



منظمة الأغذية  
والزراعة  
للأمم المتحدة

联合国  
粮食及  
农业组织

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

## FINANCE COMMITTEE

### Hundred and thirteenth Session

Rome, 8 – 12 May 2006

### Measures to Improve the Organization's Cash Shortage Situation

#### Executive Summary

1. This paper is presented in accordance with the request made by the Committee at its 109<sup>th</sup> Session in May 2005 when discussing a general decline in the rate of receipt of contributions in recent years and its negative impact on the financial position of the Organization. In this regard, the Committee requested that the Secretariat conduct a survey of Member Nations to identify those issues that influence the timing of payments or the reasons for non-payment of assessed contributions and to present the results of the survey to the May 2006 Session of the Committee together with an analysis of recent collection patterns as well as any recommendations to improve the rate of receipts.
2. The paper includes graphs and narratives on receipts from Member Nations (current assessments and arrears), actions currently underway to encourage timely payment, incentives, sanctions, past measures proposed but not adopted and recent UN system experience in contributions.
3. The paper's conclusion mentions the difficult cash flow situation faced by FAO due to late and missing payments from Member Nations and the fact that measures in place and/or considered for adoption have not improved the rate of collections in 2005, which continued to deteriorate. The Organization was obliged to resort to external borrowing for several months in 2005, with interest costs reaching nearly US\$323 000. In this regard, the Finance Committee is urged to draw the attention of the Council to the need for timely payment of assessed contributions by all Member Nations. Only timely payment by Members of their assessments will ensure that FAO can meet the operating cash requirements for its mandated activities without recourse to statutory reserves or to external borrowing.
4. As mentioned at its 109<sup>th</sup> Session in May 2005, aided by the information provided in this paper and in the update of the results of the Survey of Member Nations, the Committee is requested to review the various alternatives and make a comprehensive recommendation to the November 2006 session of Council.

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## Introduction

5. At its 109<sup>th</sup> Session in May 2005, while discussing options to address the general decline in the rate of receipt of contributions in recent years and the related negative impact on the financial position of the Organization, the Committee requested that the Secretariat extend analysis of the subject to include a survey of Member Nations on the range of issues that influence the timing of payments of individual members. The Committee resolved to review this analysis at its May 2006 session with a view to making a comprehensive recommendation to the November 2006 session of Council.

6. At its 110<sup>th</sup> Session in September 2005, recognizing the serious cash shortage of the Organization, the Committee requested that the Secretariat consider and report to the next session of the Finance Committee on various factors to improve the situation. Specific areas to be considered in such review included:

- a) Available options to improve the liquidity of the Organization;
- b) Priority of payments by Member Nations in respect of Regular Programme versus extra-budgetary contributions;
- c) The outcome of the survey on timing of Member Nations' payments. In this context, the Committee expected that survey responses could assist in determining the extent to which the difficulty faced by certain Member Nations in meeting their financial obligations towards the Organization could be attributed to the limitations they encounter in procuring freely convertible currencies; and
- d) Sanctions and other measures to apply to Member Nations in arrears.

## Importance of the Subject

7. As noted in the Financial Highlights papers presented to the Committee in recent sessions, the main problem facing the Organization from a cashflow viewpoint has been the impact of delays in receipt of Member Nations' contributions; delay by Members in paying contributions during the year of assessment, and arrears of contributions.

8. As reported in FC 113/3 (Financial Highlights 2004-05), during the second half of 2005 and the first months of 2006 the Organization required to borrow on the open market on an on-going basis in order to be able to carry out its mandated activities. As a result of such borrowing, during 2005 FAO incurred interest charges totaling US\$322 872 and, only in January 2006, approximately US\$110 000.

9. Given the fundamental importance of the problem, the Finance Committee has in recent years on several occasions considered measures which could be taken to improve the rate of collection of contributions. Descriptions of measures currently in place to ensure timely receipt of contributions, together with summaries of measures considered by the Committee but not implemented are highlighted below. Also described below are the results of the survey carried out by the Secretariat to clarify the factors which determine the timing of payments by Member Nations. Other alternatives not previously considered by the Finance Committee are also presented: securitization of contributions receivable and prioritization of Regular Programme receipts over extra-budgetary contributions.

