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FINANCE COMMITTEE
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Item No. 9 on the Agenda:
Classification of member States in the UNIDROIT Contributions Chart

(Memorandum of the Secretariat)

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|---------------------------|---|
| <i>Summary</i> | <i>Evolution of UNIDROIT Contributions Chart</i> |
| <i>Action to be taken</i> | <i>Formulate proposals to the General Assembly for the reclassification of certain member States in the contributions chart in accordance with article 16 of the UNIDROIT Statute</i> |
| <i>Related documents</i> | <i>UNIDROIT Statute, UNIDROIT 2010 F.C. (67) 3, UNIDROIT 1998 - A.G. (52) 8 rev., UNIDROIT 1998 - A.G. (52)13, UNIDROIT 2004 - A.G. (58) 10, UNIDROIT 2010 - A.G. (67)9 rev.; UNIDROIT 2011 - F.C. (69) 3</i> |

A. Basic rules on assessment of contributions

1. The fundamental rules on the financing of UNIDROIT are contained in paragraphs 1-6 of Article 16 of the UNIDROIT Statute, which read as follows:

"1. – The yearly expenditure relating to the operation and maintenance of the Institute shall be covered by the income specified in the budget of the Institute, including in particular the ordinary basic contribution of the Italian Government, the promoter of the Institute, as approved by the Italian Parliament, which that Government declares to be set, as from 1985, at 300 million Italian lire per annum, a figure which may be revised at the end of each period of three years by the law approving the budget of the Italian State, as well as the ordinary annual contributions of the other participating Governments.

"2. – For the purpose of apportioning the part of the yearly expenditure not covered by the ordinary contribution of the Italian Government or by income from other sources among the other participating Governments, the latter shall be classified in categories. Corresponding to each category shall be a particular number of units.

"3. – The number of categories, the number of units corresponding to each category, the amount of each unit, and the classification of each Government in a category, shall be determined by a resolution of the General Assembly adopted by a majority of two thirds of the Members present and voting, on the basis of a proposal by a Committee appointed by the Assembly. In this classification, the Assembly shall take account, among other considerations, of the national income of the country concerned.

"4. – Decisions adopted by the General Assembly in accordance with paragraph 3 of this Article may be revised, every three years, by a further resolution of the General Assembly, adopted by a majority of two thirds of the Members present and voting, at the same time as its decision mentioned in paragraph 3 of Article 5.

"5. – Resolutions of the General Assembly adopted in accordance with paragraphs 3 and 4 of this Article shall be notified to each participating Government by the Italian Government.

"6. – During a period of one year following the notification mentioned in paragraph 5 of this Article, each participating Government may put forward objections against resolutions concerning its classification for consideration at the next session of the General Assembly. The Assembly shall give its decision by means of a resolution, adopted by a majority of two thirds of the Members present and voting, which shall be notified by the Italian Government to the participating Government concerned. The latter Government shall, however, have the option of withdrawing from membership of the Institute, following the procedure under paragraph 3 of Article 19."

2. Information on the evolution of the methodology since the system of mandatory contributions was introduced, in 1965, with the introduction of the current paragraphs 2 to 10 of Article 16 of the Statute was provided to the Finance Committee at its 67th session (Rome, 25 March 2010) (UNIDROIT 2010 – F.C. (67) 3).

B. Methodology for the classification of member States in the chart of contributions

3. The current methodology for the classification of member States in the UNIDROIT contributions chart in accordance Article 16, paragraph 3, of the UNIDROIT Statute, is the result of a decision taken by the the General Assembly of UNIDROIT at its 52nd session (Rome, 27 November 1998), when the Assembly resolved to adopt a classification methodology proposed by the Secretariat and approved by the Finance Committee at its 51st session (Rome, 6 October 1998).

