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FINANCE COMMITTEE
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Item No. 10 on the Agenda:
Classification of Member States in the UNIDROIT Contributions Chart

(Memorandum of the Secretariat)

<i>Summary</i>	<i>Update of the UNIDROIT Contributions Chart</i>
<i>Action to be taken</i>	<i>Review and formulate proposal to the General Assembly for the reclassification of certain Member States in UNIDROIT's 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 2011 - A.G. (69) 1; UNIDROIT 2012 - A.G. (71) 10; UNIDROIT 2014 - A.G. (73) 9; UNIDROIT 2017 - F.C. (81) 3 rev.; UNIDROIT 2017 - F.C. (82) 2; UNIDROIT 2017 - A.G. (76) 6;</i>

A. Basic rules on assessment of contributions

1. The basic rules on the financing of UNIDROIT are set forth in Article 16, paragraphs 1-6, of the UNIDROIT Statute, which reads 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 incorporation 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) (see UNIDROIT 2010 – F.C. (67) 3).

B. Background and methodology for the classification of Member States in the Contributions Chart

3. The General Assembly has revised the Contributions Chart pursuant to Article 16, paragraph 4, of the UNIDROIT Statute twice since 1998: (1) at its 58th session (Rome, 26 November 2004), in connection with the approval of the Budget for the 2005 financial year (UNIDROIT 2004 – A.G. (58) 10, pp. 8-12); and (2) by special resolution adopted at its 69th session (Rome, 1 December 2011) (UNIDROIT 2011 – A.G. (69) 11, Annex III) and confirmed by resolution (71) 1, which was adopted

by the General Assembly at its 71st session (Rome, 29 November 2012) (UNIDROIT 2012 – A.G. (71) 10, Annex II).

4. In accordance with the periodicity contemplated in Article 16, paragraph 4 of the UNIDROIT Statute, the current Contributions Chart should have been revised again in 2014. However, at its 73rd session (Rome, 11 December 2014), the General Assembly, when considering the Report of the Finance Committee on the work of its 76th session (Rome, 25 September 2014), decided that the review of the classification of the contributions of Member States would occur once every six years, thus deferring the reclassification process to 2017 (see UNIDROIT 2014 – A.G. (73) 9, para. 40).

5. At its 76th session (Rome, 7 December 2017), the General Assembly – based on the Finance Committee’s review of the Contributions Chart’s methodology and the recommendation made at its 83rd session (21 September 2017) – considered and adopted a “revised methodology for the classification of Member States in the new Contributions Chart, which would make use of the UN scale of assessments for 2019-2021 and come into effect in 2019” (see A.G. (76) 10, paragraphs 43-49). Further to that decision, the General Assembly, in approving the Budget for the 2019 financial year at its 77th session (Rome, 6 December 2018), was informed that the new UN scale of assessments for 2019-2021 had not yet been issued, thus the new Contributions Chart would come into effect in 2020 (see A.G. (77) 9, paragraphs 30, 47, 50-51; A.G. (77) 7, explanatory note 1 at pages 4-5).

6. The revised methodology largely follows the previous methodology but includes a new Category II to address the current gap between existing Categories I and II and a new Category X to break the current range of contributions in existing Category VIII. Accordingly, that methodology provides for the classification of Member States of UNIDROIT into the following ten categories based on UN scale of assessments for 2019-2021, which was adopted by Resolution No. A/RES/73/271 of 22 December 2018 (see Appendix 1):

Category I (corresponding to 50 units of contribution): States whose percentage contributions to the United Nations budget amounted to more than 4%;

Category II (corresponding to 36 units of contribution): States whose percentage contributions to the United Nations budget ranged from 2.5% to 3.99%;

Category III (corresponding to 22 units of contribution): States whose percentage contributions to the United Nations budget ranged from 2.00% to 2.49%;

Category IV (corresponding to 18 units of contribution): States whose percentage contributions to the United Nations budget ranged from 1.00% to 1.99%;

Category V (corresponding to 13 units of contribution): States whose percentage contributions to the United Nations budget ranged from 0.960% to 0.99%;

Category VI (corresponding to 11 units of contribution): States whose percentage contributions to the United Nations budget ranged from 0.5% to 0.959%;

Category VII (corresponding to 9 units of contribution): States whose percentage contributions to the United Nations budget ranged from 0.450% to 0.499%;

Category VIII (corresponding to 8 units of contribution): States whose percentage contributions to the United Nations budget ranged from 0.115% to 0.449%;

Category IX (corresponding to 5 units of contribution): States whose percentage contributions to the United Nations budget ranged from 0.040% to 0.114%;

Category X (corresponding to 4 units of contribution): States whose percentage contributions to the United Nations budget ranged from 0.005% to 0.039%; and

Special category (corresponding to 1 unit of contribution): States whose percentage contributions to the United Nations budget ranged from 0.0% to 0.004%.

