



**AN BILLE UM AN gCOMHCHISTE IDIRNÁISIÚNTA DO
THRÁCHTEARRAÍ, 1981**
**INTERNATIONAL COMMON FUND FOR COMMODITIES BILL,
1981**

EXPLANATORY MEMORANDUM

A. OBJECT OF BILL

1. The object of the Bill is to approve the terms of the *Agreement Establishing the Common Fund for Commodities* and to enable the State to comply with its financial and other obligations as a member.

B. BACKGROUND

2. The Common Fund originated in a proposal of the Fourth United Nations Conference on Trade and Development (UNCTAD IV) held in Nairobi in May, 1976 when it was agreed that a United Nations Negotiating Conference should be convened not later than March 1977 to negotiate the establishment of a Common Fund for Commodities. The negotiations continued into 1980 when the *Agreement Establishing the Common Fund for Commodities* was adopted on 27 June, 1980 at the fourth meeting of the Negotiating Conference. The Agreement was signed on behalf of Ireland on 24 February, 1981.

C. THE AGREEMENT

Purpose

3. The Common Fund is a medium for attaining the main objectives of the UN Integrated Programme for Commodities i.e. to achieve stability in commodity prices and markets. Primarily the Fund will help International Commodity Organisations (ICOs) by providing credit to purchase buffer stocks of their particular commodity. The ICOs will buy stocks when the price is falling due to abundant supply, therefore benefitting exporting developing countries. Conversely the ICOs will sell on the market when prices rise due to a shortage of supply and this will benefit consumer countries. The Fund will also provide loans and grants for research and development in the field of commodities, mainly in the developing countries.

Membership

4. Membership of the Fund is open to all States members of the United Nations or of its specialized agencies or of the International Atomic Energy Agency. Members will subscribe to shares in the Fund and receive voting rights in proportion to their subscriptions. The minimum equal subscription, payable by all members, is for 100 paid-in shares of US \$10,000 each. Membership is also open to intergovernmental organisations concerned with regional economic

integration and which have a role in commodity trade. Such members are not required to make payments or subscribe to the Common Fund and do not hold any voting rights. This means that the EEC can be a member of the Fund as well as its Member States but they alone will subscribe to shares and hold voting rights.

Capital Structure—First Account

5. The capital of the Common fund will be divided into two accounts, referred to as the First Account and the Second Account. The initial target for resources is US \$750 million—\$400 million for the First Account and \$350 million for the Second Account. The First Account will be used to extend credit to International Commodity Organisations to finance buffer stocking. First Account resources will consist of Directly Contributed Capital (i.e. subscriptions to shares), Guarantee Capital, Guarantees and Cash Deposits from ICOs associated with the Fund and borrowings from the financial markets.

Second Account

6. The Second Account will finance loans and grants to specially designated International Commodity Bodies (ICBs) for measures other than stocking. These measures will be aimed at development and research in commodities and improving the structural conditions of commodity markets. Second Account resources will consist of an initial allocation of US \$70 million from the minimum equal subscription by all member States, voluntary contributions from members and borrowings from the financial markets.

Mode of Operation

7. Only International Commodity Organisations (ICOs) which are associated with the Fund will be entitled to borrow from the First Account. The ICO will deposit one-third of its maximum financial requirements with the Fund and will in turn be allowed to borrow the remaining two thirds (ICO members will have to guarantee this amount to the Fund) and to withdraw its deposits when it is in a purchasing cycle. The stock warrants for the purchased commodity must be lodged with the Fund as security.

Organisation and Management

8. The Common Fund will be managed through a Governing Council and an Executive Board. Each Member State will appoint one Governor to the Council. The Council will elect 28 Executive Directors to sit on the Board and will appoint a Managing Director. The Governing Council will be responsible for determining Fund policy. The Executive Board will be responsible for the conduct of the Fund's operations. A Consultative Committee will be appointed to advise on projects suitable for financial aid from the Second Account.

Voting Structure

9. Each member of the Common Fund will have 150 basic votes and additional votes allocated in proportion to its subscriptions of Directly Contributed Capital and Guarantee Capital. There are four groupings of countries for the purposes of voting: Group B—developed countries, Group of 77—developing countries, Group D—Eastern bloc countries, and China.

