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Item No. 11 on the Agenda: Proposal for a periodic adjustment of Member State contributions based on inflation

(prepared by the UNIDROIT Secretariat)

<i>Summary</i>	<i>Proposal to periodically adjust Member State contributions based on inflation</i>
<i>Action to be taken</i>	<i>For discussion</i>
<i>Related documents</i>	UNIDROIT 2025 – F.C. (100) 9 ; UNIDROIT 2025 – A.G. (82) 9 UNIDROIT 2025 – A.G. (82) 11 ; UNIDROIT 2025 – A.G. (85) 14 UNIDROIT 2026 – F.C. (101) 7 ; UNIDROIT 2026 – F.C. (101) 9

I. INTRODUCTION

1. At the 100th session of the Finance Committee (30 October 2025), a suggestion was made to consider a mechanism under which the Institute's Budget would be adjusted annually based on inflation to help avoid gaps or lags between receipts and expenditure in the following years. It was noted that such a step-by-step approach might be preferable to making large adjustments to Member State contributions all at once. The Secretary-General welcomed the proposal and raised initial questions for consideration by States during the session ([F.C. \(100\) 9](#)). The proposal was also mentioned at the 85th session of the General Assembly (11 December 2025), though it was not discussed further ([A.G. \(85\) 14](#)).

2. At its 101st session (9 April 2026), the Finance Committee considered a document with questions for discussion regarding the proposal ([F.C. \(101\) 7](#)). It was recalled that, so far, the Institute's Budget had only been adjusted to account for inflation once; at its 82nd session (12 December 2023), the UNIDROIT General Assembly had agreed to a 6% increase in Member State contributions,¹ which took effect from the 2024 financial year ([A.G. \(82\) 9](#) and [A.G. \(82\) 11](#)). That adjustment had addressed a spike in inflation, which occurred especially in 2022-2023. While overall inflation moderated, it has started to grow again and current circumstances continue to affect the functioning of the Institute, particularly through sustained increases in travel and accommodation

¹ Detailed explanations regarding the need for the proposed increase in the Institute's budget were provided in a confidential Explanatory Note (C.D. (102) 24 – Add.) that was shared with the Finance Committee, the Governing Council, and with Member States.

costs – areas in which the Institute bears the greatest financial impact and where inflation has hit harder.

3. During the 101st session, Finance Committee members generally recognised the challenges of operating under a tight budget and appreciated the rationale behind a proposal to adjust Member State contributions based on inflation. However, most members expressed reservations or were not yet in a position to take a view, citing concerns about fixed-budget procedures, zero-nominal-growth policies, administrative and technical challenges, and the need for greater clarity on how inflation would be calculated and applied. It was also suggested that, if an adjustment mechanism were pursued, it might be preferable to apply it periodically and based on average inflation over several years rather than annually. A suggestion was also made that the Secretariat review practices in other international organisations. It was ultimately agreed that the Secretariat would prepare a more detailed proposal for the next Finance Committee meeting, while continuing its prudent approach to budget management (F.C. (101) 9). Section II of this document sets out several options for consideration by the Members of the Finance Committee, including a concrete proposal for periodic inflation adjustments.

II. CONTEXT AND OPTIONS

4. Based on the discussion at the 101st session of the Finance Committee, the Secretariat has identified three possible approaches to reconcile the objective of zero growth in real terms with the need to protect the budget against inflation:

- (i) automatic annual inflation indexation,
- (ii) periodic inflation adjustments based on a lagged or multi-year measure of inflation, or
- (iii) *ad hoc* adjustments through the annual budget process.

5. Option (i) is conceptually simple and provides the most immediate protection of the Institute's real purchasing power. However, as discussed at the 101st Finance Committee session, it creates greater fluctuations and might result in practical challenges for Member States (e.g., due to a possible timing mismatch between budget planning and the availability of inflation data, additional administrative burden, and technical challenges of implementing such a system). Automatic annual indexation of Member State contributions also does not appear to be common practice among international organisations. Most organisations determine Member State contributions through a periodically revised scale of assessments and/or an approved budget without an automatic inflation adjustment.²

6. Option (ii) would provide less immediate protection of real purchasing power than annual indexation, but could still preserve the real value of Member State contributions over the medium to long term, while improving predictability and allowing Member States to plan their contributions within their regular budget cycles. A relevant reference in this regard is the approach followed by the Council of Europe, which has applied inflation adjustments to Member States' contributions to maintain its budgetary envelope in real terms, using Eurostat inflation figures with a lagged reference period.³

² E.g., the United Nations (UN) and specialised agencies of the UN such as FAO, UNESCO, WHO.