7. The UN scale of assessments for 2019-2021 fixed the assessment rates at levels which, when applied to the UNIDROIT Contributions Chart, result in the reclassification of thirteen Member States (Argentina, Australia, Brazil, Egypt, India, Indonesia, Israel, Mexico, Nigeria, Pakistan, Saudi Arabia, Turkey, Venezuela) into higher categories and fourteen Member States (Belgium, Canada, Cyprus, Estonia, Finland, Greece, Ireland, Malta, Paraguay, Portugal, Serbia, South Africa, Sweden, Tunisia) into lower categories (see UNIDROIT 2019 – F.C. (86) 3).

8. At its 86th session, the Finance Committee was invited to consider that, once Member States are notified of the introduction of the new Chart, they would have up to one year to issue objections and comments as consistent with Article 16 (6) of the UNIDROIT Statute. Such objections would have the potential to significantly slow down the process of implementation of the new system. The Finance Committee therefore approved a methodology whereby the Secretariat would individually reach out to all the Member States impacted by the changes in order to ascertain their agreement to the new system.

9. At the same session, the Secretariat reminded participants to the Finance Committee that some of the countries reclassified into a higher category of contribution in accordance with the application of the new UN scale are or have recently been in arrears, and, therefore, that any decrease in Contributions, even if resulting from the new methodology, implied a financial risk to the activities of the Institute. In light of this, the Finance Committee agreed that the Secretariat might reasonably ask those Member States that were reclassified into a lower Category to voluntarily consider maintaining their current contribution. The Finance Committee then approved the reclassification chart, pending comments resulting from the notifications of the Secretariat.

C. Notification of adjustments to Member States and comments

10. Pursuant to the deliberations of the Finance Committee at its 86th session, the Secretariat proceeded to issue individual notifications to the abovementioned impacted States on 24 April 2019, providing a deadline for comments on 15 June 2019. In the case of those reclassified into lower categories, in accordance with the Finance Committee's deliberations, the Secretariat proposed that they consider waiving their right to a lower contribution if they deemed this to be appropriate. A summary of the results of its communications with impacted States is provided below.

1. States reclassified in a lower category

11. On 12 June 2019, the Secretariat received a Note Verbale from the Embassy of Ireland, stating that Ireland will voluntarily maintain its current number of units of contribution for the 2020 financial year. The Embassy of Ireland further advised that Ireland wished to maintain that level of contribution for the entire Work Programme cycle, but emphasised that this would be confirmed on an annual basis.

2. States reclassified in a higher category

12. On 14 June 2019, the Secretariat received a Note Verbale from the Embassy of Brazil, expressing concerns for the increase of two steps in the contribution amounts, making reference to (i) precedents when UNIDROIT has limited increases to one step at a time, as well as to (ii) a situation when three countries requested a temporary suspension of the increased contribution. The said note verbal announces Brazil's intention to raise the issue at the 87th Session of the Finance Committee.

D. Proposed adjustments to the Contributions Chart

13. For the purpose of discussion only, the Annexe to this document contains a revised Contributions Chart that reflects the adjustments to the Contribution Chart in light of the comments received by Member States, in particular:

- Ireland, in light of the expression of its will to maintain 9 units of contribution rather than 8, would appear twice on the new contributions chart: both under the category with 8 units of contribution it would be entitled to in the approved system (Cat VIII), and in the category with 9 units of contribution (Cat VII), in brackets. A footnote relating to the latter position would reflect that Ireland has elected to pay 1 unit of contribution more than its actual category.
- Brazil, which under the approved system would be required to make 36 units of contribution (Cat II), in light of the expression of its will to discuss its reclassification at the 87th Session of the Finance Committee, is placed in category III, with 22 units of contribution (only one step above its category in 2019).

ACTION TO BE TAKEN

14. *The Secretariat invites the Finance Committee to consider both the Contributions Chart presented at the Previous FC Session and the adjusted Contributions Chart based on the comments received, and to propose recommending one or the other for adoption by the General Assembly at its 78th session in accordance with Article 16 of the UNIDROIT Statute.*

ANNEXE

**REVISED CHART OF THE ANNUAL CONTRIBUTIONS TO UNIDROIT
OF MEMBER STATES FOR 2020**

Chart presented at 86th session of the Finance Committee (4 April 2019)

