

September 2012



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FINANCE COMMITTEE

Hundred and Forty-seventh Session

Rome, 5 - 9 November 2012

Incentive Scheme for Prompt Payment of Contributions

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EXECUTIVE SUMMARY

- The Incentive Scheme for Prompt Payment of Contributions document presents information on Member Nations qualifying for a discount for prompt payment of contributions in 2012.
- Applying the standard methodology, market rates have been used to arrive at the calculation of suggested discount rates of 0.01% for the US dollar and 0.15% for the Euro assessments.
- A full list of eligible countries in 2012 is provided in the Appendix which shows that the total discount for 2012 would amount to USD 3,039.83 and EUR 35,058.08, applicable to the 2013 Assessments of 47 Members.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Director-General seeks the Finance Committee's concurrence with the discount rate to be used in applying credits to 2013 assessed contributions.

Draft Advice

- **Considering the importance of sending a signal to members regarding the need for early payment of contributions, the Committee agreed that the discount rate should be set at 0.01% for the US dollar and 0.15% for the Euro assessments.**

Introduction

1. The Conference, at its Twenty-sixth Session in November 1991¹, noted that the Director-General should consult the Finance Committee in determining the discount rate to be applied for prompt payment of contributions.
2. The methodology currently in use in the determination of the incentive discounts was approved by the Finance Committee at its 88th Session in September 1997. Most notably the requirement is that a discount is earned if the full assessment is paid prior to 31 March of the year of the assessments, and that the discount earned is applied in the year after payment.
3. The purpose of this paper is to provide information on the amount of discount earned on qualifying contributions in 2012 and request the Finance Committee's concurrence with the discount rate to be used in applying credits to 2013 contributions.

Recent experience

4. Following the period 2004-2008 during which the discount rate had been set at zero, at its 128th meeting in July 2009, the Committee agreed that positive discount rates should be reinstated to apply as credits towards 2010 contributions for Members who paid their assessed contributions in full by the end of the first quarter 2009. At its 135th meeting in October 2010 and 140th meeting in October 2011, the Committee recalled discussions in several past sessions concerning the efficacy and appropriateness of the incentive scheme to encourage prompt payment of contributions and reconfirmed respective positive discount rates for assessed contributions paid in full by 31 March 2010 and 31 March 2011.
5. Table 1 provides information on the number of Member Nations which qualified for discounts in the period since 2004.

Table 1

Year	No. of Member Nations meeting conditions for discount	Assessed Contributions paid to which discount rate is applied		Discount	
		USD	EUR	USD	EUR
2004	35	23,400,883	24,099,178	0	0
2005	40	29,458,815	30,337,881	0	0
2006	37	37,904,736	37,958,309	0	0
2007	53	34,360,581	34,415,238	0	0
2008	38	49,208,372	42,115,371	0	0
2009	50	34,716,179	29,712,114	5,124	62,854
2010	53	40,492,139	39,455,574	15,951	22,203
2011	51	56,600,693	55,151,763	12,651	64,715

¹ C 91/REP, para 338 & 339

Proposed Discount Rate

6. In calculating the proposed discount rate to be applied to 2013 assessed contributions, in accordance with the standard methodology, an average of the Euro and US dollar interest rates for the first three months of 2012 has been used to determine the amount of discount to credit to the Member Nations who qualify, applying one fourth of this average for the first ninety-one days of 2012.

7. The interest rates (Libor 1 month on Euro and BIS FIXBIS 1 month on US dollar) on deposits during the first quarter of 2012 are shown in Table 2:

Table 2

Date	USD	EUR
2 January 2012	0.00% p.a.	0.95% p.a.
1 February 2012	0.04% p.a.	0.64143% p.a.
1 March 2012	0.06% p.a.	0.47714% p.a.
30 March 2012	0.08% p.a.	0.36214% p.a.

8. Numerical averages of the respective interest rates gives 0.05% per annum for US dollars and 0.61% for Euro: quarterly discount rates are 0.01% and 0.15% respectively.

9. The application of these rates to the assessments paid in full by 31 March 2012 of USD 52,075,224 and Euro 40,038,217 would result in total discounts of USD 3,039.83 and Euro 35,058.08 respectively. These discounts would be credited to the 2013 assessments of the 47 Member Nations which paid the full amount of their assessment (in both USD and Euro) by 31 March 2012. A full list of those Member Nations qualifying for a discount for prompt payment in 2012 is provided in the Appendix.

10. The rules also provide that the amount of such credits should not exceed the interest earned on Regular Programme funds during the year. Accordingly, a final decision on whether to apply the discounts for 2012 will be taken at year-end when the actual amount of interest earned on Regular Programme funds is known.

