



COUNCIL
90th session
Agenda item 20

C 90/20
28 April 2003
Original: ENGLISH

**REVIEW OF THE ORGANIZATION'S FINANCIAL FRAMEWORK IN
ACCORDANCE WITH ASSEMBLY RESOLUTION A.906 (22)**

Note by the Secretary-General

SUMMARY

Executive summary: This document provides an update of the material presented by the Secretary-General in document C 89/21 and its addendum, and presents, for the Council's consideration, a draft report to the twenty-third session of the Assembly. The draft report reflects the Council's discussions at the 88th and 89th sessions; the Council's reflections at its 90th session will be incorporated in the final report.

Action to be taken: Paragraph 6

Related documents: C 88/20 and Add.1, C 89/21 and Add.1

Introduction

1 It will be recalled that the Council at its eighty-ninth session in November 2002 reviewed the Secretary-General's updated analytical material concerning the Organization's contributions position found in document C 89/21/Add.1. As part of the review of the Organization's financial framework, the Council also noted the information presented by the Secretary-General in respect of the historical background to the development and operation of the Organization's contributions incentive scheme, and the additional information provided concerning the experience of other organizations within the United Nations (UN) common system regarding the effectiveness of such schemes.

2 The Council noted, at its eighty-eighth session in June 2002, that the improved level of contribution receipts in 2001 of some 98% of the total assessments was probably one of the best performances in the UN system. The Council will wish to note similarly that the final position for 2002 also ended with a 98% level of contribution receipts. The Secretary-General would like to express his appreciation to the Organization's Member States.

3 Against this background of the Organization's improved financial position, the Council has advised the Assembly on prior occasions that there appeared to be no strong desire for a further change at present to the Organization's financial framework. The Council might again wish to maintain this position in advising the Assembly at its twenty-third session.

For reasons of economy, this document is printed in a limited number. Delegates are kindly asked to bring their copies to meetings and not to request additional copies.

4 However, in reaching a conclusion, the Council will recall that it invited Member States, at its eighty-ninth session, to put forward proposals and suggestions for the Council's consideration at its ninetieth session. At the time of the drafting of this document, no submissions had been received by the Secretariat.

Consideration of draft report

5 Subject to the Council's further consideration of the matter, the Secretary-General now attaches a draft report to the Assembly for the Council's consideration. The draft report will be adjusted in the light of the Council's discussions at its ninetieth session.

Action requested by the Council

6 The Council is invited to consider the draft report and to decide as it deems appropriate.

ANNEX

DRAFT REPORT TO THE ASSEMBLY

REVIEW OF THE ORGANIZATION'S FINANCIAL FRAMEWORK IN ACCORDANCE WITH ASSEMBLY RESOLUTION A.906 (22)

1 Background

Twentieth session

1.1 It will be recalled that the Assembly at its 20th session considered the Council's report of its review of the Organization's financial framework. The Assembly noted that the revised assessment formula, which was introduced in 1993 and agreed after extensive debate, was a finely tuned compromise taking into account different interests and complex arguments from Member States. The Assembly also noted the Council's assessment that the improvement in contribution levels suggested that the Organization's membership had general confidence in the new arrangements. The Assembly similarly concluded that no change should be made at present to IMO's financial framework. Nevertheless, the Assembly requested the Council in resolution A. 844(20) "to keep under review the Organization's financial framework during the 1998-1999 biennium and to report on the outcome to the 21st session of the Assembly".

Twenty-first session

1.2 The Assembly will recall that the Council reported to the Assembly's 21st session in November 1999 on the outcome of its review of the Organization's financial framework during the period when the Organization's financial health had declined slightly from its peak periods in 1995, 1996, and 1997. Having considered the Council's analysis of the different considerations, the Assembly decided that the case for further change in the assessment formula was not then strong and that no change should be made to IMO's financial framework. However, the Assembly again requested the Council to keep under review the Organization's financial framework during the 2000-2001 biennium and to report on the outcome to the 22nd session of the Assembly.

Twenty-second session

1.3 The Council at its 84th, 85th and 86th sessions reviewed the Organization's financial framework, and remained of the view that there appeared to be no strong desire for a further change at present in the IMO financial framework. At its 22nd session in November 2001, the Assembly considered the outcome of the Council's review of the Organization's financial framework, and concurred with the Council's view and requested the Council in resolution A.906 (22) "to keep under review the Organization's financial framework during the 2002-2003 biennium and to report on the outcome to the 23rd session of the Assembly".

Review of Member States' contributions

1.4 At its 88th session in June 2002, the Council was presented with up-dated general statistical information concerning contribution payments and requested additional background information concerning the operation of the Contributions Incentive Scheme.

1.5 The Council further considered the Organization's financial framework at its subsequent sessions on the basis of the additional statistical material presented by the Secretary-General to

the Council's 89th and 90th sessions. The Council noted with satisfaction that the analyses showed considerable improvements in the rate of contribution receipts over the last decade as compared with the period 1989-1990 when the delays in payment of contributions led to Organization's severe cost-cutting measures which adversely effected the delivery of the work programmes. The Council therefore welcomed the record level of contribution receipts during the last two years i.e. 2001 and 2002 of some 98% and noted with appreciation the Secretary-General's efforts to sustain the annual contribution receipts at such levels.

Contributions Incentive Scheme

1.6 The Council has taken note with interest, of the historical background presented by the Secretary-General to the development and operation of the Organization's Contributions Incentive Scheme and the information on the experiences of other organizations within the UN common system regarding the effectiveness of such schemes to the Council at its 89th session. The Council has concluded that the improved contribution position of the Organization was mainly attributable to the package of measure adopted, together with the combined efforts from Member States to meet their commitments in accordance with the Organization's Financial Regulations.

1.7 An explanation of the contribution formula and its historical background is contained in Appendix 1; the provisions of Rules 56bis and 56ter are reproduced at Appendix 2; and the background information on the operation of the Contributions Incentive Scheme is shown at Appendix 3.

2 Analyses

2.1 An analysis of the contribution receipts for the last 11 years, i.e. since the revision of the assessment formula which took effect from 1 January 1992, is provided in Table 1. This Table gives the quarterly rate of contribution receipts for the period 1992 to the first quarter of 2003. Tables 2 and 3 provide analyses of the age of arrears. Tables 4 to 7 analyse the contributions by reference to the different elements of the assessment formula, namely the minimum, the basic and the tonnage assessments. Table 8 aggregates the three elements.

3 Collection of contribution receipts

3.1 Table 1 sets out the quarterly pattern of contribution payments for the period from 1992 to the first quarter of 2003:

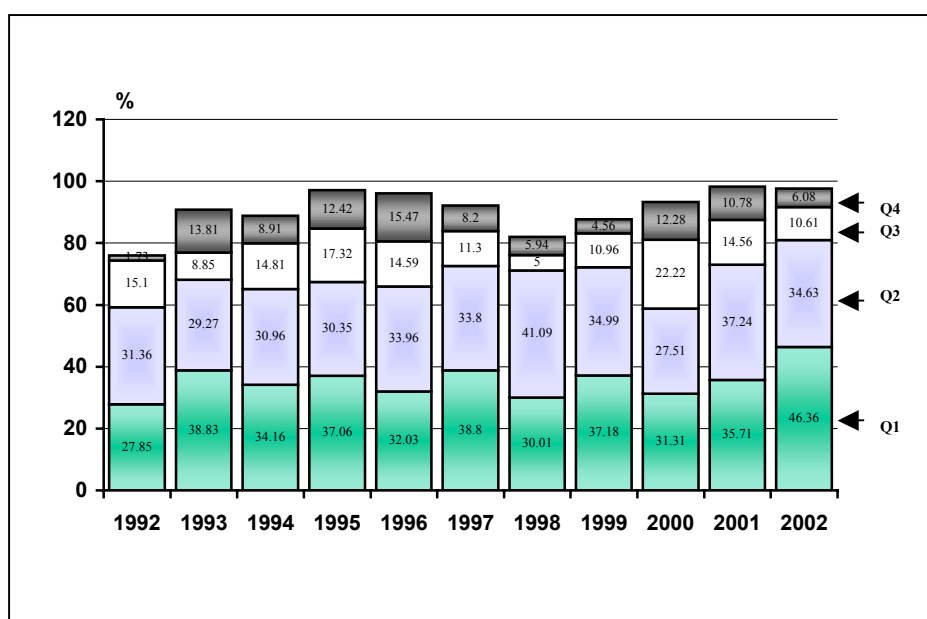
Table 1
Quarterly accumulated rate of contribution receipts - 1992-2003