10. The remaining sections of the paper cover the following:

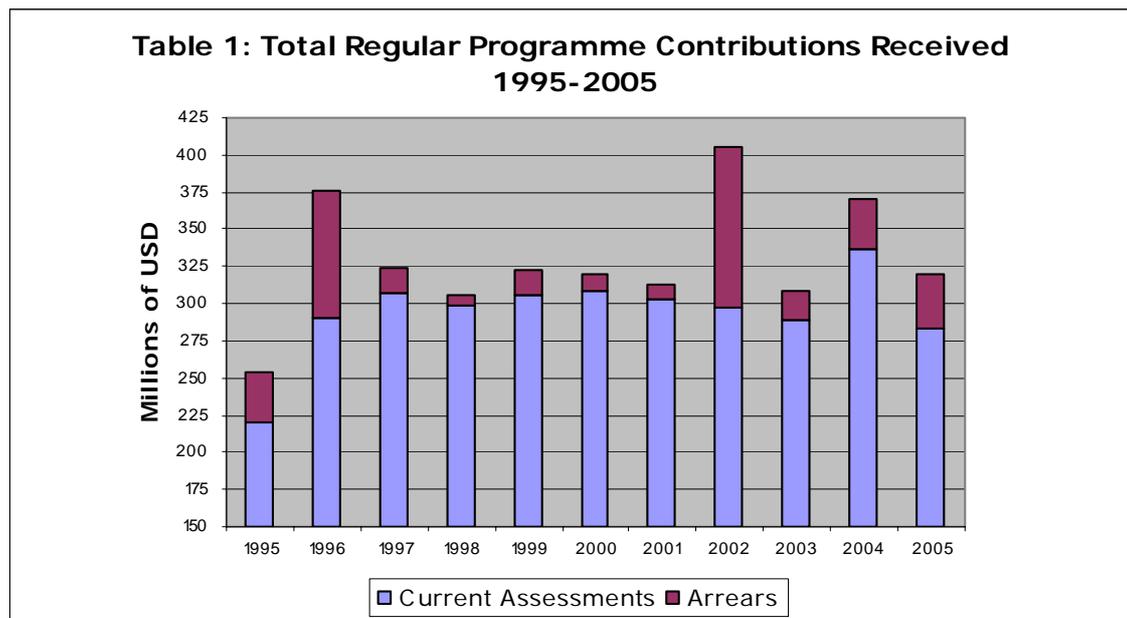
- Analysis of Regular Programme contributions, receipts and arrears of contributions from 1995-2006.
- Recent experience of other UN Agencies in the area of receipts of contributions.
- Actions currently taken to encourage timely payment of contributions.
- Measures discussed by the Finance Committee but not implemented (including sanctions and other measures to apply to Member Nations in arrears).
- Results of Survey of Member Nations.

- Other options to consider (securitization and priority of payments by Member Nations in respect of Regular Programme versus extra-budgetary contributions).

## Regular Programme contributions, receipts and arrears of contributions from 1995-2006

### Receipt Patterns 1995-2005

#### Total contributions received



11. The above Table 1 shows that receipt of Regular Programme current assessments has been in constant decline since 1999 except for 2004 when split assessments were introduced and 92.19% of Euro current assessments were received. (In 1996 and in 2002, the largest contributor paid practically all of its accumulated arrears.)

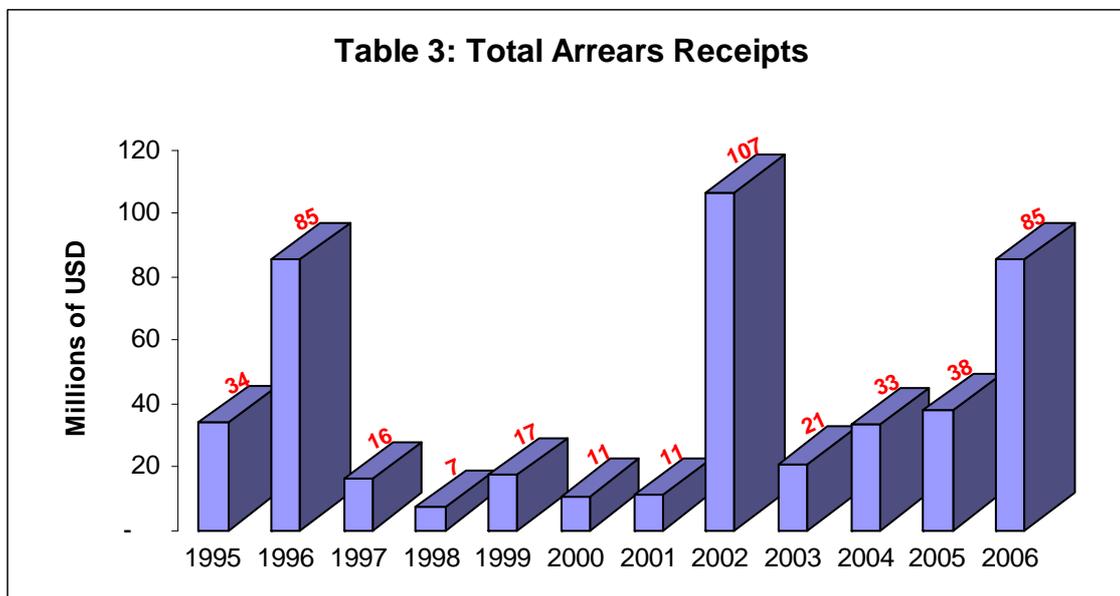
12. As previously reported, the high irregularity of receipts each year (Table 2 showing the largest 10 contributors) makes it difficult for the Organization to accurately forecast its cash flow.