4. That proposal made provision, as in the past, for the classification of member States of UNIDROIT into eight categories plus a special category, which reflected, with some exceptions for specific, contingent reasons, the classification of member States as based on the contributions chart of the United Nations accepted by all member States of UNIDROIT. Member States were thus to be classified as follows:

- (a) Category I (corresponding to 50 units of contribution): States whose contribution to the UN budget amounted to more than 3%;
- (b) Category II (corresponding to 22 units of contribution): States whose contribution to the UN budget ranged from 2% to 3%;
- (c) Category III (corresponding to 18 units of contribution): States whose percentage contributions to the United Nations budget range from 1.00% to 2.00%;
- (d) Category IV (corresponding to 13 units of contribution): States whose percentage contributions to the United Nations budget range from 0.960% to 0.999%;
- (e) Category V (corresponding to 11 units of contribution): States whose percentage contributions to the United Nations budget range from 0.500% to 0.959%;
- (f) Category VI (corresponding to 9 units of contribution): States whose percentage contributions to the United Nations budget range from 0.450% to 0.499%;
- (g) Category VII (corresponding to 8 units of contribution): States whose percentage contributions to the United Nations budget range from 0.115% to 0.449%;
- (h) Category VIII (corresponding to 5 units of contribution): States whose percentage contributions to the United Nations budget range from 0.005% to 0.114%;
- (i) Special category (corresponding to 1 unit of contribution): States whose percentage contributions to the United Nations budget range from 0.0% to 0.004% (see UNIDROIT 1998 - A.G. (52) 8 rev. and UNIDROIT 1998 - AG(52)13, p. 12).

5. Although Article 16, paragraph 4, of the UNIDROIT Statute contemplates revisions of the contributions chart every three years, the only revision since 1998 was carried out in 2004 and approved by the General Assembly, at its 58th session (Rome, 26 November 2004), in connection with the approval of the budget for the financial year 2005 (UNIDROIT 2004 – A.G. (58) 10, pp. 8-12).

C. Proposed adjustments to the contributions chart

6. The UN scale of assessments has been revised twice since 2004. The latest revision was adopted by resolution of the General Assembly No. A/RES/64/248, of 23 December 2009.

7. This resolution fixed the contributions of sixteen member States of UNIDROIT (Brazil, Canada, Chile, China, Colombia, India, Iran, Ireland, Mexico Poland, Portugal, Republic of Korea, Romania, Slovakia, Spain and Turkey), at a level that, if applied to the UNIDROIT contributions chart, would entail their reclassification into a higher category. For three member States, the UN scale of assessment for the triennium 2010-2012 would have resulted in their classification in a lower category (Argentina, Russian Federation and South Africa).

8. At its 69th session, the Finance Committee took note of the information set out above. The Chairman of the Finance Committee stressed that the process of reclassification was an automatic application of the system chosen in the past but that the intention of the Secretariat would be not

to propose more than one step upwards, without precluding the possibility for the States concerned to do so on a voluntary basis, and to invite countries the contributions of which might be reduced at least to remain in the same category. The Finance Committee endorsed those proposals and requested the Secretary-General to inform all member States of the mechanism underlying a reclassification exercise inviting them to express their views and proposals (see UNIDROIT 2011 - F.C. (69) 4, paragraph 44).

9. The member States concerned were informed of the recommendations by the Finance Committee through a Note Verbale dated 15 April 2011. As of the time of writing, three member States have formally replied: Poland, Romania and the Russian Federation. Poland expressly accepted its reclassification, Romania expressed a preference for remaining in its current category and the Russian Federation wished to maintain its current classification in Category II. No State has expressed an intention to raise an objection to the reclassification.