Period	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Q1	27.85	38.83	34.16	37.06	32.03	38.80	30.01	37.18	31.31	35.71	46.36	35.40
Q2	59.21	68.10	65.12	67.41	65.99	75.80	71.07	72.17	58.82	72.95	80.99	-
Q3	74.31	76.95	79.93	84.73	80.58	83.86	76.07	83.13	81.04	87.51	91.60	-
Q4	76.04	90.76	88.84	97.15	96.05	92.14	82.04	87.69	93.32	98.29	97.68	-

3.2 As Table 1 above displays, the rate of annual contribution receipts has steadily increased since 1992 and shows significant improvements during 1995 and 1996. The Organization experienced a slight downward pattern of contribution receipts during 1997 to 2000, which was a trend of concern to the Council and the Assembly. Since 2001, the level of annual contribution receipts from Member States has improved and remained at around 98% during the last two years. On this basis as well as the Secretary-General's continued personal efforts in sustaining the improved contribution status, it is hoped that the contribution receipts will reach a similar level in 2003. Figure 1 below displays the year-end positions for the period 1992 to 2002.

Figure 1

Rate of collection of contributions
Percentage collected in each quarter of the years 1992 to 2002



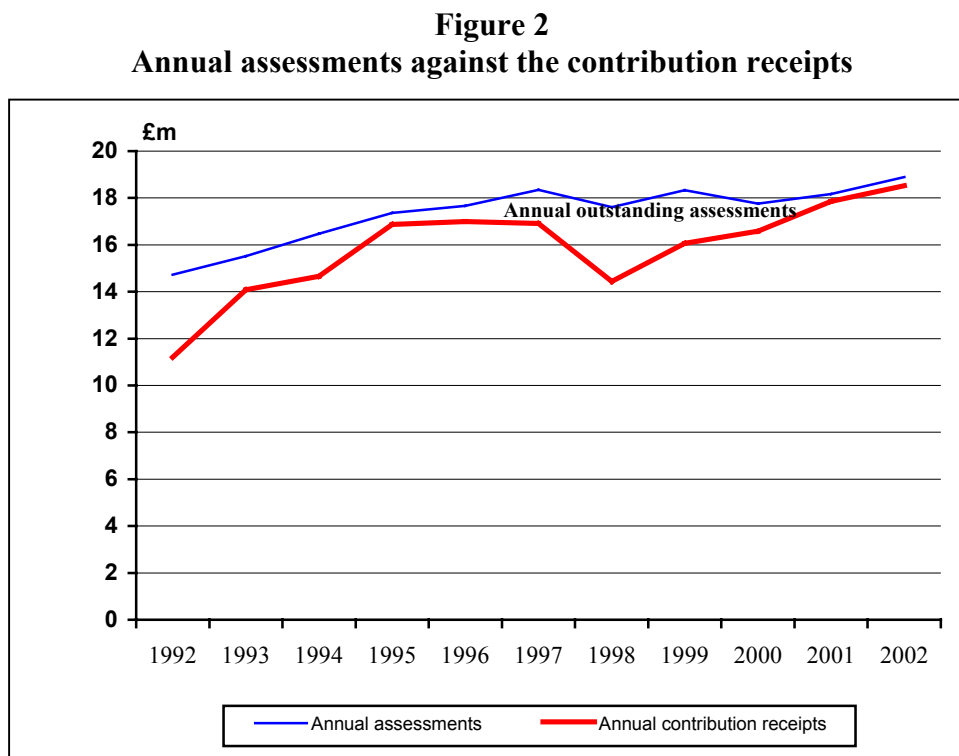
3.3 Table 2 below sets out the position on accumulated arrears against the corresponding annual approved appropriations for the period 1/1/1992 to 1/1/2003.

Table 2
Members' contributions in arrears
(expressed in pounds sterling)

Year	Approved appropriation	Accumulated arrears	As at	% of appropriation
1992	14,971,200	753,938	1 Jan 1992	5.04
1993	15,764,500	1,141,947	1 Jan 1993	7.24
1994	16,724,200	1,656,837	1 Jan 1994	9.91
1995	17,604,600	1,950,165	1 Jan 1995	11.08
1996	17,975,100	2,136,850	1 Jan 1996	11.89
1997	18,637,100	2,523,751	1 Jan 1997	13.54
1998	17,946,100	3,158,435	1 Jan 1998	17.60
1999	18,666,100	4,812,236	1 Jan 1999	25.78
2000	18,104,700	4,090,230	1 Jan 2000	22.59
2001	18,947,800	3,069,599	1 Jan 2001	16.20
2002	19,502,500	2,147,540	1 Jan 2002	11.01
2003	20,028,600	1,859,794	1 Jan 2003	9.29

3.4 Table 2 above shows a progressive increase in accumulated arrears from 1992 which reached a peak of £4.8 million at 1 January 1999. However, the contribution position over the last few years has improved; it now stands at some £1.8 million representing 9.3% of the 2003 appropriation.

3.5 Figure 2 below displays this pattern in graphical format.



3.6 Table 3 provides an analysis of the age of arrears as at 1 January for 2001, 2002 and 2003 respectively.

Table 3
Analysis of the age of arrears at 1/1/00, 1/1/01 and 1/1/02

Accumulated debt	Members			£			%		
	1/1/01	1/1/02	1/1/03	1/1/01	1/1/02	1/1/03	1/1/01	1/1/02	1/1/03
Over 5 years	20	18	16	1,881,823	1,838,192	1,451,891	61.5	85.6	78.1
5 years	0	2	3	-	25,388	41,568	-	1.2	2.2
4 years	6	2	1	82,877	26,746	13,549	2.7	1.2	0.7
3 years	4	5	3	38,550	72,148	72,182	1.3	3.4	3.9
2 years	6	2	6	65,605	13,171	40,905	2.1	0.6	2.2
1 year	11	21	24	992,942	171,895	239,699	32.4	8.0	12.9
Total	47	50	^m53	3,061,797	2,147,540	1,859,794	100.0	100.0	100.0

^m Includes seven Members with an annual outstanding bill of less than £100 per Member.
I:\COUNCIL\90\20.doc

3.7 Table 3 shows that the number of Member States with short-term accumulated debt (i.e. less than two years of arrears) increased from 17 as at 1 January 2001 through 23 as at 1 January 2002 to 30 as at 1 January 2003. However, the overall level of accumulated arrears has declined by some 13.4% over the last twelve months from 1 January 2002, which was mainly attributable to the settlement of longer-term debts for over five years. The table at Appendix 4 lists the Member States with arrears as at 1 January 2003.

3.8 It will be recalled that Article 5.4 of the Financial Regulations of the Organization requires all Member States to pay their contributions by 1 January of the year, or by thirty days of the receipt of the communication of the Secretary-General regarding their obligations in respect of annual contributions, whichever is the later. Of the 2002 assessment on 162 Member States and 2 Associate Members, 110 had made full payment and 21 had made partial payment as at 31 December 2002. However, 31 Members had made no payment towards their annual contributions one year after the contributions were legally due for payment. Comparative figures for the past five years are given below:

	Full payment	Partial payment	None	Total
2002	112	21	31	164
2001	113	16	31	160
2000	103	20	36	159
1999	101	22	35	158
1998	91	30	36	157

4 Distribution formula

4.1 A brief description of the historical development of the assessment formula is provided at Appendix 1. That Appendix also explains the methodology which has been applied over the years to determine the applicable gross registered tonnage attributable to a Member State for assessment purposes.