³ The Council of Europe's budget is not indexed to inflation automatically; it is approved by the Committee of Ministers for two years (with the second year on a provisional basis). In 2024, inflation of 6.5% was applied to the total of Member States' contributions to the general budget, which corresponds to the Eurostat 12-month average inflation figure for France for the period ending February 2023. For 2025, an inflation rate of 5% has been applied (following a provisional estimate of 4.7%). See Council of Europe, Programme and Budget 2024-2027, CM(2024)1 (December 2023) and CM(2026)1 (December 2025) available at <https://www.coe.int/en/web/about-us/budget>. Already in 2019, the Parliamentary

7. Option (iii) likely provides the least protection of the Institute's real purchasing power because it provides no predetermined mechanism for compensating for inflation. Whether and when inflation-based adjustments would be made would depend on the willingness of Member States to approve such adjustments when a proposal is submitted. This approach might also result in larger adjustments at once. At the same time, it would provide Member States with greater flexibility to consider possible adjustments on a case-by-case basis. This approach was successfully applied once, in the context of the 2024 budget.

8. The Finance Committee is invited to consider all the above options. Given the requests made at the 101st session, the Secretariat provides herewith a more detailed proposal for option (ii).

9. It is proposed that a periodic adjustment of Member State contributions would consist of: (a) an adjustment to Member State contributions every three years, (b) based on cumulative inflation in Italy, (c) measured over a three-year reference period, (d) subject to an appropriate time lag.

10. With regard to (a), a three-year adjustment cycle would appear to provide a reasonable balance between Member States' need for stability and predictability and the Institute's need to restore purchasing power within a reasonable timeframe. This would mean that the adjustment percentage based on cumulative inflation of the preceding three-year reference period would be applied to Member State contributions throughout the subsequent three-year period.

11. With regard to (b), it is proposed to base the adjustments on cumulative inflation over the three-year reference period, as this more accurately reflects the increase in prices over the period and therefore better preserves the real purchasing power of Member State contributions than a simple average of annual inflation rates. For example, if inflation is 6% in year one, 2% in year two, and 0% in year three, the arithmetic average inflation rate is 2.67% per year and 8.0% if multiplied by three years, while the cumulative inflation would be 8.12%.

12. It is proposed to select Italy, as the host country, as the reference country for inflation because the largest share of the Institute's expenditure is incurred there. For instance, the Institute relies on experts travelling to Rome for Working Group meetings, Governing Council sessions take place in Rome, and other events are normally also held at UNIDROIT's headquarters in Rome. Apart from meetings and events, also most of the Institute's administrative expenses, maintenance costs and costs for the Library are incurred in Italy. The Council of Europe similarly uses France as a reference for its inflation adjustment. Specifically, it is proposed to use the Harmonised Index of Consumer Prices (HICP) for Italy, as published by Eurostat. The HICP is a harmonised measure of consumer price inflation and is designed to ensure comparability across countries.

13. With regard to (c) and (d), it is proposed to provide a time lag of approximately one year. Specifically, it is proposed that the cumulative inflation figure for a three-year reference period ending in January of a given year (e.g., February 2024 to January 2027) would be used to determine the Member State contributions for the subsequent three-year period (2028-2030). Using a reference period in January would allow the Secretariat to prepare the draft budget for the subsequent year based on the latest three-year inflation data. The proposal could be submitted to the Finance Committee in its spring and autumn session, shared with Member States as part of the regular budget approval procedure for the subsequent year, and ultimately presented to the General Assembly at its ordinary session (which would approve the budget for the subsequent year as well as the inflation rate to be applied for three years). The proposal thereby provides a predetermined methodology for

calculating an inflation adjustment, which could nevertheless be made subject to approval as part of the regular budget process.

14. Aspects for further consideration might be how to deal with negative inflation and whether any ceiling on the adjustment should apply.

III. ACTION TO BE TAKEN

15. *The Finance Committee is invited to discuss this proposal regarding the possible periodic adjustment of Member State contributions to inflation.*