10. *In the light of the above, the Finance Committee may wish to consider the draft resolution contained in Appendix I to this report in view to submit it to the General Assembly for approval.*

11. *The Finance Committee may wish to express its gratitude to all the member States concerned, in particular those that have for those member States which, despite reduced contributions to the United Nations budget, wished to be maintained at the category they were currently classified in the UNIDROIT contributions chart.*

APPENDIX**Draft RESOLUTION No. 1/2011**

(proposed for adoption by the General Assembly at its 69th session, on 1 December 2011)

The General Assembly,

Reaffirming the obligation of all member States to bear the expenses of the Institute, as apportioned by the General Assembly, and to pay their contributions fully and in time,

Bearing in mind Article 16 of the Statute of UNIDROIT, which provides for the classification of member States in categories, each corresponding to a particular number of units of contribution, for the purpose of apportioning the yearly expenditure of the Institute,

Noting that the number of categories, the number of units corresponding to each category, the amount of each unit, and the classification of each Government in a category, shall be determined by the General Assembly, taking into account, among other considerations, the national income of the country concerned,

Recalling that the current methodology for the classification of member States in the UNIDROIT contributions chart, which was approved by the General Assembly at its 52nd session, on 27 November 1998, provides for the classification of member States in eight categories plus a special category, each corresponding to a specific range of contributions payable by those States to the United Nations budget,

Having considered the reports of the Finance Committee on its 69th and 70th sessions,

1. *Reaffirms* the number of categories, the number of units corresponding to each category and the criteria currently used to classify member States, as set forth in Annex I to this Resolution;
2. *Approves* the recommendations of the Finance Committee for reclassification of a number of member States in the light of the scale of assessments adopted by the United Nations General Assembly through its resolution No. 64/248, of 23 December 2009;
3. *Adopts* the chart for the apportionment of the contributions of Member States to the regular budget of the Institute for 2012, 2013 and 2014, as set forth in Annex II to this Resolution;
4. *Requests* the Finance Committee, in accordance with its mandate, to review the current methodology and consider possible enhancements, bearing in mind the principle of capacity to pay, and to make recommendations the General Assembly in due course.

Rome, 1 December 2011

Annex I**Methodology for the classification of member States in the UNIDROIT contributions chart
(as approved by the General Assembly at its 52nd session, on 27 November 1998)¹**

| Category | Units of contribution | Range of contribution to the UN budget |
|----------|-----------------------|--|
| I | 50 | more than 3% |
| II | 22 | 2% to 3% |
| III | 18 | 1.00% to 2.00% |
| IV | 13 | 0.960% to 0.999% |
| V | 11 | 0.500% to 0.959% |
| VI | 9 | 0.450% to 0.499% |
| VII | 8 | 0.115% to 0.449% |
| VIII | 5 | 0.005% to 0.114% |
| Special | 1 | 0.0% to 0.004%. |

¹ See UNIDROIT 1998 - A.G. (52) 8 rev. and UNIDROIT 1998 - AG(52)13, p. 12.