4.2 The broad aim of the revision which took effect from 1 January 1992 was to put more emphasis on that part of the formula which reflects the 'ability to pay' of Member States. The Assembly will recall that the Organization's basis of apportioning its costs is determined by two principal factors - the registered tonnage of the Flag State and the UN basis of apportionment. Until 1992, the relative weights of tonnage and ability to pay were in the proportion of 90:10 respectively. This distribution was set in 1983 after a number of years of discussion and debate.

4.3 The change in 1992 comprised the following three elements:

- (a) **a minimum assessment** payable by all Member States, calculated as **2.94%** of the total budget assessment divided equally amongst the Members (50% for Associate Members);
- (b) **a basic assessment** representing **12.5%** of the total assessment less (a) above. A Member State's UN contribution determines the allocation of a specified number of basic units whose distribution is shown below:

Table 4

Category	UN Contribution %	Number of basic units
1	0.01 - 0.05*	0
2	0.01 - 0.05	1
3	0.06 - 0.25	10
4	0.26 - 1.00	25
5	1.01 - 1.50	48
6	1.51 - 2.00	87
7	2.01 - 4.00	140
8	4.01 - 7.00	201
9	7.01 - 10.00	275
10	More than 10.00	625
Associate Members		0

* and having less than 50,000 GRT

- (c) **a tonnage assessment**, covering **87.5%** of the total assessment less (a) above, determined by the gross register tonnage attributable to Member States, according to Lloyd's Register of Shipping. This tonnage figure for each Member State is reduced by 50,000 tons to help countries with small registers.

5 Three assessments by category

5.1 The following Tables 5 to 7 provide analyses of the distribution of the three elements between the different categories of Member States, by reference to their relative UN contributions. (It should be noted that each table is displayed in two parts to accommodate the data from 1994 to 2003).

Minimum assessment

5.2 Table 5 below shows the relative proportions of the minimum assessment paid in each of the categories. Since this is a flat sum for each Member State, arrived at by dividing 2.94% of the total assessment by the number of Member States, the effect of the increase in membership over the period 1994-2003 of some 23 Members (an increase of 17% over 139 Members in 1993) is to reduce the 'price' of the minimum assessment.

Table 5
Minimum Assessments 1994-2003

CATEGORY	UN CONTRIBUTION %	1994		1995		1996		1997		1998	
		MEMBERS	%	MEMBERS	%	MEMBERS	%	MEMBERS	%	MEMBERS	%
1	0.01 - 0.05*	47	0.93	49	0.95	53	1.02	52	0.98	53	0.99
2	0.01 - 0.05	36	0.72	37	0.72	34	0.65	36	0.68	36	0.68
3	0.06 - 0.25	33	0.66	30	0.58	30	0.58	32	0.60	32	0.60
4	0.26 - 1.00	16	0.32	19	0.37	19	0.37	18	0.34	18	0.34
5	1.01 - 1.50	4	0.08	4	0.08	5	0.10	5	0.10	5	0.09
6	1.51 - 2.00	3	0.06	2	0.04	2	0.04	2	0.04	2	0.04
7	2.01 - 4.00	1	0.02	2	0.04	2	0.04	2	0.04	2	0.04
8	4.01 - 7.00	4	0.08	4	0.08	4	0.08	4	0.08	4	0.08
9	7.01 - 10.00	1	0.02	1	0.02	1	0.02	1	0.02	1	0.02
10	More than 10.00	2	0.04	2	0.04	2	0.04	2	0.04	2	0.04
Associate Members		2	0.02	2	0.02	2	0.02	2	0.02	2	0.02
Total		149	2.94	152	2.94	154	2.94	156	2.94	157	2.94

CATEGORY	UN CONTRIBUTION %	1999		2000		2001		2002		2003	
		MEMBERS	%	MEMBERS	%	MEMBERS	%	MEMBERS	%	MEMBERS	%
1	0.01 - 0.05*	54	1.01	55	1.02	56	1.04	56	1.02	54	0.97
2	0.01 - 0.05	45	0.84	46	0.86	46	0.85	45	0.82	49	0.88
3	0.06 - 0.25	26	0.49	26	0.48	26	0.48	26	0.47	24	0.43
4	0.26 - 1.00	15	0.28	13	0.24	13	0.24	14	0.26	16	0.29
5	1.01 - 1.50	7	0.13	8	0.15	8	0.15	6	0.11	6	0.11
6	1.51 - 2.00	1	0.02	1	0.02	1	0.02	4	0.07	4	0.07
7	2.01 - 4.00	2	0.04	2	0.04	2	0.04	3	0.05	3	0.05
8	4.01 - 7.00	3	0.06	3	0.06	3	0.06	3	0.05	3	0.05
9	7.01 - 10.00	1	0.02	1	0.02	1	0.02	1	0.02	1	0.02
10	More than 10.00	2	0.04	2	0.04	2	0.04	2	0.04	2	0.04
Associate Members		2	0.02	2	0.02	2	0.02	2	0.02	2	0.02
Total		158	2.94	159	2.94	160	2.94	162	2.94	164	2.94

* and having less than 50,000 GRT.

Basic assessment

5.3 The Assembly will recall that the second element is the 'basic assessment' which is based on a weighting of each Member State's UN contribution (by reference to "basic units"). Table 6 provides an analysis of the distribution of the basic element. The table shows some small changes since 1994 which reflect:

- (a) the increase in the membership of the Organization; and
(b) decisions of the Committee on Contributions of the UN concerning UN contributions which, in consequence, can change the particular category of a Member State.

Table 6
Basic Assessments 1994-2003

CATEG ORY	UN CONTRIBUTION %	1994		1995		1996		1997		1998	
		MEMBERS	%	MEMBERS	%	MEMBERS	%	MEMBERS	%	MEMBERS	%
1	0.01 - 0.05*	47	-	49	-	53	-	52	-	53	-
2	0.01 - 0.05	36	0.12	37	0.12	34	0.11	36	0.11	36	0.11
3	0.06 - 0.25	33	1.09	30	0.96	30	0.95	32	1.01	32	1.01
4	0.26 - 1.00	16	1.32	19	1.52	19	1.50	18	1.43	18	1.43
5	1.01 - 1.50	4	0.63	4	0.62	5	0.76	5	0.76	5	0.76
6	1.51 - 2.00	3	0.86	2	0.56	2	0.55	2	0.55	2	0.55
7	2.01 - 4.00	1	0.46	2	0.90	2	0.89	2	0.89	2	0.89
8	4.01 - 7.00	4	2.64	4	2.58	4	2.55	4	2.55	4	2.55
9	7.01 - 10.00	1	0.90	1	0.88	1	0.87	1	0.87	1	0.87
10	More than 10.00	2	4.11	2	4.00	2	3.96	2	3.96	2	3.96
Associate Members		2	-	2	-	2	-	2	-	2	-
Total		149	12.13	152	12.13	154	12.13	156	12.13	157	12.13

CATEG ORY	UN CONTRIBUTION %	1999		2000		2001		2002		2003	
		MEMBERS	%	MEMBERS	%	MEMBERS	%	MEMBERS	%	MEMBERS	%
1	0.01 - 0.05*	54	-	55	-	56	-	56	-	54	-
2	0.01 - 0.05	45	0.16	46	0.16	46	0.16	45	0.14	49	0.15
3	0.06 - 0.25	26	0.90	26	0.90	26	0.90	26	0.82	24	0.75
4	0.26 - 1.00	15	1.30	13	1.12	13	1.12	14	1.11	16	1.25
5	1.01 - 1.50	7	1.16	8	1.33	8	1.33	6	0.91	6	0.90
6	1.51 - 2.00	1	0.30	1	0.30	1	0.30	4	1.10	4	1.09
7	2.01 - 4.00	2	0.97	2	0.97	2	0.97	3	1.33	3	1.32
8	4.01 - 7.00	3	2.08	3	2.08	3	2.08	3	1.91	3	1.89
9	7.01 - 10.00	1	0.95	1	0.95	1	0.95	1	0.87	1	0.86
10	More than 10.00	2	4.32	2	4.32	2	4.32	2	3.95	2	3.92
Associate Members		2	-	2	-	2	-	2	-	2	-
Total		158	12.13	159	12.13	160	12.13	162	12.13	164	12.13

* and having less than 50,000 GRT.