Entry into Force

10. The Agreement will enter into force after it has been ratified, accepted or approved by at least ninety States whose total contributions comprise at least two thirds of the Fund's Directly Contributed Capital. The deadline for entry into force is 31 March, 1982 but if necessary those States which have ratified by that date may extend the deadline.

D. THE BILL

Section 1 defines terms used in the Bill.

Section 2 provides for approval of the Agreement.

Section 3 contains the financial and other provisions:

Subsection (2) provides for the payment out of the Central Fund of subscriptions for shares in the Common Fund, both the initial shares and those issued subsequent to reviews of the existing levels of paid-in Capital.

Subsection (3) provides for the payment, out of moneys provided by the Oireachtas, of an initial contribution to the Second Account and of later contributions to this Account subsequent to reviews of the adequacy of its resources.

Subsection (4) provides for the issue and discharge of guarantees, required by reason of the State's participation in International Commodity Organisations associated with the Fund. Such guarantees are given by means of a Ministerial Order. This subsection also provides for the repayment, out of moneys provided by the Oireachtas, to the Central Fund of moneys paid on foot of guarantees.

Subsection (5) provides for the issue and discharge of promissory notes which may be used in part payment of share subscriptions and cashed at the discretion of the Fund.

Subsection (6) states that Ministerial orders relating to guarantees must be approved beforehand by affirmative resolution of each House of the Oireachtas.

Section 4 provides for the disposal of any moneys received under the Agreement.

Section 5 provides for payment of administration expenses.

Section 6 contains the short title.

Schedule contains the text of the Agreement.

An Roinn Airgeadais
Samhain, 1981

integration and which have a role in commodity trade. Such funds are not required to make payments or subscribe to the Common Fund and do not hold any voting rights. Member States which are not members of the Fund as well as Member States which will not subscribe to shares at the time of approval of the Fund will not be eligible to become members of the Fund.

Capital Structure and Other Financial Arrangements

3. The capital of the Common Fund will be divided into two parts: (a) the First Account, which will be used to finance buffer stocks, and (b) the Second Account, which will be used to finance other operations. The First Account will be financed by contributions from Member States, and the Second Account will be financed by contributions from Member States and by the sale of shares in the Fund. The First Account will be used to finance buffer stocks, and the Second Account will be used to finance other operations. The First Account will be financed by contributions from Member States, and the Second Account will be financed by contributions from Member States and by the sale of shares in the Fund.

Second Account

4. The Second Account will be used to finance other operations of the Fund, including the purchase and sale of commodities, the financing of research and development, and the financing of other operations. The Second Account will be financed by contributions from Member States and by the sale of shares in the Fund. The Second Account will be used to finance other operations of the Fund, including the purchase and sale of commodities, the financing of research and development, and the financing of other operations. The Second Account will be financed by contributions from Member States and by the sale of shares in the Fund.

5. Subsection (2) provides for the issue and discharge of promissory notes which may be used in part payment of shares in the Fund.

6. Only notes which are issued by the Fund will be eligible for discounting at the Bank of England. The Fund will be entitled to borrow from the Bank of England on the basis of such notes. The Fund will be entitled to borrow from the Bank of England on the basis of such notes. The Fund will be entitled to borrow from the Bank of England on the basis of such notes.

7. Section 2 provides for payment of interest on the Fund's borrowings.

8. The Fund will be managed by a Governing Council and an Executive Board. The Governing Council will consist of one Governor from each of the four groups of countries. The Executive Board will consist of one Director from each of the four groups of countries. The Governing Council will be responsible for determining the Fund's policy, and the Executive Board will be responsible for the conduct of the Fund's operations. A Consultative Committee will be established to provide advice on matters of interest to the Fund.

9. Each member of the Common Fund will have 150 basic votes and 150 additional votes allocated in proportion to its subscriptions to the Fund. There are four groups of countries for the purposes of voting: Group A - developed countries; Group B - developing countries; Group C - developing countries; and Group D - developing countries.

Entry into Force

10. The Fund will enter into force on the day on which the first meeting of the Governing Council is held. The Fund will enter into force on the day on which the first meeting of the Governing Council is held. The Fund will enter into force on the day on which the first meeting of the Governing Council is held.