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Item No. 4 on the Agenda : Arrears in contributions of member States

(prepared by the UNIDROIT Secretariat)

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|---------------------------|---|
| <i>Summary</i> | <i>Description of the status of arrears and of the efforts being deployed by the Secretariat to reduce the same</i> |
| <i>Action to be taken</i> | <i>None</i> |
| <i>Related documents</i> | <i>None</i> |

1. The status of arrears as of 2 September 2005, as recorded in the Appendix to this paper, shows a marked improvement as against the situation that the Secretariat reported to the Sub-Committee of the Finance Committee at its 103rd session, held in Rome on 11 April 2005, as to its 104th session, held in Rome on 9 June 2005. At the time of the 103rd session of the Sub-Committee, the total amount of arrears stood at € 354,164.29. By the time of the 104th session of that body, this amount had been reduced to € 311,289.74, a reduction which has been still further reduced in the interim to a total of € 246,425.82. A major fillip was given to this process by the settlement between November 2004 and May 2005 of all the four years' arrears owed by the Government of Venezuela and by the settlement on 14 July 2005 of all the six years' arrears owed by the Government of the Federal Republic of Nigeria.

2. The Secretariat would submit that this improvement vindicates its core strategy for dealing with the problem of arrears, namely the exerting of constant pressure on the Embassies in Rome of the member States in question in conjunction, where appropriate, with representations to senior figures in the Administration of the States concerned.

3. It is a particular source of satisfaction for the Secretariat that it has not to date had to impose the sanctions for defaulting States agreed by the General Assembly at its 58th session, held in Rome on 26 November 2004, in respect of any member State. It will be recalled that the sanctions in question do not kick in until a member State has accumulated arrears in excess of the aggregate of its assessed contribution for the three, four or five immediately preceding years (cf. Resolution (58) 1 passed by the General Assembly at its 58th session).

4. It will not, however, have escaped the attention of members of the Finance Committee that, as the 2005 financial year draws to a close, the situation in this respect is, unfortunately, about to change in respect of one member State, Bolivia, which, as of 2 September 2005, had already accumulated three years' arrears, in respect of the 2002, 2003 and 2004 financial years. It will be recalled that, as a result of a decision taken by the General Assembly, the Government of Bolivia, although a member of the Institute since 1940, only became liable for an annual contribution as from 2000. In October 2004 the Embassy of Bolivia in Italy informed the Secretariat that its Government would not be in a position to settle its debts with international Organisations in general during the 2004 financial year. In March 2005 the Embassy informed the Secretariat that, because of the economic difficulties that it was traversing, its Government would neither be able to settle its debts toward the Institute during the current financial year. As the Secretariat announced to the Sub-committee of the Finance Committee at its 103rd session, it, therefore, arranged a meeting on 6 September 2005 with the Chargé d'affaires of the Embassy of Bolivia in Italy in order to express the Institute's concern at the worsening situation concerning his Government's arrears and to seek clarification as to how it plans to remedy the same. The Chargé d'affaires noted the Secretariat's proposals, which he undertook to communicate to his Authorities for their opinion.

5. The arrears owed by the Governments of Brazil, Colombia, Israel, Serbia and Montenegro and Uruguay must also be a matter of considerable concern, given that, by the end of the current financial year, unless the situation changes in the meantime, these Governments will each have accumulated three years' arrears (and thus have forfeited the right to vote in the General Assembly, under Article 16(7) of the Statute of the Institute). It is true that, during a visit that the Secretary-General made to Brasilia in April 2005, he was assured by the Ministry of Foreign Affairs of Brazil that its Government's arrears would be settled by the end of the current financial year and there is still some time to go before that year comes to an end. Likewise, it will be recalled that the representative of Colombia informed the General Assembly at its 58th session that her Government would be settling its arrears for 2002 by the end of 2004 and its arrears for 2003 as well as its contribution for 2004 during 2005. Again, the current financial year still has some time to run but the fact is that the Government of Colombia still has a small part of its arrears for 2002 and its arrears for 2003 and 2004 to settle. The Secretariat has been in touch with the Embassy of Israel in Italy and has, unfortunately, ascertained that there is no longer even a desk officer for UNIDROIT within its Government. The Secretariat intends taking up the matter of the Government of Serbia and Montenegro's arrears with friends of the Institute having contacts within the Administration of that Government. Finally, there has, of course, been a change of Government in Uruguay, which has held up the Secretariat's efforts to resolve that Government's arrears through persons associated with the previous Administration.

6. It is true, therefore, that a great deal still remains to be done by the Secretariat in bringing the arrears accumulated by certain member States under control but the Finance Committee should have every confidence that the Secretariat will continue to grapple with this problem as seriously as it has to date. The fact is that it is, with all the other responsibilities incumbent upon the Secretariat, difficult for it to follow up more than a certain number of member States at a time. The Secretariat would, however, submit that the overall situation concerning arrears does, however, show distinct improvement over the corresponding situation at this time last year and would, therefore, propose continuing to seek to reduce the remaining arrears using the methods that it has over the last twelve months.

APPENDIX

**OUTSTANDING CONTRIBUTIONS IN RESPECT OF THE 2004 AND PREVIOUS FINANCIAL YEARS
IN EUROS AS OF 2 SEPTEMBER 2005**

| | 1999-2001 | 2002 | 2003 | 2004 | Total in Euros |
|-----------------------|---------------|------------------|-------------------|-------------------|-------------------|
| Argentina | | | 11,961.42 | 24,629.00 | 36,590.42 |
| Bolivia | | 10,850.00 | 11,000.00 | 11,195.00 | 33,045.00 |
| Brazil | | | 28,600.00 | 29,107.00 | 57,707.00 |
| Bulgaria | | | | 11,195.00 | 11,195.00 |
| Chile | | | 1,660.71 | 2,184.03 | 3,844.74 |
| Colombia | | 777.58 | 11,000.00 | 11,195.00 | 22,972.58 |
| Israel | | | 17,600.00 | 17,912.00 | 35,512.00 |
| Pakistan | 974.08 | | | 195.00 | 1,169.08 |
| Serbia and Montenegro | | | 11,000.00 | 11,195.00 | 22,195.00 |
| Uruguay | | | 11,000.00 | 11,195.00 | 22,195.00 |
| Total | 974.08 | 11,627.58 | 103,822.13 | 130,002.03 | 246,425.82 |