5.4 The increase in membership means that the 'price' of the basic units is lower than it would otherwise be, although the total share of the budget distributed in this way remains at 12.5% (less the minimum assessment, namely, 12.13%).

Gross registered tonnage assessment

5.5 Table 7 below provides a breakdown of the tonnage component of the assessment formula paid by Member States in comparison with the scale of UN contributions for the years 1994 to 2002.

Table 7
Tonnage Assessments 1994-2003

CATEG ORY	UN CONTRIBUTION %	1994		1995		1996		1997		1998	
		MEMBERS	%	MEMBERS	%	MEMBERS	%	MEMBERS	%	MEMBERS	%
1	0.01 - 0.05*	47	-	49	-	53	-	52	-	53	-
2	0.01 - 0.05	36	35.79	37	36.41	34	38.05	36	39.53	36	41.06
3	0.06 - 0.25	33	8.44	30	8.26	30	8.17	32	8.40	32	8.82
4	0.26 - 1.00	16	19.89	19	19.74	19	19.33	18	18.90	18	17.95
5	1.01 - 1.50	4	1.45	4	2.01	5	2.10	5	1.89	5	1.60
6	1.51 - 2.00	3	1.98	2	1.81	2	1.79	2	1.70	2	1.62
7	2.01 - 4.00	1	0.50	2	0.74	2	0.72	2	0.69	2	0.70
8	4.01 - 7.00	4	7.37	4	7.20	4	6.84	4	6.51	4	6.31
9	7.01 - 10.00	1	0.97	1	1.00	1	1.00	1	0.97	1	1.03
10	More than 10.00	2	7.80	2	7.02	2	6.15	2	5.58	2	5.28
Associate Members		2	0.69	2	0.74	2	0.74	2	0.77	2	0.76
Total		149	84.93	152	84.93	154	84.93	156	84.93	157	84.93

CATEG ORY	UN CONTRIBUTION %	1999		2000		2001		2002		2003	
		MEMBERS	%	MEMBERS	%	MEMBERS	%	MEMBERS	%	MEMBERS	%
1	0.01 - 0.05*	54	-	55	-	56	-	56	-	54	-
2	0.01 - 0.05	45	43.39	46	44.48	46	44.48	45	45.59	49	46.10
3	0.06 - 0.25	26	9.10	26	9.36	26	9.08	26	4.87	24	3.81
4	0.26 - 1.00	15	16.31	13	4.44	13	14.22	14	14.91	16	15.57
5	1.01 - 1.50	7	3.65	8	4.22	8	4.16	6	2.28	6	2.29
6	1.51 - 2.00	1	0.83	1	0.91	1	1.00	4	81	4	4.77
7	2.01 - 4.00	2	0.69	2	0.69	2	0.70	3	1.30	3	1.27
8	4.01 - 7.00	3	4.19	3	4.35	3	4.96	3	27	3	5.33
9	7.01 - 10.00	1	1.27	1	1.18	1	1.07	1	1.01	1	0.94
10	More than 10.00	2	4.99	2	4.78	2	4.45	2	3.95	2	3.77
Associate Members		2	-	2	0.55	2	0.49	2	0.51	2	1.07
Total		158	84.93	159	4.93	160	84.93	162	84.93	164	84.93

* and having less than 50,000 GRT.

Overview

5.6 Table 8 below summarizes the three elements of the minimum assessment, the basic assessment, and the tonnage assessment for the period 1994-2003.

**Table 8
Total Assessments 1994-2003**

CATEG ORY	UN CONTRIBUTION %	1994		1995		1996		1997		1998	
		MEMBERS	%	MEMBERS	%	MEMBERS	%	MEMBERS	%	MEMBERS	%
1	0.01 - 0.05*	47	0.93	49	0.95	53	1.02	52	0.99	53	1.00
2	0.01 - 0.05	36	36.62	37	37.25	34	38.81	36	40.32	36	41.85
3	0.06 - 0.25	33	10.18	30	9.80	30	9.70	32	10.03	32	10.44
4	0.26 - 1.00	16	21.52	19	21.64	19	21.20	18	20.66	18	19.72
5	1.01 - 1.50	4	2.16	4	2.71	5	2.95	5	2.75	5	2.45
6	1.51 - 2.00	3	2.90	2	2.40	2	2.38	2	2.29	2	2.21
7	2.01 - 4.00	1	0.98	2	1.68	2	1.65	2	1.61	2	1.63
8	4.01 - 7.00	4	10.10	4	9.85	4	9.47	4	9.13	4	8.94
9	7.01 - 10.00	1	1.89	1	1.90	1	1.89	1	1.86	1	1.92
10	More than 10.00	2	11.95	2	11.06	2	10.15	2	9.58	2	9.27
Associate Members		2	0.72	2	0.74	2	0.76	2	0.76	2	0.79
Total		149	100.00	152	100.00	154	100.00	156	100.00	156	100.00

CATEG ORY	UN CONTRIBUTION %	1999		2000		2001		2002		2003	
		MEMBERS	%	MEMBERS	%	MEMBERS	%	MEMBERS	%	MEMBERS	%
1	0.01 - 0.05*	54	1.01	55	1.02	56	1.04	56	1.02	54	1.00
2	0.01 - 0.05	45	44.38	46	45.50	46	45.56	45	46.55	49	47.14
3	0.06 - 0.25	26	10.49	26	10.74	26	10.46	26	6.17	24	4.99
4	0.26 - 1.00	15	17.89	13	15.80	13	15.58	14	16.27	16	17.11
5	1.01 - 1.50	7	4.94	8	5.70	8	5.63	6	3.30	6	3.30
6	1.51 - 2.00	1	1.15	1	1.23	1	1.32	4	5.99	4	5.94
7	2.01 - 4.00	2	1.70	2	1.70	2	1.70	3	2.69	3	2.64
8	4.01 - 7.00	3	6.33	3	6.49	3	7.10	3	7.23	3	7.28
9	7.01 - 10.00	1	2.24	1	2.15	1	2.04	1	1.89	1	1.82
10	More than 10.00	2	9.35	2	9.14	2	8.81	2	7.94	2	7.72
Associate Members		2	-	2	0.57	2	0.53	2	0.75	2	1.09
Total		158	100.00	159	100.00	160	100.00	162	100.00	164	100.00

* and having less than 50,000 GRT.

5.7 It will be noted from Table 8 that the total contributions of Member States under categories 1, 2 and 3 (comprised of 116 Members in 1994 representing 77.9 % in the total number of 139 then Members) has increased from 47.7% of the total assessment in 1994 to 53.1% in 2003 with an aggregation of 127 Members representing 77.4% of the total 164 Members.

5.8 Correspondingly, Table 8 indicates that the total number of Member States under categories 8, 9 and 10 have reduced from 7 in 1994 to 5 in 2003 representing 4.7% and 3.0% of the total Members respectively, and their total contributions have declined from 23.9% of the total assessment in 1994 to 16.8% of the total assessment in 2003.

