



# **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  $\leq 40$  million;
  - Class 3: population  $> 40$  million exclusive  $\leq 100$  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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