Category	Corresponding range of contribution to UN budget for purposes UNIDROIT classification	No of units	State	UN budget assessment 2019	Units	Unit value	Contr. 2020
I	4% +	50	China	12,005	50	€ 2.530	€ 126.500
		50	France	4,427	50	€ 2.530	€ 126.500
		50	Germany	6,090	50	€ 2.530	€ 126.500
		50	Italy*	3,307	50	€ 2.530	€ 126.500
		50	Japan	8,564	50	€ 2.530	€ 126.500
		50	United Kingdom	4,567	50	€ 2.530	€ 126.500
		50	United States	22,000	50	€ 2.530	€ 126.500
II	2.5%-3.99%	36	Brazil	2,948	36	€ 2.530	€ 91.080
		36	Canada	2,734	36	€ 2.530	€ 91.080
III	2.0%-2.49%	22	Australia	2,210	22	€ 2.530	€ 55.660
		22	Republic of Korea	2,267	22	€ 2.530	€ 55.660
		22	Russian Federation	2,405	22	€ 2.530	€ 55.660
		22	Spain	2,146	22	€ 2.530	€ 55.660
IV	1%-1.99%	18	Mexico	1,292	18	€ 2.530	€ 45.540
		18	Netherlands	1,356	18	€ 2.530	€ 45.540
		18	Saudi Arabia	1,172	18	€ 2.530	€ 45.540
		18	Switzerland	1,151	18	€ 2.530	€ 45.540
		18	Turkey	1,371	18	€ 2.530	€ 45.540
V	0.960%-0.99%	13			13		
VI	0.5%-0.959%	11	Argentina	0,915	11	€ 2.530	€ 27.830
		11	Austria	0,677	11	€ 2.530	€ 27.830
		11	Belgium	0,821	11	€ 2.530	€ 27.830
		11	Denmark	0,554	11	€ 2.530	€ 27.830
		11	India	0,834	11	€ 2.530	€ 27.830
		11	Indonesia	0,543	11	€ 2.530	€ 27.830
		11	Norway	0,754	11	€ 2.530	€ 27.830
		11	Poland	0,802	11	€ 2.530	€ 27.830
		11	Sweden	0,906	11	€ 2.530	€ 27.830
		11	Venezuela	0,728	11	€ 2.530	€ 27.830
VII	0.450%-0.499%	9	Israel	0,490	9	€ 2.530	€ 22.770
VIII	0.115%-0.449%	8	Chile	0,407	8	€ 2.530	€ 20.240
		8	Colombia	0,288	8	€ 2.530	€ 20.240
		8	Czech Republic	0,311	8	€ 2.530	€ 20.240
		8	Egypt	0,186	8	€ 2.530	€ 20.240
		8	Finland	0,421	8	€ 2.530	€ 20.240
		8	Greece	0,366	8	€ 2.530	€ 20.240
		8	Hungary	0,206	8	€ 2.530	€ 20.240
		8	Iran	0,398	8	€ 2.530	€ 20.240
		8	Ireland	0,371	8	€ 2.530	€ 20.240
		8	Nigeria	0,250	8	€ 2.530	€ 20.240
		8	Pakistan	0,115	8	€ 2.530	€ 20.240
		8	Portugal	0,350	8	€ 2.530	€ 20.240
		8	Romania	0,198	8	€ 2.530	€ 20.240
		8	Slovakia	0,153	8	€ 2.530	€ 20.240
		8	South Africa	0,272	8	€ 2.530	€ 20.240

IX	0.040%-0.114%	5	Bulgaria	0,046	5	€ 2.530	€ 12.650
		5	Croatia	0,077	5	€ 2.530	€ 12.650
		5	Latvia	0,047	5	€ 2.530	€ 12.650
		5	Lithuania	0,071	5	€ 2.530	€ 12.650
		5	Luxembourg	0,067	5	€ 2.530	€ 12.650
		5	Slovenia	0,076	5	€ 2.530	€ 12.650
		5	Uruguay	0,087	5	€ 2.530	€ 12.650
X	0.005%-0.039%	4	Cyprus	0,036	4	€ 2.530	€ 10.120
		4	Estonia	0,039	4	€ 2.530	€ 10.120
		4	Malta	0,017	4	€ 2.530	€ 10.120
		4	Paraguay	0,016	4	€ 2.530	€ 10.120
		4	Serbia	0,028	4	€ 2.530	€ 10.120
		4	Tunisia	0,025	4	€ 2.530	€ 10.120
XI	0.001%-0.004%	1	Holy See	0,001	1	€ 2.530	€ 2.530
		1	San Marino	0,002	1	€ 2.530	€ 2.530

Chart based on comments received by Member States

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		8	Egypt	0,186	8	€ 2.530	€ 20.240
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		5	Latvia	0,047	5	€ 2.530	€ 12.650
		5	Lithuania	0,071	5	€ 2.530	€ 12.650
		5	Luxembourg	0,067	5	€ 2.530	€ 12.650
		5	Slovenia	0,076	5	€ 2.530	€ 12.650
		5	Uruguay	0,087	5	€ 2.530	€ 12.650
X	0.005%-0.039%	4	Cyprus	0,036	4	€ 2.530	€ 10.120
		4	Estonia	0,039	4	€ 2.530	€ 10.120
		4	Malta	0,017	4	€ 2.530	€ 10.120
		4	Paraguay	0,016	4	€ 2.530	€ 10.120
		4	Serbia	0,028	4	€ 2.530	€ 10.120
		4	Tunisia	0,025	4	€ 2.530	€ 10.120
XI	0.001%-0.004%	1	Holy See	0,001	1	€ 2.530	€ 2.530
		1	San Marino	0,002	1	€ 2.530	€ 2.530