**Table 2: Payment patterns of largest 10 contributors (representing approximately 78% of assessed contributions) Current Assessments Received/Unpaid 2001-2005 (millions of US Dollars and Euros)**

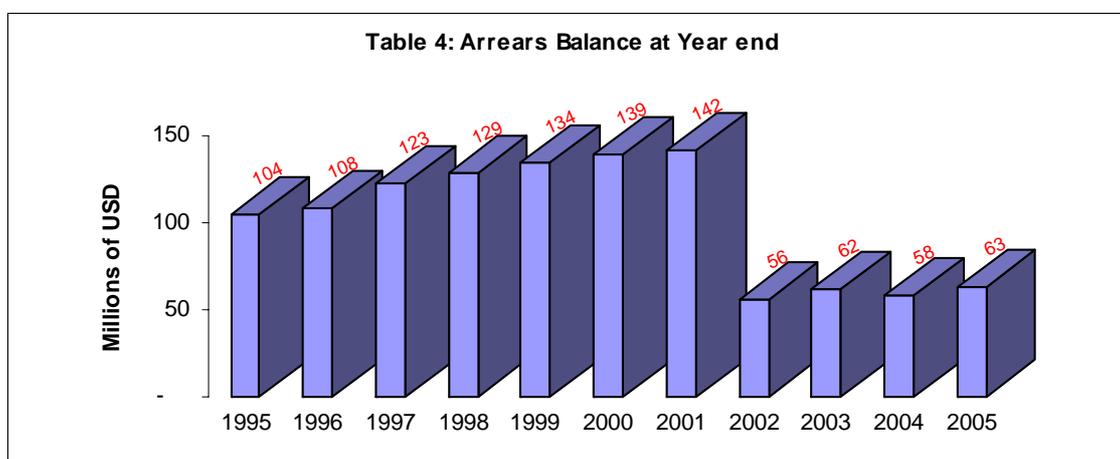
	Rate	Year	Assessed	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Unpaid at period end
USA	22,000%	2005 EUR	38,38											16,46	21,92	-
		2005 USD	38,67													38,67
	22,000%	2004 EUR	38,38											7,90	30,48	-
		2004 USD	38,67											9,09	12,32	17,26
	22,000%	2003	72,46										17,87	40,09		14,50
	22,000%	2002	72,46										65,21			7,25
22,000%	2001	72,74										65,46		7,28	-	
Japan	19,611%	2005 EUR	34,21										17,11			17,10
		2005 USD	33,22										16,61			16,61
	19,611%	2004 EUR	34,21										34,21			-
		2004 USD	33,22										33,22			-
	19,625%	2003	63,30												63,30	-
	19,780%	2002	63,80			43,39		20,41								-
19,749%	2001	63,50			36,11									27,39	-	
Germany	9,817%	2005 EUR	17,13						17,13							-
		2005 USD	16,63	16,63												-
	9,817%	2004 EUR	17,13							17,13						-
		2004 USD	16,63	16,63												-
	9,824%	2003	31,68		15,84			7,92		7,92						-
	9,901%	2002	31,93		15,97						13,00		2,95	0,01		-
9,885%	2001	31,79		15,93						15,86					-	
France	6,498%	2005 EUR	11,34	11,34												-
		2005 USD	11,01	11,01												-
	6,498%	2004 EUR	11,34		11,34											-
		2004 USD	11,01		11,01											-
	6,502%	2003	20,97							20,97						-
	6,553%	2002	21,14					21,14								-
6,543%	2001	21,04				21,04									-	
UK	5,563%	2005 EUR	9,70					9,70								-
		2005 USD	9,43		5,03			4,40								-
	5,563%	2004 EUR	9,70						9,70							-
		2004 USD	9,43	2,38					7,05							-
	5,567%	2003	17,96							17,96						-
	5,611%	2002	18,10							18,10						-
5,602%	2001	18,01				18,01									-	
Italy	5,089%	2005 EUR	8,88				8,88									-
		2005 USD	8,62				8,62									-
	5,089%	2004 EUR	8,88						8,88							-
		2004 USD	8,62						8,62							-
	5,093%	2003	16,43	0,40			15,05				0,98					-
	5,133%	2002	16,56							15,76		0,80				-
5,125%	2001	16,48							16,22		0,26				-	
Canada	2,570%	2005 EUR	4,48	4,48												-
		2005 USD	4,35	4,35												-
	2,570%	2004 EUR	4,48	4,48												-
		2004 USD	4,35	4,35												-
	2,572%	2003	8,30	8,30												-
	2,594%	2002	8,37	8,37												-
2,589%	2001	8,32		8,32											-	
Spain	2,531%	2005 EUR	4,42						4,42							-
		2005 USD	4,29						4,29							-
	2,531%	2004 EUR	4,42				4,42									-
		2004 USD	4,29				4,29									-
	2,533%	2003	8,17				8,17									-
	2,553%	2002	8,23				8,23									-
2,549%	2001	8,20	0,02						8,18						-	
Brazil	2,402%	2005 EUR	4,19													4,19
		2005 USD	4,07													4,07
	2,402%	2004 EUR	4,19													4,19
		2004 USD	4,07													4,07
	2,403%	2003	7,75													7,75
	2,105%	2002	6,79													6,79
2,245%	2001	7,22													7,22	
Rep.of Korea	1,860%	2005 EUR	3,24											2,78	0,46	-
		2005 USD	3,15								3,15					-
	1,860%	2004 EUR	3,24													3,24
		2004 USD	3,15												3,15	-
	1,861%	2003	6,00			6,00										-
	1,877%	2002	6,05		6,05											-
1,739%	2001	5,59												5,59	-	

