



**FOURTH REGULAR SESSION
FINANCE AND ADMINISTRATION COMMITTEE
Tumon, Guam, USA
02-07 December 2007**

INTEREST RATE FOR OUTSTANDING CONTRIBUTIONS

WCPFC4-2007-FAC1-2007/06

18 October 2007

Introduction

1. Concerned about the level of unpaid assessed contributions the Third Regular Session of the Commission (WCPFC3) 11-15 December 2006 at Apia, Samoa agreed that interest should be levied on contributions in arrears for more than one year, as provided for in Finance Regulation 5.5. WCPFC3 determined that for 2007 the rate was to be zero percent but that the Secretariat should suggest a higher rate to be levied from 2008 and on.

Suggested rate

2. In attempting to identify suitable rates for consideration it was understood that while the Commission wishes to add to the existing range of measures that encourage Members to pay their contributions on time, it wishes to take an equitable rather than a punitive approach. The two options put forward for consideration are therefore based on interest rates that currently apply commercially in Pohnpei and are available from the Commission's banker, the Bank of Guam. One is 4 % which is the six month interest bearing deposit rate and the other is 8.25%, the rate at which the Commission would need to (hypothetically) borrow.

3. It is suggested that of the two rates 8.25% would provide the greater encouragement. In regard to further satisfying the criteria of equity, it is proposed that this rate be applied in a different manner to that used by the Bank of Guam, which applies it to the daily loan balance and compounds the result. The alternative approach proposed is for the rate to be applied only once a year which would represent a discount on the effective commercial interest rate, and hopefully strike a suitably balanced approach.

Recommendation

4. The Committee is invited to recommend to the Commission that:
- i) a rate of 8.25% is levied from 2008 on contributions outstanding more than a year;
 - ii) the agreed rate be applied once annually on 01 January each year; and
 - iii) the interest charges be treated as an enforceable debt and reported to the Commission each year, unless waived in accordance with the provisions of Article 18.