6 Conclusion of the Council

6.1 The Council concludes that:

- the contribution payments of 98% in the years 2001 and 2002 is a very welcome reflection of the Membership commitments to the Organization's aims and objectives;
- the improved contribution position of the Organization remains mainly attributable to the package of measure adopted in 1993, reinforced by the determined efforts of Member States to meet their financial obligations; and
- on the basis of satisfactory improvements in the annual contribution positions, the Assembly may conclude that the financial framework does not merit further modification at the present time and that the Council should continue to monitor closely the status of contributions, and report to the subsequent regular session of the Assembly.

7 Action requested of the Assembly

7.1 The Assembly is invited to take note of the Council's conclusions and to consider and decide as it deems appropriate.

APPENDIX 1

HISTORICAL DEVELOPMENT OF THE ASSESSMENT FORMULA

Original assessment formula for apportioning contributions

1 It will be recalled that the Assembly at its first session in January 1959 by resolution A.20(1) adopted the following scale of apportionment of the Organization's expenditure among Member States:

- .1 A basic assessment as determined by the percentage of contribution of Member States to the budget of the United Nations for the relevant year.

Less than 2 per cent:	US\$ 2,000
2%- 10%	US\$ 4,000
More than 10%	US\$10,000

- .2 An additional assessment determined by its gross registered tonnage as shown in the latest edition of Lloyd's Register of Shipping, on the basis of one share for each 1,000 tons.

- .3 Associate Member

- .1 Basic assessment of US\$1,000
.2 An additional assessment determined by its gross registered tonnage on the basis of one half share for each 1,000 tons.

1.2 This method was used for apportioning the Organization's expenditure among Member States during the financial periods from 1959 to 1983, and the ratio between the basic assessments and the tonnage assessments for the first financial year 1959 was 17% : 83%. The analysis below shows the composition of basic assessments and tonnage assessments to Member States for the period 1959 to 1983.

Assessments 1959 - 1983

	1959		1969		1975		1978		1983	
	\$		\$		\$		\$		\$	
Basic	161,000	17%	165,000	15%	205,000	7%	239,000	4%	279,000	2%
Tonnage	962,921	83%	1,132,320	85%	3,001,500	93%	5,883,400	96%	11,221,400	98%
Total	1,123,921	100%	1,297,320	100%	3,206,500	100%	6,122,400	100%	11,500,400	100%

1.3 It should be noted from the above analysis that the downward trend of the percentage share of the minimum assessment component came from the banding of the UN contributions rates which remained constant during 1959 to 1983. Accordingly, the percentage share of the basic assessment component was 2% and the tonnage assessment component was 98% in 1983.

1.4 The first revision made to the assessment formula in 1983 restored the above minimum assessment to 10% while the tonnage assessment was reduced to 90%. This formula was approved by the Assembly at its thirteenth session by resolution A.555(13) and revised as follows:

- .1 A basic assessment in accordance with the following table:

Category	UN Contribution %			No. of basic units
1	0.01	-	0.05*	6
2	0.06	-	0.25	10
3	0.26	-	1.00	18
4	1.01	-	1.50	28
5	1.51	-	2.00	42
6	2.01	-	5.00	65
7	5.01	-	10.00	105
8	More than 10.00			200
Associate Members				5

* and having less than 50,000 GRT

The value of the basic unit shall be determined by dividing 10% of the total budget assessment for the relevant financial year by the total number of basic units for all Members and Associate Members;

- .2 An additional assessment determined by its gross registered tonnage as shown in the latest edition of Lloyd's Register of Shipping, less 50,000 tons, on the basis of one share for each 1,000 tons. Each Associate Member shall be required to contribute an additional assessment determined by one half of this gross register tonnage, less 50,000 tons, on the basis of one share for each 1,000 tons.

- 1.5 The above assessment formula was used during the period 1984 to 1991.

2 Current formula for apportioning contributions

2.1 The Assembly at its sixteenth regular session requested the Council to review the assessment formula because of the continued growth in arrears of contributions and the resultant adverse financial situation. With the recommendation of the Council, the Assembly at its seventeenth session in November 1991 decided on certain changes to the assessment formula. The salient features of the revised assessment formula are shown below.

- .1 Introduction of minimum assessment levels - 2.94% of the total annual assessment based on 0.0218% of the assessment per Member State;
- .2 Restructuring of the basic assessment component on the basis of an ability to pay measure with the present banding of UN contributions;
- .3 Increasing the basic assessment component to the level of 12.13% of the total annual assessment;
- .4 Reducing the tonnage assessment component to the level of 84.93% of the total annual assessment.

3 Determination of registered tonnage

3.1 It may be noted that assessment notices to Member States are prepared and issued in November to enable Member States to meet their obligations for the following year in accordance with regulations 5.3 and 5.4 of the Organization's Financial Regulations and Financial Rules.

3.2 The resolution of the first Assembly which established the assessment formula provided that the tonnage component of the formula should be established by reference to the latest edition of Lloyd's Register of Shipping. However, Lloyd's Register does not publish its end year statistical information on registration until some two months after assessment notices are prepared and issued. Accordingly, the Organization's long-standing practice is to obtain statistical material concerning ships' registration from Lloyd's Register at the mid-year point of the current year and to utilize this data for the purpose of calculating the tonnage assessments of Member States.

APPENDIX 2

RULES 56BIS AND 56TER OF THE RULES OF PROCEDURE OF THE ASSEMBLY

Rule 56bis

- (i) The Secretary-General shall send at least one written notification to any Member which has failed to discharge its financial obligations to the Organization under Article 56 of the Convention. The notification shall call attention to the terms of Article 56 regarding the loss of vote in the Assembly, the Council, the Maritime Safety Committee, the Legal Committee, the Marine Environment Protection Committee, the Technical Co-operation Committee and the Facilitation Committee.
- (ii) Any Member wishing to request a waiver of the provision of Article 56 in respect of itself shall submit a written application to the Secretary-General at least one month before the Assembly giving reasons therefore, with a payment schedule indicating the timescale over which arrears will be paid.
- (iii) The Secretary-General shall submit to the Council a list of Members which have failed to discharge their financial obligations, together with any requests for waiver of the provision of Article 56 which have been received from any such Members.
- (iv) The Council shall submit to the Assembly a report on the matter, together with its recommendations on the submission by any Member of a request for waiver of the provision of Article 56 of the IMO Convention.
- (v) The Assembly shall consider the report of the Council at the commencement of each session. Taking into account the recommendations of the Council, and assessing each application on its individual merits, the Assembly shall take decisions on the waiver of the provision of Article 56 of the Convention in respect of any or all of the Members from which requests for waiver have been received, together with any conditions attached to such a waiver.
- (vi) A decision to waive the provision of Article 56 may only be taken in respect of a Member which has submitted a request for waiver in accordance with subparagraph (ii) above.
- (vii) A decision to waive the provision of Article 56 will normally be taken only in respect of a Member which has discharged in full the requirements, at the date of submitting the request for waiver, of the financial undertaking given under the terms of any previous request for waiver.
- (viii) In exercising its discretion, the Assembly will not normally consider an application for waiver from a Member whose payments are three years or more in arrears.

Rule 56ter

Any Member seeking election to the Council shall have discharged its obligations to the Organization or shall have committed itself at least one month before the Assembly to a schedule of payment submitted to the Secretary-General to do so and shall have complied with the terms of any previously agreed schedule of payment. Should any Member not meet these terms, that Member shall not be eligible to seek election at that Assembly.

APPENDIX 3

The Contributions Incentive Scheme

1 The Contributions Incentive Scheme was introduced in 1987 when the Assembly at its fifteenth session in November 1987 (resolution (A.629(15))) adopted the Scheme in order to counteract the delay in the payment of annual contributions. The role of the Scheme was last noted by the Council *Ad Hoc* Working Group on Financial Matters in 1991, when the Group concluded that “the present incentive scheme was not a matter to be pursued in the context of the development of a ‘package’” (C 66/20/Add.1). In its subsequent consideration of the financial framework, the scheme has not been subject to policy consideration or review.