### Arrears

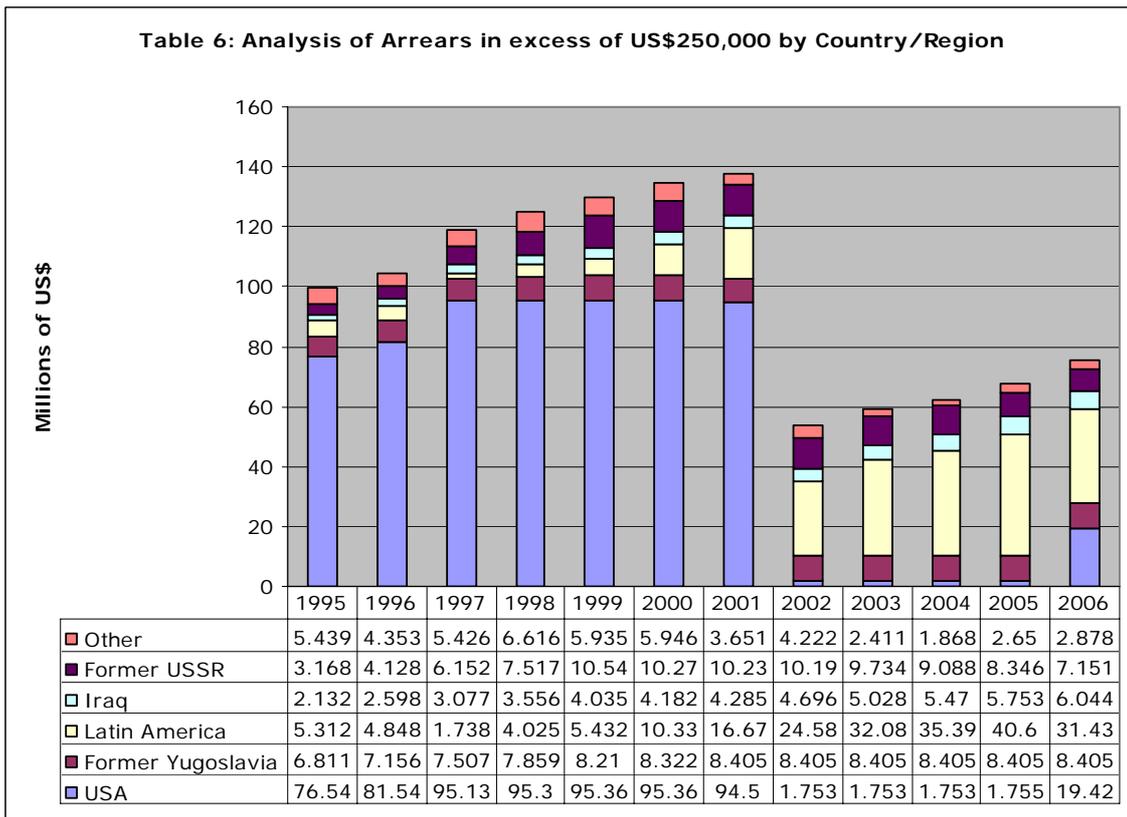
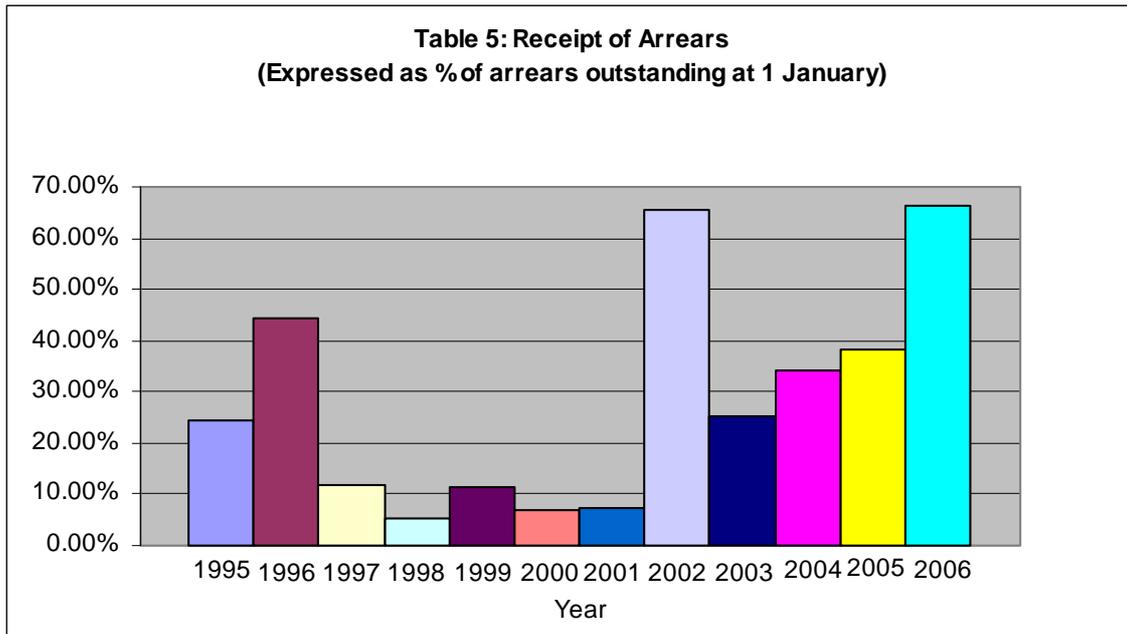
13. The annual collection of arrears is fairly stable. This relative stability is shown in monetary terms in Table 3. The two major exceptions in 1996 and 2002 reflect arrears payments from the largest contributor. A significant improvement also occurred in early 2006 following settlement of large arrears balances by three contributors.