ANNEX II

**REVISED CHART OF THE ANNUAL CONTRIBUTIONS TO UNIDROIT
OF MEMBER STATES (OTHER THAN ITALY) FOR 2012**

| Category | Corresponding range in UN scale | State | UN budget assessment 2010-2012 | No of units (20011) | Unit value | Contribution 2011 |
|----------|---------------------------------|--------------------|--------------------------------|---------------------|------------|-------------------|
| I | 3% + | Canada | 3.207 | 50 | € 2,450 | € 122,500 |
| | | China | 3.189 | 50 | € 2,450 | € 122,500 |
| | | France | 6.123 | 50 | € 2,450 | € 122,500 |
| | | Germany | 8.018 | 50 | € 2,450 | € 122,500 |
| | | Japan | 12.530 | 50 | € 2,450 | € 122,500 |
| | | Spain | 3.177 | 50 | € 2,450 | € 122,500 |
| | | United Kingdom | 6.604 | 50 | € 2,450 | € 122,500 |
| | | United States | 22.000 | 50 | € 2,450 | € 122,500 |
| II | 2%-3% | Republic of Korea | 2.260 | 22 | € 2,450 | € 53,900 |
| | | Russian Federation | 1.602 | 22 | € 2,450 | € 53,900 |
| III | 1%-2% | Australia | 1.933 | 18 | € 2,450 | € 44,100 |
| | | Belgium | 1.075 | 18 | € 2,450 | € 44,100 |
| | | Brazil | 1.611 | 18 | € 2,450 | € 44,100 |
| | | Netherlands | 1.855 | 18 | € 2,450 | € 44,100 |
| | | Sweden | 1.064 | 18 | € 2,450 | € 44,100 |
| | | Switzerland | 1.130 | 18 | € 2,450 | € 44,100 |
| IV | 0.960%-0.99% | Mexico | 2.356 | 13 | € 2,450 | € 31,850 |
| V | 0.5%-0.959% | Austria | 0.851 | 11 | € 2,450 | € 26,950 |
| | | Denmark | 0.736 | 11 | € 2,450 | € 26,950 |
| | | Finland | 0.566 | 11 | € 2,450 | € 26,950 |
| | | Greece | 0.691 | 11 | € 2,450 | € 26,950 |
| | | Norway | 0.871 | 11 | € 2,450 | € 26,950 |
| | | Poland | 0.828 | 11 | € 2,450 | € 26,950 |
| | | Portugal | 0.511 | 11 | € 2,450 | € 26,950 |
| | | Saudi Arabia | 0.830 | 11 | € 2,450 | € 26,950 |
| VI | 0.450%-0.499% | India | 0.534 | 9 | € 2,450 | € 22,050 |
| | | Ireland | 0.498 | 9 | € 2,450 | € 22,050 |
| | | South Africa | 0.385 | 9 | € 2,450 | € 22,050 |
| | | Turkey | 0.617 | 9 | € 2,450 | € 22,050 |
| VII | 0.115%-0.449% | Argentina | 0.287 | 8 | € 2,450 | € 19,600 |
| | | Chile | 0.236 | 8 | € 2,450 | € 19,600 |
| | | Colombia | 0.144 | 8 | € 2,450 | € 19,600 |
| | | Czech Republic | 0.349 | 8 | € 2,450 | € 19,600 |
| | | Indonesia | 0.238 | 8 | € 2,450 | € 19,600 |
| | | Hungary | 0.291 | 8 | € 2,450 | € 19,600 |
| | | Iran | 0.233 | 8 | € 2,450 | € 19,600 |
| | | Israel | 0.384 | 8 | € 2,450 | € 19,600 |
| | | Venezuela | 0.314 | 8 | € 2,450 | € 19,600 |
| | | Slovakia | 0.142 | 8 | € 2,450 | € 19,600 |
| | | Romania | 0.177 | 8 | € 2,450 | € 19,600 |

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|---------|---------------|------------|-------|-----|---------|-------------|
| VIII | 0.005%-0.114% | Bulgaria | 0.038 | 5 | € 2,450 | € 12,250 |
| | | Croatia | 0.097 | 5 | € 2,450 | € 12,250 |
| | | Cyprus | 0.046 | 5 | € 2,450 | € 12,250 |
| | | Egypt | 0.094 | 5 | € 2,450 | € 12,250 |
| | | Estonia | 0.040 | 5 | € 2,450 | € 12,250 |
| | | Latvia | 0.038 | 5 | € 2,450 | € 12,250 |
| | | Lithuania | 0.065 | 5 | € 2,450 | € 12,250 |
| | | Luxembourg | 0.090 | 5 | € 2,450 | € 12,250 |
| | | Malta | 0.017 | 5 | € 2,450 | € 12,250 |
| | | Nigeria | 0.078 | 5 | € 2,450 | € 12,250 |
| | | Pakistan | 0.082 | 5 | € 2,450 | € 12,250 |
| | | Paraguay | 0.007 | 5 | € 2,450 | € 12,250 |
| | | Serbia | 0.037 | 5 | € 2,450 | € 12,250 |
| | | Slovenia | 0.103 | 5 | € 2,450 | € 12,250 |
| | | Tunisia | 0.030 | 5 | € 2,450 | € 12,250 |
| | | Uruguay | 0.027 | 5 | € 2,450 | € 12,250 |
| Special | 0.001%-0.004% | Holy See | 0.001 | 1 | € 2,450 | € 2,450 |
| | | San Marino | 0.003 | 1 | € 2,450 | € 2,450 |
| | | | | 859 | | € 2,104,550 |