2 The governing Assembly resolution (A.629(15)), which sets out the formula for calculating the incentive points and the relevant amendment to the Organization’s Financial Regulations, which determines the timing of the allocation of interest earnings, is as follows:

RESOLUTION A.629(15)
adopted on 20 November 1987

(Assembly - 15th session)

ARREARS OF CONTRIBUTIONS

A. Prompt payment of contributions

THE ASSEMBLY

TAKING NOTE with appreciation of the payments made by Members to meet arrears of contributions,

NOTING ALSO with appreciation the prompt payment of current year’s contributions made by some Members,

CONCERNED however that there are still delays in the payment of current year’s contributions as well as in the settlement of contributions due and payable for earlier years,

RECALLING regulation 5.4 of the Financial Regulations of the Organization under which contributions are considered as due and payable in full within thirty days of receipt of the notice of assessment issued by the Secretary-General or as of the first day of the calendar year to which they relate, whichever is the later,

1. URGES all Member States to pay their current year’s contributions in accordance with financial regulation 5.4;
2. URGES FURTHER those Member States in arrears to liquidate them at the earliest possible date;
3. REQUESTS all Members of the Council to set an example in this regard by prompt payment of both current year’s contributions and any arrears;

4. REQUESTS the Secretary-General to continue to take all possible steps to secure prompt payment of current year's contributions and of arrears of contributions from all Member Governments concerned;
5. FURTHER REQUESTS the Secretary-General to propose new instalment plans for meeting arrears to those Members with the longest outstanding arrears which have not already entered into such arrangements;
6. REQUESTS the Council to continue to treat the problem of arrears as a matter of high priority.

B. Contributions incentive scheme

THE ASSEMBLY,

HAVING CONSIDERED the recommendations of the Council and the Secretary-General concerning the introduction of a contributions incentive scheme to encourage early payment of contributions in accordance with the Financial Regulations:

1. DECIDES to introduce a contributions incentive scheme with effect from 1 January 1988;
2. FURTHER DECIDES that the modalities of the scheme shall be as follows:

- (a) Incentive points shall be awarded in accordance with a formula which relates the date of payment of the current year's contributions to the number of incentive points. Points shall be awarded per £1,000 of current year's contributions paid;
- (b) The formula shall be as follows:

$$\text{points} = 5 + \sqrt[3]{(125 - 250 \times \text{day} \div 360)}.$$

The resulting incentive points for each day of the year are indicated at Annex to this resolution;

- (c) At the end of each year, the ratio of each Member State's points to the total points awarded to all Members shall be established;
- (d) Interest earnings on contributions received in the year for which incentive points have been established shall be allocated amongst Member States in accordance with the ratios established under subparagraph (c) above;
- (e) Allocations shall take place in the second year after the year for which incentive points have been established if there is sufficient cash surplus in the year for which incentive points have been established; if there is not a sufficient cash surplus in that year, allocation shall be made from the first cash surplus arising in a subsequent year;
- (f) Allocations shall be used firstly to meet any outstanding arrears of contributions of a Member and secondly to reduce the contributions of a Member in the year when the allocation is made.

3. DECIDES ALSO, notwithstanding the provisions of paragraphs 2(c) and (d) above, that incentive points gained in 1988 and 1989 shall be accumulated with those gained in 1990, that the first allocation under the incentive scheme shall be based on the ratio of a Member State's incentive points in the period 1988-1990 inclusive to all incentive points gained in the period 1988-1990 inclusive, and that the amount to be allocated shall be interest earnings on contributions received in 1990.

4. APPROVES the following amendment to the Financial Regulations:

Regulation 6.1(b) - Any cash surplus in the General Fund at the close of any calendar year shall be allocated among Members firstly to meet reimbursements due under any contribution incentive scheme established by the Assembly and secondly in proportion to the assessments other than basic assessments contributed for that year. As at 1 January following the year in which the audit of the relevant accounts is completed, amounts to be allocated from the cash surplus shall be released and applied to liquidate, in whole or in part, first any advances due to the Working Capital Fund; secondly, any arrears of contributions; and thirdly, contributions for the calendar year following the year in which the audit is completed.

ANNEX

CONTRIBUTIONS INCENTIVE SCHEME

Table of incentive points

Day	Pts	Day	Pts	Day	Pts	Day	Pts	Day	Pts	Day	Pts
0	10.00	60	9.37	120	8.47	180	5.00	240	1.53	300	0.63
1	9.99	61	9.36	121	8.45	181	4.11	241	1.51	301	0.62
2	9.98	62	9.34	122	8.43	182	3.88	242	1.50	302	0.61
3	9.97	63	9.33	123	8.41	183	3.72	243	1.48	303	0.60
4	9.96	64	9.32	124	8.39	184	3.59	244	1.46	304	0.58
5	9.95	65	9.31	125	8.37	185	3.49	245	1.44	305	0.57
6	9.94	66	9.29	126	8.35	186	3.39	246	1.42	306	0.56
7	9.93	67	9.28	127	8.33	187	3.31	247	1.40	307	0.55
8	9.92	68	9.27	128	8.31	188	3.23	248	1.39	308	0.54
9	9.92	69	9.26	129	8.28	189	3.16	249	1.37	309	0.53
10	9.91	70	9.24	130	8.26	190	3.09	250	1.35	310	0.51
11	9.90	71	9.23	131	8.24	191	3.03	251	1.33	311	0.50
12	9.89	72	9.22	132	8.22	192	2.97	252	1.32	312	0.49
13	9.88	73	9.20	133	8.20	193	2.92	253	1.30	313	0.48
14	9.87	74	9.19	134	8.17	194	2.87	254	1.28	314	0.47
15	9.86	75	9.18	135	8.15	195	2.82	255	1.27	315	0.46
16	9.85	76	9.16	136	8.13	196	2.77	256	1.25	316	0.45
17	9.84	77	9.15	137	8.10	197	2.72	257	1.23	317	0.43
18	9.83	78	9.14	138	8.08	198	2.68	258	1.22	318	0.42
19	9.82	79	9.12	139	8.05	199	2.64	259	1.20	319	0.41
20	9.81	80	9.11	140	8.03	200	2.60	260	1.18	320	0.40
21	9.80	81	9.10	141	8.00	201	2.56	261	1.17	321	0.39
22	9.79	82	9.08	142	7.98	202	2.52	262	1.15	322	0.38
23	9.78	83	9.07	143	7.95	203	2.48	263	1.14	323	0.37
24	9.77	84	9.05	144	7.92	204	2.45	264	1.12	324	0.36
25	9.76	85	9.04	145	7.90	205	2.41	265	1.11	325	0.35
26	9.75	86	9.03	146	7.87	206	2.38	266	1.09	326	0.34
27	9.74	87	9.01	147	7.84	207	2.34	267	1.08	327	0.33
28	9.73	88	9.00	148	7.81	208	2.31	268	1.06	328	0.32
29	9.72	89	8.98	149	7.78	209	2.28	269	1.05	329	0.31
30	9.71	90	8.97	150	7.75	210	2.25	270	1.03	330	0.29
31	9.69	91	8.95	151	7.72	211	2.22	271	1.02	331	0.28
32	9.68	92	8.94	152	7.69	212	2.19	272	1.00	332	0.27
33	9.67	93	8.92	153	7.66	213	2.16	273	0.99	333	0.26
34	9.66	94	8.91	154	7.62	214	2.13	274	0.97	334	0.25
35	9.65	95	8.89	155	7.59	215	2.10	275	0.96	335	0.24
36	9.64	96	8.88	156	7.55	216	2.08	276	0.95	336	0.23
37	9.63	97	8.86	157	7.52	217	2.05	277	0.93	337	0.22
38	9.62	98	8.85	158	7.48	218	2.02	278	0.92	338	0.21
39	9.61	99	8.83	159	7.44	219	2.00	279	0.90	339	0.20
40	9.60	100	8.82	160	7.40	220	1.97	280	0.89	340	0.19
41	9.59	101	8.80	161	7.36	221	1.95	281	0.88	341	0.18
42	9.58	102	8.78	162	7.32	222	1.92	282	0.86	342	0.17
43	9.57	103	8.77	163	7.28	223	1.90	283	0.85	343	0.16
44	9.55	104	8.75	164	7.23	224	1.87	284	0.84	344	0.15
45	9.54	105	8.73	165	7.18	225	1.85	285	0.82	345	0.14
46	9.53	106	8.72	166	7.13	226	1.83	286	0.81	346	0.13
47	9.52	107	8.70	167	7.08	227	1.80	287	0.80	347	0.12
48	9.51	108	8.68	168	7.03	228	1.78	288	0.78	348	0.11
49	9.50	109	8.67	169	6.97	229	1.76	289	0.77	349	0.10
50	9.49	110	8.65	170	6.91	230	1.74	290	0.76	350	0.09
51	9.47	111	8.63	171	6.84	231	1.72	291	0.74	351	0.08
52	9.46	112	8.61	172	6.77	232	1.69	292	0.73	352	0.08
53	9.45	113	8.60	173	6.69	233	1.67	293	0.72	353	0.07
54	9.44	114	8.58	174	6.61	234	1.65	294	0.71	354	0.06
55	9.43	115	8.56	175	6.51	235	1.63	295	0.69	355	0.05
56	9.42	116	8.54	176	6.41	236	1.61	296	0.68	356	0.04
57	9.40	117	8.52	177	6.28	237	1.59	297	0.67	357	0.03
58	9.39	118	8.50	178	6.12	238	1.57	298	0.66	358	0.02
59	9.38	119	8.49	179	5.89	239	1.55	299	0.64	359	0.01
										360	0.00