14. On the other hand, *the year-end balance* of total Regular Programme arrears (Table 4) has shown a persistent increase in the last few years. 2002 reflects arrears payments from the largest contributor.



15. Table 5 shows the receipts of arrears of contributions expressed as a percentage of the total amount of arrears due at 1 January of each year. With the exception of 1996 and 2002 when arrears payments were received from the largest contributor, and 2006, when three large contributors settled their arrears, the percentage collected has ranged between 5.22 percent and 37.91 percent of the arrears due.



16. Table 6 shows year-end arrears positions in excess of US\$250,000 of countries in regions or individual countries, at each year end since 1995 (2006 data at 28 February). The major unpaid balances can be categorized as follows:

- Arrears due from the largest contributor.
- Arrears due from the former Yugoslavia (the issue of how these arrears should be considered and resolved, on a UN-wide basis, has for several years been the subject of a review on the part of the UN Committee on Contributions (UNCC) in New York. The amount of these arrears is stable.). The Organization has again approached the Secretary of the UN Committee on Contributions and will report to the Committee any noteworthy developments.
- Arrears due from Iraq.
- Arrears due from former constituent republics of the USSR. The countries concerned have claimed that unduly high assessment rates initially attributed by the UN to these Member Nations in the early and mid 1990s has caused the accumulated arrears. The matter is being addressed by the UNCC at the request of several of the Member Nations concerned. Pending a decision, six out of nine of these Member Nations have requested and been granted instalment plans by the FAO Conference for the repayment of their arrears over a period of up to 15 years.
- Arrears due from Member Nations in the Latin America region.

### **Recent experience of other UN Agencies in the area of receipts of contributions**

17. The Finance Committee will recall that document FC 108/4 – Analysis of Contributions Received and Proposals for Improvement, included the experience in contributions collection patterns by other UN organizations. Information compiled by the UN Chief Executives Board (CEB) referred to 2002 and 2003. The secretariat has actively followed up with the CEB for an update of this data but no further information has been compiled by CEB at present.

18. Measures implemented by other large UN organizations were recently identified by the Organization and are detailed in Annex I. The table shows that measures to encourage the payment of arrears are very similar across the major UN specialized agencies (WHO, ILO, UNIDO, UNESCO). They are also consistent with the current practices at FAO.

19. Most agencies offer a small incentive for prompt or early payment of assessed contributions by offering a small rebate, sharing earned interests on contributions or sharing any cash surplus.

20. Penalties are normally limited to the loss of voting rights if a member has accumulated arrears totaling more than two full years of contributions. No organizations are charging interests on arrears.

21. Voting rights can usually be restored if a member makes a payment which will reduce its arrears under the 2-year limit or if it submits a multi-year payment plan to normalize its situation. The duration of such plans varies from 5 to 20 years and they normally have to be approved by the appropriate governing body.

### **Actions currently taken by FAO to encourage timely payment of contributions**

22. In the context of its administrative support to Member Nations, the Secretariat plays a crucial role in the on-going efforts to encourage payment of assessed contributions on a timely basis. A full array of measures have been developed over the years ranging from routine actions such as the yearly Call Letters (which summarize all outstanding amounts) and quarterly statements regularly sent to all Member Nations with outstanding amounts, to more ad-hoc initiatives including for example quarterly reports sent by the Finance Division to Regional and Sub-regional offices for their follow-up with Governments in the region. Considerable efforts and

financial resources are devoted to the area of Member Nation receivables. For the Committee's full information a comprehensive list of the Secretariat's activities is provided below:

- a) A Circular State Letter is sent to all Member Nations each December in accordance with Financial Regulation 5.4 informing of their obligation to the Budget for the following calendar year and of arrears of contributions outstanding. It is customary to remind Member Nations of the terms of the Incentive Scheme (discount rate temporarily set at zero by the FC at its 108<sup>th</sup> Session in September 2004) and of the discount that could be earned by effecting full payment promptly (before 31 March).
- b) In accordance with procedures established during the 2002-03 biennium, statements of contributions outstanding are sent by AFF to Member Nations on a quarterly basis. The response to these statements has been encouraging.
- c) Specific action is taken to notify those Council Members who are considered to have resigned their seat due to non-payment of contributions in accordance with General Rule XXII.7 of the General Rules of the Organization (GRO), to encourage them to regularize their positions well before the Council session.
- d) Similarly, specific action is taken at the highest level to ensure that those Member Nations with potential voting rights problems are notified well in advance of the Conference session and have ample time to regularize their contributions position or clarify the reasons for the non-payment of assessed contributions.
- e) Since September 2003 AFF has sent to all FAO Regional Offices and Sub-Regional Offices a detailed report every three months describing the contributions position of all Member Nations in their region, with the request that FAO officials follow-up with local authorities to ensure payment is made.
- f) Country Briefs are provided to the Director General on an on-going basis to assist him in his high level talks with Heads of State and Ministries where he stresses the importance of timely payment of contributions.
- g) Letters are sent periodically by the ADG, AF to Ministries reminding of their country's obligations to pay outstanding contributions and providing explanations of the Organization's rules and regulations regarding loss of voting rights.
- h) On-going contacts with Permanent Representations and Representatives to FAO.

