to make the payment in local currency, in accordance with the
Financial Regulations and rules, and with relevant resolutions of the Conference;
and

vi f) a commitment from the Member Nation to pay its future assessed contributions
in full and on time and in accordance with the Financial Regulations.

27. Requests FAO to establish and continue to maintain a publicly accessible, exhaustive and
up-to-date information section on the FAO website reflecting the status of payment of assessed
contributions.

28. Requests the Director-General to include the present Resolution in the notification which is sent
to Member Nations in arrears two months in advance of the Conference, as well as published it
on the relevant website of FAO and in an Information Note for the Conference.