INCENTIVE SCHEMES

Orgs.	Nature of scheme	Conditions of introduction	Main characteristics ¹	Experience												
ILO	Distribution to contributors of a proportion of interest and of currency forward-purchase premium earnings.	Introduced effective 1 January 1989 for experimental period of two years and continued on a permanent basis as from 1 January 1991.	<p>(i) (a) 60 per cent of interest earned on temporarily surplus regular budget funds; <i>plus</i> (b) 50 per cent of net premium earned on forward purchase of US dollar requirements;</p> <p>(ii) Eligibility depends on Member State's being fully paid up at end of each year;</p> <p>(iii) Credits to eligible Member States' assessed contributions have been as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">1991 - SFR 1,692,226</td> <td style="text-align: center;">1992 - SFR 1,823,866</td> </tr> <tr> <td style="text-align: center;">1993 - SFR 8,460,546²</td> <td style="text-align: center;">1994 - SFR 818,781</td> </tr> <tr> <td style="text-align: center;">1995 - SFR 1,988,136³</td> <td style="text-align: center;">1996 - SFR 453,419</td> </tr> <tr> <td style="text-align: center;">1997 - SFR 3,397,676⁴</td> <td style="text-align: center;">1998 - SFR 211,016</td> </tr> <tr> <td style="text-align: center;">1999 - SFR 1,633,418</td> <td style="text-align: center;">2000 - SFR 798,028</td> </tr> <tr> <td style="text-align: center;">2001 - SFR 12,464,856</td> <td style="text-align: center;">2002 - SFR 858,278</td> </tr> </table> <p>(iv) <i>S-curve</i>.</p>	1991 - SFR 1,692,226	1992 - SFR 1,823,866	1993 - SFR 8,460,546 ²	1994 - SFR 818,781	1995 - SFR 1,988,136 ³	1996 - SFR 453,419	1997 - SFR 3,397,676 ⁴	1998 - SFR 211,016	1999 - SFR 1,633,418	2000 - SFR 798,028	2001 - SFR 12,464,856	2002 - SFR 858,278	Experience to date does not show any perceptible difference in collection performance.
1991 - SFR 1,692,226	1992 - SFR 1,823,866															
1993 - SFR 8,460,546 ²	1994 - SFR 818,781															
1995 - SFR 1,988,136 ³	1996 - SFR 453,419															
1997 - SFR 3,397,676 ⁴	1998 - SFR 211,016															
1999 - SFR 1,633,418	2000 - SFR 798,028															
2001 - SFR 12,464,856	2002 - SFR 858,278															
FAO	<p>(1) Allocation among Member Nations of the interest income element of any cash surplus, on a weighted basis, in accordance with the amount and the timing of payment of contributions during the financial period.</p> <p>(2) Discount to be credited to Member Nations for payment by 31 March of assessed contributions.</p>	<p>Introduced effective with the 1988-1989 biennium, beginning 1 January 1988, without time limit on applicability.</p> <p>Experimental test introduced effective 1 January 1993. Modified methodology introduced with effect 1 January 1998 to apply discount pro rata to date of payment, i.e. payment in full on 1 January gets 100% of discount, payment on last day of March obtains only 1/90th.</p>	<p>Applies to all interest earnings forming a part of a cash surplus (does not apply if no cash surplus arises, or to interest income estimated in advance and applied against budgetary appropriations to determine assessed contributions). All Member Nations paying a contribution during the financial period are eligible to share in the allocation, regardless of whether the contribution paid is against arrears or current assessments, and irrespective of the status of outstanding assessments of the Member Nations at the end of the financial period. Detailed measures for the calculation of allocations have not yet been formalized.</p> <p>To be applied to assessed contribution of Member Nations which meet the following criteria:</p> <ul style="list-style-type: none"> - Payment of full assessment to 31 March; - No arrears outstanding. <p>The discount earned is to be credited to Member Nations in the year after payment, and the discount total is not to exceed the interest earned on regular programme investments during that year. The discount rate (per cent) is to be determined by the Director-General in consultation with the FAO Finance Committee. Proposed rate for 2002 is 0.45% on estimated qualifying assessments of \$42 million.</p>	<p>In the absence of cash surpluses, Member Nations have had no real incentive under the scheme so far.</p> <p>Experience to date has shown little impact on the rate of receipt of contributions. Payments reached a peak of \$2,030,678 in 1997 and have decreased each year since to an estimated figure of \$96,327 in respect of 2002. (actual figure for 2001 was \$ 107,121)</p> <p>See document FC 100.10 dated July 2002</p>												

Orgs.	Nature of scheme	Conditions of introduction	Main characteristics ¹	Experience
UNESCO	Distribution to Member States in accordance with timing and amounts of contributions paid of budget surpluses and all miscellaneous income except UNDP support costs	<p>After an initial period from 1988 to 1995 during which resources consisted solely of interest earned on Regular Programme funds, the scheme was prolonged for a further six years from 1 January 1996 with additional resources to make it more attractive. . (see document 31/C 31 of 18 September 2001 for details of resources for scheme).</p> <p><i>Reviewed in 2001 by Executive Board at its 162nd session and prolonged.</i></p> <p><i>“While overall arrears have improved since 1994-95, it is not certain to what extent this improvement is due to the positive incentive scheme, since other factors, notably the changes in the scale of contributions towards Member States’ capacity to pay, could be of greater importance.</i></p>	Resources consist of budget surpluses, miscellaneous income except UNDP support costs, interest on investments of Working Capital Fund, contributions assessed on new Member States, etc. (see document 31/C 31 of 18 September 2001 for details of resources for scheme). These are distributed in accordance with weighted scale (see Annex VI of document 126 EX/35) to Member States that have paid their contributions in full for each year of the financial period concerned. The appropriate share of each eligible Member State is deducted from the contribution assessed on it for the second year of the subsequent financial period.	After the introduction of the scheme in 1988-1989, arrears of contributions at the end of each biennium increased, both in dollar terms and in terms of percentages of amounts assessed. Due to the deterioration in the cash position, less than \$1 million became available for distribution under the scheme for 1990-1991 and nothing at all became available during 1992-1993. Thus there was little or no real incentive under the scheme in these years. It is for this reason that the General Conference in 1995 decided to add new resources to make the scheme more attractive. For 1996-97, incentives totalling \$9,987,000 were distributed in 1999. For 1998-99 incentives of \$675,000 were paid in 2001. No surplus is available for 2000-2001.
ICAO	Distribution of interest earnings.	Introduced effective 1 January 1987 for an indefinite period. First distribution 1 January 1990.	<p>(i) Bank interest earned on regular programme funds is distributed:</p> <p>(a) according to points earned through the <i>S-curve</i> formula, to Member States that have paid all or part of their contributions for the three years preceding the Assembly; as well as</p> <p>(b) according to shares of undistributed surpluses accrued from previous years’ budgets, to Member States that have paid their contributions in full in the years in which the surpluses were determined. Such distribution is to be made to the extent that the cash surplus available for distribution is greater than or equal to the bank interest earned.</p>	Based on the percentage of contributions received by the end of each month for the years following the introduction of the scheme, the incentive scheme has not influenced a large number of States to pay their assessed contributions in full and on time. There has been no significant change in the receipt of timely contributions.