*Incentives currently in place to encourage payment*

23. A mechanism introduced by Conference in 1991 with the view to encourage the timely payment of contributions is the Incentive Scheme to Encourage Prompt Payment of Contributions. The rules governing the Scheme together with the history of the Scheme's performance and cost to the Organization over the past decade are covered in detail in document FC 108/5 "Incentive Scheme to Encourage Prompt Payment of Contributions – Determination of Discount Rate". The Committee will recall that the discount rate was temporarily set at zero by a Council decision in November 2004.

*Sanctions envisaged in the case of non payment of contributions*

24. The Committee will recall that the sanctions envisaged by the Basic Texts for the non-payment of contributions are threefold:

- Loss of voting rights in the Conference under Article III-4 of the Constitution.
- Ineligibility for election to the Council under Rule XXII-5 of the General Rules of the Organization.
- Loss of seat in the Council under Rule XXII-7 of the General Rules of the Organization.

25. In implementing these provisions, it has been the practice of the Organization not to take into account the amounts due for the current financial year, since these are not formally defined as

“arrears” in accordance with Financial Regulation 5.5. Furthermore, only contributions to the budget of the Organization, duly apportioned by the Conference, are taken into account when calculating the amount of arrears (i.e. contributions to WCF and SRA are not considered).

26. The loss of voting rights is automatic and can only be restored by a positive action of the Conference, or the payment of the arrears due. The provisions for ineligibility for election to the Council or loss of a Council seat are strictly applied by the Organization with no exceptions either foreseen or made.

## **Measures discussed by Finance Committee but not implemented<sup>1</sup>**

### *Changes to sanctions envisaged in the Basic Texts*

27. In the past, the Committee has considered the range of proposed changes to sanctions and other measures already foreseen by the Basic Texts of the Organization in case of arrears of contributions. A list of such proposals is provided below.

- A proposal to consider amounts due to the Working Capital Fund and Special Reserve Account as “contributions” in accordance with Article III.4 and GRO XXII-5 and XXII-7 (considered in 1994).
- A proposal to amend the sanctions under Article III.4 and GRO XXII-5 and XXII-7 so that only one year of arrears would have resulted in the loss of voting rights (instead of two) (considered in 1991).
- Extension of the restriction under GRO XXII-5 & XXII-7 to include loss of seat in the Finance and Programme Committees (considered in 1991).

### *Acceptance of local currency in payment of assessed contributions*

28. To facilitate the payment of contributions by those Member Nations with limited availability of convertible currency, the Finance Committee at its 77th Session in September 1993 considered a proposal to recommend a derogation from Financial Regulation 5.6 which would have allowed, under certain conditions, the Secretariat to accept contributions in non-convertible local currencies.

29. The conditions proposed at the time were:

- The Organization would have activities in that country which would have allowed the utilization of the funds.
- The amounts could not have exceeded those useable by FAO activities within 2-3 months.
- The contribution would not have been acceptable if there was a currency exchange risk for the Organization.

30. The proposal was considered by the Council at its 104th Session in 1993 and subsequently by the 27th Conference in 1993 which requested further in-depth analysis of the subject before taking a decision. The proposal was subsequently withdrawn by the Secretariat since it was a complex issue and the proposal appeared to have little chance of adoption.

31. The 1993 proposal was represented at the 110th Session of the Finance Committee in September 2005 (document FC 110/17 refers) and the Committee resolved to further review the

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<sup>1</sup> Main documents recently discussed by the FC in this regard:

- 108th Session of FC – 27 September - 1 October 2004  
Analysis of Contributions Received and proposals for Improvement;
- 109th Session of FC – 9-13 May 2005  
Incentive Scheme to encourage Prompt Payment of Contributions-Analysis of Impact of Zero Discount Rate;
- 110<sup>th</sup> Session of the FC – 19-23 September 2005  
Acceptance of Local Currency from Developing Countries in Payment of Assessed Contributions.

matter in conjunction with its assessment of the results of the Survey of Member Nations (a summary is provided in paragraph 33 below) at its May 2006 Session.

### **Results of Survey of Member Nations**

32. At the request of the Finance Committee at its 109th Session in May 2005 the Secretariat conducted a survey of Member Nations to identify those issues that influence the timing of payments or the reasons for non-payment of assessed contributions. Ad-hoc questionnaires listing specific questions in this regard were sent in December 2005 (see Annex II) to all Member Nations together with the Annual Call Letters for the 2006 Assessed Contributions. The questionnaire called for Government responses to reach the Secretariat by the end of February 2006 in order for the results to be presented to the May 2006 Session of the Finance Committee. As at 21 of March 2006 only 29 responses had been received and follow-up letters were sent to the Permanent Representations of all those Members that had not sent their reply.

33. A brief summary of the responses received as of 21 March 2006 is as follows:

Questionnaires sent in December 2005	188
Less: Replies received as at 21 March 2006	29
Follow-up Letters sent on 21 March 2006	<u>159</u>

34. Further reminders will be sent before the May 2006 Session of the Finance Committee and the final results of the survey will be summarized and tabled for the Committee's review as a working paper up-date.

35. Preliminary results show that 23 of the responses indicated that the annual budget cycle at the national level was the main factor which influenced timing of payments. 7 Member Nations mentioned deteriorating economic conditions as the reason for non-payment. Only one Member Nation cited difficulty in procuring freely convertible currency to pay FAO contributions.

