56th CIML Item 7.4
16th Conference Item 10.1

Member State and Corresponding Member classes and fees
Background

• Since the 14th Conference in 2012, OIML Members have benefitted from:
  – a reduced base contributory share in absolute terms from €14 500 to €14 000; and
  – a flat-rate and non-indexed base contributory share of €14 000 since 2013.
• This will result in a real-terms reduction in contributions of 12.5 % from 2012 to December 2021.
Background: reform, austerity, savings

• Following a peak in 2018, various operating costs of the Organisation have been reduced by the implementation of new, innovative cost-saving and austerity measures, including:
  – a review of capital expenditure requirements;
  – new procurement procedures;
  – implementation of digital communication initiatives; and
  – enhanced debt management practices.
Background: reform, austerity, savings

• These initiatives have resulted in a reduction in operating costs, significantly improving the budget outcome.

• Combining these initiatives with the impact of the pandemic:
  – non-salary expenditure (excl. depreciation and uncollected funds) reduced by €222 274 (49.5 %) in 2020 compared to 2019 and by €497 883 (68.7 %) compared to 2018;
  – total non-salary expenditure reduced by €277 981 (40.7 %) in 2020 compared to 2019 and by €633 422 (61.0 %) compared to 2018.
Background: reform, austerity, savings

• Details on the cost-saving and austerity measures implemented by the BIML are presented in Addendum 7 to the Working Document for the 16th Conference.

• However, the Organisation is approaching the point of diminishing returns on any remaining cost-saving and austerity measures that can be taken.

• This is combined with the need to provide a continued high level of service to Members and other stakeholders in conjunction with a growing list of additional activities.
Endorsement of sustainable budget principles

• The CIML President, in consultation with the Presidential Council, endorsed sustainable budget principles.
• Sustainable budget principles include responsibly indexing Member contributions to account for known cost increases.
• Sustainable principles will enable the OIML to gradually address and reduce the impacts of the flat and non-indexed base contributory share in place since 2013.
• This way, the OIML will be able to maintain existing levels of service to Members and also plan for new demands.
Sustainable budget principles

• The sustainable budget principles will require annual deficit budgets for the entire 2022-2025 financial period, resulting in an overall deficit budget for the 2022-2025 financial period.

• Without Member contribution increases, the proposed budget for 2022-2025 (and the subsequent impact on future budgets) would not be in conformance with these endorsed budget sustainability principles.
Budget policy and strategy: Member States

• The CIML President, in consultation with the Presidential Council, endorsed the 2022-2025 budget policy and strategy.
• This includes the application of an annual indexation factor of 1.5% to the Member State base contributory share, resulting in an increase of €200 per year.
• The equals an average indexation of 1.4% per year over the budget period.
• This is the lowest increase ever for OIML Member States, excluding years where no increase was sought.
Budget policy and strategy: Corresponding Members – Background

• For a long time there has been an increased level of Corresponding Member participation in OIML activities.
• Corresponding Members can benefit from, and contribute to, the majority of OIML work.
• Corresponding Member and Member State benefits have become more equal since the category was originally created in the Convention.
• Corresponding Member fee is currently €1 400 (10% of the base contributory share of a Class 1 Member State) regardless of the Corresponding Member population or size of the economy.
• This situation required a review of the financial contributions for the different categories of Members and the classes within these categories.
• An objective of the review was to achieve greater levels of fairness and equity between the different categories of membership.
Budget policy and strategy: Corresponding Members – Review

• Following the review, a proposal was sent to the CIML for Corresponding Members to be allocated to a membership class in the same way as Member States in accordance with Article XXVI of the OIML Convention.

• The proposal for the annual Corresponding Member fee to progressively increase until it becomes 50% of the annual Member State contribution for their applicable class in 2028.

• The allocation to a membership class will occur in 2023 and the progression will commence in 2024.
Budget policy and strategy: Corresponding Members – Outcome

• Overwhelming CIML Member support to classify Corresponding Members in the same way as Member States.
• The CIML President, in consultation with the Presidential Council, decided to endorse this overwhelming support, in accordance with the OIML Convention.
• After reclassification, the annual Corresponding Member fee will progress to become 50% of the annual contribution of a Member State of the same class over a five-year period.
• This decision and outcome was communicated to all OIML Members in February 2020.
Classification: Base contributory share

• The number of base contributory shares paid by Member States according to their class is:
  – 1 for Class 1;
  – 2 for Class 2;
  – 4 for Class 3; and
  – 8 for Class 4.
Classification: Procedure

- Article XXVI (1) of the Convention classifies Member States according to the size of their population.
- To determine their respective shares, Member States are divided into four categories, according to the total population of the home country and territories represented:
  - Class 1: population of 10 million inhabitants or less;
  - Class 2: population > 10 million <= 40 million;
  - Class 3: population > 40 million exclusive <=100 million;
  - Class 4: population of > 100 million;
- However, Member States may be placed in a lower class when the use of measuring instruments is clearly below the average.
Classification: Outcome

• Based on a review of the most recently published World Bank data, the following Member States are being reclassified in 2023:
  – Egypt, Arab Rep. from Class 2 to Class 3;
  – Iran, Islamic Rep. from Class 3 to Class 2;
  – Vietnam from Class 1 to Class 2.
Member State base contributory share

• The base contributory share (annual contribution for a Class 1 Member State, as defined in Article XXVI (1) of the Convention) for 2021 is €14 000.

• The base contributory share will be increased by €200 per year, i.e. an average indexation of 1.4% per year over the budget period as follows:
  – 2022: €14 200;
  – 2023: €14 400;
  – 2024: €14 600;
  – 2025: €14 800;

• It is proposed to maintain the entry fee referenced in Article XXVIII of the Convention for new Member States at €0 for the period 2022–2025.
Corresponding Member fees

- Corresponding Members will be allocated to their classes in 2023 using the same criteria specified above for Member States.
- The increase in the annual Corresponding Member contributory fee will start in 2024 and progressively continue with the aim of becoming 50% of the annual Member State contribution for their applicable class in 2028 (subject to confirmation at the 17th Conference).
- The proposed progression of the base contributory fee for Corresponding Members is:
  - 2022: €1 420;
  - 2023: €1 440;
  - 2024: €2 010;
  - 2025: €2 820.
Impact of the COVID-19 pandemic on the 2022-2025 budget

- The pandemic has affected the class of Members.
- Some Members were scheduled to elevate their class due to enhanced economic prosperity and population (2019 data), but the pandemic has often resulted in negative activity.
- These outcomes have been recorded in the 2020 World Bank data and in some cases represented historic economic contraction.
- Therefore, the 2020 World Bank data will have a negative impact on the 2022-2025 budget compared with 2019 data.
Summary: Numbers

- **12.5 %** – reduction in real term Membership contributions since 2012.
- **2008** – the last time that the Conference approved an increase in the base contributory share.
- **1.4 %** – the smallest average increase ever in the history of the Organisation, excluding exceptions when fees were flat.
- **13 %** – the largest increase previously approved by the CIML and Conference.
Summary

• The increases are significantly below expected operating expenses, even with significant reductions, savings and austerity measures applied to operating expenses.

• This is the lowest ever increase in the Organisation’s history, excluding years where no increases have been proposed.

• The budget modelling, and therefore the proposed adjustments to Member contributions that are needed for the Organisation, are done in such a way as to lessen the impact on OIML Members.

• Over time, this increase in income will reduce the long-lasting impact and effects on the OIML of the decisions to reduce and then retain a flat, non-indexed base contributory share since 2013.
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