Orgs.	Nature of scheme	Conditions of introduction	Main characteristics ¹	Experience
WHO	Payment of interest to Member States paying all or part of their assessed contributions before 30 April	New scheme coming into operation in 2002	<p>Old scheme had points attributed to each Member based on the date of payment. At end of year, points totalled for all Members then a percentage calculated for each Member based on the Member's number of points as a proportion of total points. The percentage then applied to total amount approved by World Health Assembly available for distribution under the Financial Incentive Scheme. Amounts credited to the next biennium's assessed contribution.</p> <p>New Financial Incentive Scheme gives credit calculated as follows: amount paid times interest rate times number of days from payment date to 30 April divided by 360.</p>	<p>Old scheme: though there was a discernible improvement in the timing of payment of contributions by Members in 1990 and 1991 as compared with 1989, a subsequent deterioration due primarily to developments in Eastern Europe makes an assessment difficult.</p> <p>New scheme intended to be more transparent and simpler to calculate than the old scheme; also designed to encourage prompt payment.</p>
UPU	Charges of interest on late payments.	Introduced by the Eighth Universal Postal Congress, Stockholm, 1924.	<p>(i) and (ii) The annual contributory shares are payable in advance. The amounts due bear interest from the beginning of each financial year at 3 per cent per annum during the first six months and at 6 per cent per annum from the beginning of the seventh month. Interest of 5 per cent from the seventh month after the date of shipment on invoices for publications and other supplies.</p> <p>(iii) Interest transferred to the Reserve Fund.</p> <p>(iv) No influence on voting rights.</p>	High collection rate at the beginning of the financial year.
WMO	Distribution of interest to contributors.	Introduced effective 1 January 1988 and extended by Twelfth Congress in May 1995 for a further period of four years from 1996-1999. Further extended.	<p>Incentive scheme applies to that part of the cash surplus for the financial period (four years) which represents interest credited to the General Fund, other than interest earned on the Working Capital Fund.</p> <p>Points are calculated by <i>S-curve</i> formula taking account of any current year's contribution paid, and the date of payment. Note: Full payment for current year is not a condition for earning points.</p> <p>(See document WMO Resolution 31 (Cg-X))</p>	There is no positive evidence that scheme has had any effect on the promptness of payment of contributions.
UNIDO	To encourage timely payment of assessed contributions, the Industrial Development Board in its May 1998 session endorsed the introduction of "S" curve formula, which distributes incentive points to eligible Member States depending on the timing and amount of payments made during a given year.			
ITU	Charges of interest on late payments. Loss of the right to vote.	Since the inception of the ITU; included in the International Telecommunication Convention since 1973.	The annual contributory shares are payable in advance. The amounts due bear interest from the beginning of each financial year at 3 per cent per annum during the first six months and at 6 per cent per annum from the beginning of the seventh month. A member which is in arrears in its payments loses its right to vote for as long as the amount of its arrears equals or exceeds the amount of the contribution due from it for the preceding two years.	During the past 10 years the percentage of total current years' contributions received by the end of the first six months has been 85 to 93 per cent and over 91 per cent in most years.

APPENDIX 4

Contribution arrears as at 1 January 2003							
Member States	Age of debt - £						Total
	2002 1 year	2001-2002 2 years	2000-2002 3 years	1999-2002 4 years	1998-2002 5 years	Prior to 1997-2002 over 5 years	
ARGENTINA	39,429	-	-	-	-	-	39,429
BENIN	-	-	10,031	-	-	-	10,031
BOLIVIA	7,988	-	-	-	-	-	7,988
BOSNIA & HERZEGOVINA	-	-	-	-	-	32,328	32,328
CAPE VERDE	-	-	-	-	-	17,024	17,024
COLOMBIA	3,631	-	-	-	-	-	3,631
COMOROS	1,141	-	-	-	-	-	1,141
CONGO	-	3,908	-	-	-	-	3,908
COSTA RICA	-	-	-	-	7,918	-	7,918
COTE D'IVOIRE	-	6,811	-	-	-	-	6,811
CUBA	-	5,655	-	-	-	-	5,655
DEMOCRATIC REPUBLIC OF THE CONGO	-	-	-	-	-	47,374	47,374
DJIBOUTI	-	-	-	-	-	36,799	36,799
EQUATORIAL GUINEA	-	-	-	-	-	66,313	66,313
GABON	-	-	-	-	-	23,928	23,928
GUINEA	-	-	-	-	-	36,929	36,929
GUINEA-BISSAU	-	-	-	-	-	55,299	55,299
HAITI	-	-	-	-	-	50,041	50,041
INDONESIA	8,574	-	-	-	-	-	8,574
IRAN, ISLAMIC REPUBLIC OF	129,514	-	-	-	-	-	129,514
IRAQ	-	-	-	-	-	510,049	510,049
KAZAKHSTAN	-	-	-	-	-	47,808	47,808
LEBANON	13,263	-	-	-	-	-	13,263
LIBYAN ARAB JAMAHIRIYA	-	-	52,107	-	-	-	52,107
MADAGASCAR	2,926	-	-	-	-	-	2,926
MALAWI	-	-	-	13,549	-	-	13,549
MAURITANIA	-	-	-	-	-	23,753	23,753
MOLDOVA	3,452	-	-	-	-	-	3,452
MONGOLIA	-	6,811	-	-	-	-	6,811
MOROCCO	4,819	-	-	-	-	-	4,819
NICARAGUA	1,763	-	-	-	-	-	1,763
PAKISTAN	15,091	-	-	-	-	-	15,091
PARAGUAY	2,346	-	-	-	-	-	2,346
SAO TOME & PRINCIPE	-	-	-	-	-	50,703	50,703
cx	-	-	-	-	16,783	-	16,783
SOLOMON ISLANDS	-	-	-	-	16,867	-	16,867
SOMALIA	-	-	-	-	-	42,657	42,657
The former YUGOSLAV REPUBLIC OF MACEDONIA	-	3,464	-	-	-	-	3,464
TOGO	-	-	-	-	-	55,580	55,580
TRINIDAD AND TOBAGO	3,452	-	-	-	-	-	3,452
TURKMENISTAN	-	-	10,044	-	-	-	10,044
UNITED REPUBLIC OF TANZANIA	1,286	-	-	-	-	-	1,286
URUGUAY	-	14,257	-	-	-	-	14,257
YUGOSLAVIA	-	-	-	-	-	355,306	355,306
	238,675	40,906	72,182	13,549	41,568	1,451,891	1,858,771
Excluding arrear in contribution of less than £1,000							