### **Other options to consider: Priority of payments, and securitization**

#### *Priority of Payments (Regular Programme vs. Extra-Budgetary)*

36. In past sessions of the Finance Committee, discussion included the possibility that payments by Member Nations in respect of Regular Programme should take precedence over extra-budgetary contributions to the Organization. Any proposals along these lines would involve considerable policy, legal and practical implications. From a general policy point of view, given the importance and nature of the matter, it would seem desirable that the matter first be discussed at the United Nations. According to information received from the Secretariat of the Committee on Contributions of the United Nations no proposal along the lines of such prioritization has been considered at the United Nations.

37. From a legal standpoint, and taking into account long-standing practice, the provisions of the Basic Texts regarding contributions to the budget, on the one hand, and those governing acceptance of voluntary contributions, on the other hand, have distinct purposes and scope and it does not seem that one set of rules should take precedence over the other. In particular, the Basic Texts contain a series of provisions designed to sanction Members that are in arrears, including loss of voting rights at the Conference and loss of Council seat, and these would seem to be the correct procedures to be applied in that context. The Committee may wish to note that the Conference, at its Thirty-third Session in November 2005, after having expressed concern at the high number of Member Nations in arrears recommended, *inter alia*, that consideration be given in future that requests for restoration of voting rights should be referred to the Director-General for submission to the Autumn Session of the Finance Committee, in Conference years, which would submit its views to the Conference, through the Council, for consideration by the General Committee.

38. As a general rule, all activities financed through extra-budgetary contributions are carried out in accordance with previously concluded project agreements which are legally binding upon the parties including the Organization. Under the circumstances, it would not be legally possible for the Organization to apply any extra-budgetary funds intended for a particular project, to be executed in accordance with an applicable agreement, for purposes other than those for which the contribution was made.

39. Should members of the Finance Committee wish to provide additional information and views on the practical operation of prioritization, this could allow the Secretariat to study the issue further, including by making such necessary inter-agency consultations as would be required.

### *Securitization*

40. An increasingly accepted instrument called securitization is available in financial markets to private sector businesses as well as governmental institutions. The use of such an instrument however has not been reported to the CEB by any other UN Organization as an option currently being considered.

41. Under a securitization arrangement, major financial institutions would be asked to advance monies to FAO at the beginning of a financial period against current assessed contributions for the same period. On receipt of the outstanding contribution later in the year, the Organization would refund the financial institution, at a cost. The main advantage of this mechanism would be to even out collection patterns within a financial period. Managing cash-flow would be simplified with a reduced need of resorting to traditional internal and external borrowing mechanisms. While securitization could be used to reduce the cash flow impact of late collections and of arrears, until amounts advanced are settled by Member Nations there is a cost which can approximate interest on external borrowing.

42. The use of securitization arrangements would have significant financial, constitutional and legal implications that require careful study and evaluation. The Secretariat is seeking the Committee's guidance as to whether the option of securitization should be pursued further and whether a study should be undertaken of the feasibility and applicability of such arrangement to FAO's financial and legal environment.

### **Conclusions**

43. Delays in payment of current assessments and non-payment of arrears can cause the Organization to consume its statutory reserves for operating needs and, when these are depleted, to approach the banking sector to negotiate loans. The Secretariat in recent years has intensified its efforts both at Headquarters and in Regional Offices by reminding Member Nations of their obligations and soliciting payments of current contributions and arrears. Despite the collection in early 2006 of certain large outstanding arrears, the Organization will again face significant difficulties in managing its cash flow if late payment of important current assessments is delayed as was the case in 2005, and this will require recourse to external borrowing again during the second half of 2006.

44. Formal proposals put forward in the past (see paragraphs 27 and 28) were rejected or withdrawn (paragraph 30). New penalty schemes such as charging interest on arrears did not receive support in the past and were not submitted to Governing Bodies.

45. The Finance Committee is urged to draw the attention of the Council to the need for all Member Nations to make timely payment of assessed contributions. Only timely payment by Members of their assessments will ensure that FAO can meet the operating cash requirements for the Programme of Work without recourse to statutory reserves or to external borrowing.

46. As agreed at its 109<sup>th</sup> Session in May 2005, aided by the information provided in this paper and in the update of the results of the Survey of Member Nations, the Committee is requested to review the various alternatives and make a comprehensive recommendation to the November 2006 session of Council.

*Annex I***Measures to encourage the payment of arrears in selected UN organizations**

	<b>UNESCO</b>	<b>UNIDO</b>	<b>WHO</b>	<b>ILO</b>	<b>FAO</b>
<b>Incentives</b>	In the event of a cash surplus at the end of the biennium, it is divided amongst members who have made their payments on time proportionally to each member's contribution to the total budget.	If interest earned on assessed contributions is higher than what was originally forecast in the budget, the surplus is shared amongst members who have made their payment on time and have no arrears according to the size of their contribution and their payment date.	Member States can benefit from a small rebate (currently less than 0.25%) on their assessed contribution if they pay their entire contribution before 30 April. The rebate is reduced progressively from 1 January to 30 April. This measure is perceived to have no or very little incidence on the payment of contributions.	Interest earned on temporary cash surplus (if any) is shared amongst members who have made their payment on time and have no arrears according to the size of their contribution and their payment date.	Member States can benefit from a small discount (currently set at 0.00%) on their assessed contribution if they pay their entire contribution before 31 March. The discount is reduced progressively from 1 January to 31 March. This measure is perceived to have no or very little incidence on the payment of contributions.