Appendix

Member Nations eligible for Discount at 31 March 2012

	Member Nations	2012 Assessment (USD)	2012 Assessment (EUR)	Date of Receipt	No. of Days	Potential Discount (USD)	Potential Discount (EUR)
1	Afghanistan	9,920.98	7,627.78	26 March 2012	6	0.07	0.76
2	Algeria	319,951.61	245,995.91	26 January 2012	66	23.46	270.60
3	Angola	24,802.45	19,069.45	21 March 2012	11	0.30	3.50
4	Bahamas	44,644.41	34,325.01	27 January 2012	65	3.22	37.19
5	Belarus	104,170.29	80,091.69	16 March 2012	16	1.85	21.36
6	Belgium	2,678,664.60	2,059,500.60	28 March 2012	4	11.91	137.30
7	Benin	7,440.74	5,720.84	01 January 2012	91	0.75	8.68
8	Bosnia and Herzegovina	34,723.43	26,697.23	01 March 2012	31	1.20	13.79
9	Burkina Faso	7,440.74	5,720.84	01 January 2012	91	0.75	8.68
10	Burundi	2,480.25	1,906.95	21 February 2012	40	0.11	1.27
11	Canada	7,991,349.39	6,144,176.79	01 January 2012	91	808.01	9,318.67
12	Central African Republic	2,480.25	1,906.95	01 January 2012	91	0.25	2.89
13	Cyprus	114,091.27	87,719.47	03 February 2012	58	7.35	84.80
14	Côte d'Ivoire	24,802.45	19,069.45	17 February 2012	44	1.21	13.98
15	Denmark	1,835,381.30	1,411,139.30	20 January 2012	72	146.83	1,693.37
16	Egypt	235,623.28	181,159.78	14 February 2012	47	12.30	141.91
17	Estonia	99,209.80	76,277.80	01 February 2012	60	6.61	76.28
18	Finland	1,411,259.41	1,085,051.71	02 March 2012	30	47.04	542.53
19	France	15,258,467.24	11,731,525.64	22 February 2012	39	661.20	7,625.49
20	Gambia	2,480.25	1,906.95	01 January 2012	91	0.25	2.89
21	Haiti	7,440.74	5,720.84	14 February 2012	47	0.39	4.48
22	Iceland	104,170.29	80,091.69	01 March 2012	31	3.59	41.38
23	India	1,331,891.57	1,024,029.47	31 January 2012	61	90.27	1,041.10
24	Indonesia	592,778.56	455,759.86	07 February 2012	54	35.57	410.18
25	Israel	957,374.57	736,080.77	31 January 2012	61	64.89	748.35
26	Lao People's Democratic Republic	2,480.25	1,906.95	17 February 2012	44	0.12	1.40
27	Latvia	94,249.31	72,463.91	13 January 2012	79	8.27	95.41
28	Lesotho	2,480.25	1,906.95	27 March 2012	5	0.01	0.16
29	Mali	7,440.74	5,720.84	01 January 2012	91	0.75	8.68
30	Malta	42,164.17	32,418.07	24 February 2012	37	1.73	19.99
31	Mauritius	27,282.70	20,976.40	28 February 2012	33	1.00	11.54
32	Monaco	7,440.74	5,720.84	07 February 2012	54	0.45	5.15
33	Namibia	19,841.96	15,255.56	29 March 2012	3	0.07	0.76
34	Netherlands	4,623,176.68	3,554,545.48	01 February 2012	60	308.21	3,554.55
35	New Zealand	679,587.13	522,502.93	15 February 2012	46	34.73	400.59
36	Nicaragua	7,440.74	5,720.84	09 February 2012	52	0.43	4.96
37	Norway	2,170,214.38	1,668,576.88	20 January 2012	72	173.62	2,002.29
38	Oman	215,781.32	165,904.22	30 January 2012	62	14.86	171.43
39	Russian Federation	3,993,194.45	3,070,181.45	22 February 2012	39	173.04	1,995.62
40	Saint Kitts and Nevis	2,480.25	1,906.95	15 February 2012	46	0.13	1.46
41	San Marino	7,440.74	5,720.84	16 March 2012	16	0.13	1.53
42	Seychelles	4,960.49	3,813.89	31 January 2012	61	0.34	3.88
43	Sweden	2,651,381.91	2,038,524.21	05 March 2012	27	79.54	917.34
44	Switzerland	2,815,078.08	2,164,382.58	25 January 2012	67	209.57	2,416.89
45	Thailand	520,851.45	400,458.45	11 January 2012	81	46.88	540.62
46	Timor-Leste	2,480.25	1,906.95	01 January 2012	91	0.25	2.89
47	United Arab Emirates	974,736.29	749,429.39	09 February 2012	52	56.32	649.51
	Total	\$ 52,075,224.02	€ 40,038,217.22			\$ 3,039.83	€ 35,058.08