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**FINANCE COMMITTEE**  
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**Item No. 6 on the Agenda: Financial situation of inactive member States**

(Memorandum of the Secretariat)

<i>Summary</i>	<i>For information of the members of the Committee</i>
<i>Action to be taken</i>	<i>See below</i>
<i>Related documents</i>	<i>Report of the 65<sup>th</sup> session of the General Assembly (doc. A.G. (65) 10)</i>

1. During the period 1940–1963, membership of UNIDROIT entailed no obligation on the part of member States to make any financial contribution to the Institute. Such contributions were made mandatory on 1 January 1964, when the amendment to Article 16 of the Statute, adopted at the 10<sup>th</sup> session of the General Assembly (Rome, 15 November 1961), entered into force.

2. A few States, however, without formally renouncing their status as member States of UNIDROIT, never ratified the amendment to Article 16 of the Statute, and have since neither paid any contributions, nor participated in the work of the Institute; they have neither sought election for any position, nor attended the sessions of the General Assembly.<sup>1</sup> UNIDROIT sets great store by the prospect of re-establishing relations with those member States with a view to their full participation in the activities of the Institute. Regrettably, the size of the debt accumulated by them since 1964, and the difficulty for those States to settle their arrears in full, has been a significant obstacle.

3. The General Assembly, at its 53<sup>rd</sup> session in 1999, approved a special solution to enable one such member State (Bolivia) to regularise its position by accepting payment of a symbolic sum to cover arrears, in return for that member State's formal recognition of its obligation to make an annual contribution, starting in the year 2000, and to pay a sum representing one quarter of its annual contribution into the Working Capital Fund of the Institute, as is customary for new member States (see the report of the session, document AG (53) 10, pp. 10-14). However, the experience with that arrangement was not satisfactory since it was not long before Bolivia again stopped paying its contribution.

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<sup>1</sup> The Secretariat refers to those States as "inactive member states", to distinguish them from member States in arrear in the payment of their contribution, but otherwise taking full part in the Institute's life.

4. As reported by the Secretary-General to the Finance Committee, at its 65<sup>th</sup> session (Rome, 25 February 2009), in 2008 he was approached by the Government of Paraguay, another country in a similar situation, proposing a similar settlement and unexpectedly paying a sum roughly equivalent to what its contribution would have been in 2008. The Secretary-General advised the representative of Paraguay at the time that he had no power to agree to any settlement, which needed to be approved by the General Assembly, following positive recommendation by the Finance Committee (F.C. (65) 3, para. 27).

5. The Finance Committee established a sub-Committee to examine the questions raised by the situation of the so-called “inactive” member States and make appropriate recommendations to the Finance Committee proposing parameters for handling requests for regularisation of their situation in the future (F.C. (65) 3, para. 27). In the light of the deliberations of the sub-Committee, which met in Rome on 10 June 2009 (see F.C. (65) 3 Add. 1), the Finance Committee, at 66<sup>th</sup> session (Rome, 30 September 2009), agreed on the following principles:

“[The] Secretary-General should be requested to convey to the member State concerned that the negative experience with the application of the arrangements introduced at the 53<sup>rd</sup> session of the General Assembly to regularize the position of Bolivia upon that country’s request (see A.G. (53) 10) had led the Finance Committee to insist henceforth on the need for a member State wishing to regularise its situation to signify both its interest for the Institute, by offering a greater payment towards its outstanding contributions (not less than two years of assessed contributions), and its firm commitment to meet its financial obligations for the future, by only recovering its full membership and reacquiring all its rights, including the right of vote at the General Assembly, after four consecutive years of regular payment of its statutory contributions” (AG/Comm. Finances (66) 6, paras. 22 and 23).

6. The General Assembly approved those recommendations at its 65<sup>th</sup> session (Rome, 2 December 2009), when it took note of the steps which the Secretary-General intended to follow to carry them out (A.G. (65) 10, paras. 35-37)

7. The Secretary-General has since held consultations with the Government of Paraguay, which has indicated its agreement to the solution recommended by the Finance Committee. On 27 July 2010 the Secretariat received a payment from Paraguay in an amount roughly equivalent to what the contribution of Paraguay would have been in the years 2009 and 2010, thus completing the minimum payment required by the Finance Committee (not less than two years of outstanding contributions). The Secretary-General has been informed that a formal communication indicating the firm commitment of Paraguay to meet its financial obligations for the future will be submitted shortly.

8. *The Finance Committee may wish to take note of these positive developments and the substantive compliance by Paraguay with the material conditions set forth in the recommendation adopted at its 66<sup>th</sup> session. The Finance Committee may further wish to authorise the Secretary-General, upon receipt of a formal request by Paraguay in line with the Finance Committee’s recommendations, to recommend to the General Assembly to declare that Paraguay has settled its arrears up to the year 2010 and that Paraguay will recover its full membership and reacquire all its rights, including the right of vote at the General Assembly, after four consecutive years of regular payment of its statutory contributions.*