	<b>UNESCO</b>	<b>UNIDO</b>	<b>WHO</b>	<b>ILO</b>	<b>FAO</b>
<b>Penalties</b>	<p>Member States that have arrears lose their voting rights. Current biennium contributions are not included in arrears.</p> <p>No interest is charged on arrears of contributions.</p>	<p>Member States that have arrears totaling more than two years of assessed contributions automatically lose their voting rights. Members are reminded in advance through an “early warning system” that they will soon lose their voting rights if they do not pay their contributions.</p> <p>No interest is charged on arrears of contributions. (Waiting for a decision from the Committee on Contributions)</p>	<p>Member States that have arrears totaling more than two years of assessed contributions automatically lose their voting rights.</p> <p>No interest is charged on arrears of contributions.</p>	<p>Member States that have arrears totaling more than two years of assessed contributions automatically lose their voting rights.</p> <p>No interest is charged on arrears of contributions.</p>	<p>Member States that have arrears totaling more than two years of assessed contributions automatically lose their voting rights.</p> <p>No interest is charged on arrears of contributions.</p>

	<b>UNESCO</b>	<b>UNIDO</b>	<b>WHO</b>	<b>ILO</b>	<b>FAO</b>
<b>Mechanism for settling</b>	<p>To recover their voting rights, members have to submit a report to the General Conference and to explain orally the reason of their arrears. They are also encouraged to submit a multi-year payment plan (usually 6 years) to normalize their situation. The Conference will then choose on a case by case basis whether to accept the member's demand and restore its voting rights or to refuse it.</p> <p>UNESCO has split assessment between euros (56%) and dollars (44%). At the end of the year, arrears in euros are recalculated according to the constant exchange rate, the average rate in December or the rate as of December 31<sup>st</sup> whichever is the most favorable to the members.</p>	<p>Members can recover their voting rights by making payments which will reduce their arrears under the 2-year limit.</p> <p>Members also have the possibility to submit a payment plan of a maximum of 10 years (usually 5 years) to normalize their situation. Such plans have to be approved by the governing bodies. Multi-year payment plans have been helpful in a number of cases.</p> <p>So far, members who have submitted a multi-year payment plan all got their voting rights restored and have complied with their plan.</p> <p>UNIDO's permanent missions are also multiplying contacts to remind member States to pay their contributions to the Organization.</p>	<p>Members can recover their voting rights by making payments which will reduce their arrears under the 2-year limit.</p>	<p>Members can recover their voting rights by making payments which will reduce their arrears under the 2-year limit.</p> <p>Members also have the possibility to submit a plan to the Conference explaining their difficulties to pay their contribution and establishing a payment schedule (maximum 20 years) to normalize their situation. Such plans have to be approved by the Conference only.</p> <p>Members submitting a multi-year payment plan explaining the reason for their late payment always get their voting rights restored.</p>	<p>Members can recover their voting rights by making payments which will reduce their arrears under the 2-year limit.</p> <p>Members also have the possibility to submit a plan to the Conference explaining their difficulties to pay their contribution and proposing a payment schedule to normalize their situation. Such plans can be approved by the Conference only.</p> <p>Members get their voting rights restored in conjunction with submission of an instalment plan.</p>

	<b>UNESCO</b>	<b>UNIDO</b>	<b>WHO</b>	<b>ILO</b>	<b>FAO</b>
<b>Current Situation</b>	<p>Total arrears as of November 2005 were standing at 85 M\$.</p> <p>26 members have submitted a multi-year payment plan of which 14 have already made at least one payment.</p>	<p>The United States still have significant arrears despite having left the Organization.</p> <p>Brazil has accumulated the largest arrears.</p>	<p>Currently about 20 members have lost their voting rights.</p>	<p>About 20 members are presently benefiting from the incentive scheme.</p> <p>Currently 15 members have lost their voting rights. About 10 additional members could also lose their voting rights in January 2006.</p> <p>Multi-year payment plans have been helpful in a number of cases, particularly for CIS countries.</p> <p>Members who have arrears tend to regulate their situation prior to the Conference.</p> <p>As of December 15<sup>th</sup>, the U.S. had paid close to 70% of their 2005 assessed contributions while Japan still had to pay their entire contribution for 2005. Brazil recently made the minimum contribution to avoid losing their voting rights in 2006.</p>	<p>(see Financial Highlights document FC 113/3).</p>



Country: \_\_\_\_\_

## Food and Agriculture Organization of the United Nations

### Survey of Member Nations - Timing of Payments or Reasons for Non-payment of Assessed Contributions

	Yes	No	Not applicable	Comments ( Please add pages as necessary)
<b>Factors which influence timing of payments</b>				
1 Annual budget cycle at the national level				
2 National priorities				
3 National public opinion				
4 Incentive measures for prompt payment (e.g. Incentive Scheme)				
5 Penalties (Loss of Voting rights)				
6 Difficulty in procuring US Dollars or Euro				
7 Other factors				
<b>Reasons for non-payment</b>				
8 War and civil unrest				
9 Natural disasters				
10 Deteriorating economic conditions				
11 Difficulty in procuring US Dollars or Euro				
12 Other Reasons				
<b>Any other relevant reason (please list below)</b>				