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Organisation de Coopération et de Développement Économiques
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DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE

DCD/DAC/RD(2010)2/RD6/REV1
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Cancels & replaces the same document of 05 March 2010

DAC CHAIR FINANCING AND REFORM

Revised Room Document 6 from 12 February 2010 DAC Meeting

DAC Meeting, 16 March 2010

This revised room document has been corrected: Slovenia has been replaced with Slovakia where appropriate. It cancels and replaces the previous version of document DCD/DAC/RD(2010)2/RD6/REV1.

This Room Document is submitted for DISCUSSION under Item 3 of the Draft Annotated DAC Agenda [DCD/DAC/A(2010)3] by the Belgian and UK Delegations, coordinated by the DAC Vice Chair, Mr. Bert van Geel.

This document poses on the following questions:
(1) Which of the two options do you prefer?
(2) Would you be prepared to join a consensus about the other option?

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DAC Chair financing

Background

1. In the summary of the DAC SLM of December 2008, the following is stated:

- That the preference of financing modalities from Part I or equal or weighted [voluntary] contributions varied, while Japan wanted to maintain the status quo for financing (attached: summary table of the results of the 2 surveys);

- The suggestion by the DAC Chair to talk to the Ambassador of Japan and that once there is a consensus to carry out a reform, detailed proposals could be worked out by a small group.

2. The results of this dialogue between the DAC Chair and the Japanese Ambassador have been communicated to the DAC members by a letter from the DAC Chair on 29 May. In this letter it is stated:

- That Japan was prepared to lift the general objection against reform and clarified the position on which Japan is prepared to resume discussion.

- In the letter from the Japanese DAC delegate attached to the letter of the DAC Chair, Japan states that it was "ready to accept the Secretariat's proposal of mandatory [100%] equal shares" and a series of other points.

3. In the following months, the DAC Bureau members approached all the DAC members inviting them to join the Japanese proposal. In line with the DAC SLM summary that states that detailed proposals could be worked out, a second proposal was launched, namely 30% equal shares and 70% weighted shares. Both proposals, the '30/70%' shares and the 100% equal shares are presented hereunder. The two proposals are concerned with voluntary contributions: the difference between the two proposals is related to the split between equal shares and weighted shares. Annex 1 presents a simulation of Members' contributions under the '30/70%' proposal.

I. '30/70%' proposal

4. This financing modality is based on a principle currently in use for the whole of OECD Part I contributions and financial year 2009. It is composed of (i) a base fee resulting from the equal sharing among all members of 30% of the DAC Chair financing requirement and (ii) a 'principal contribution' for the remaining 70% according to capacity to pay. [see BC(2009)2 of January 2009 (attached in Annex 2) : p.10 of this Room Document provides the scale of proportions applied for calculating the principal contributions for the 70% weighted contributions]

5. Hundred percent equal shares, although used sometimes for specific OECD activities, and by the proponents of the equal shares proposal hereunder, further deteriorates already existing differences in VCs for the DAC PWB where several smaller DAC members take sizeable proportions of the financing. As a general principle, 100% equal shares put smaller countries in an uncomfortable situation.

6. This '30/70%' proposal combines equal and weighted voluntary contributions and may therefore be considered as a compromise proposal.

7. Computing the 30% and 70% is simple using the above scale of proportions, but leaving out OECD members who are not DAC members, and recomputing the proportions of the DAC members in order to add up to 100. Assuming that contributions are received from all the members and an annual

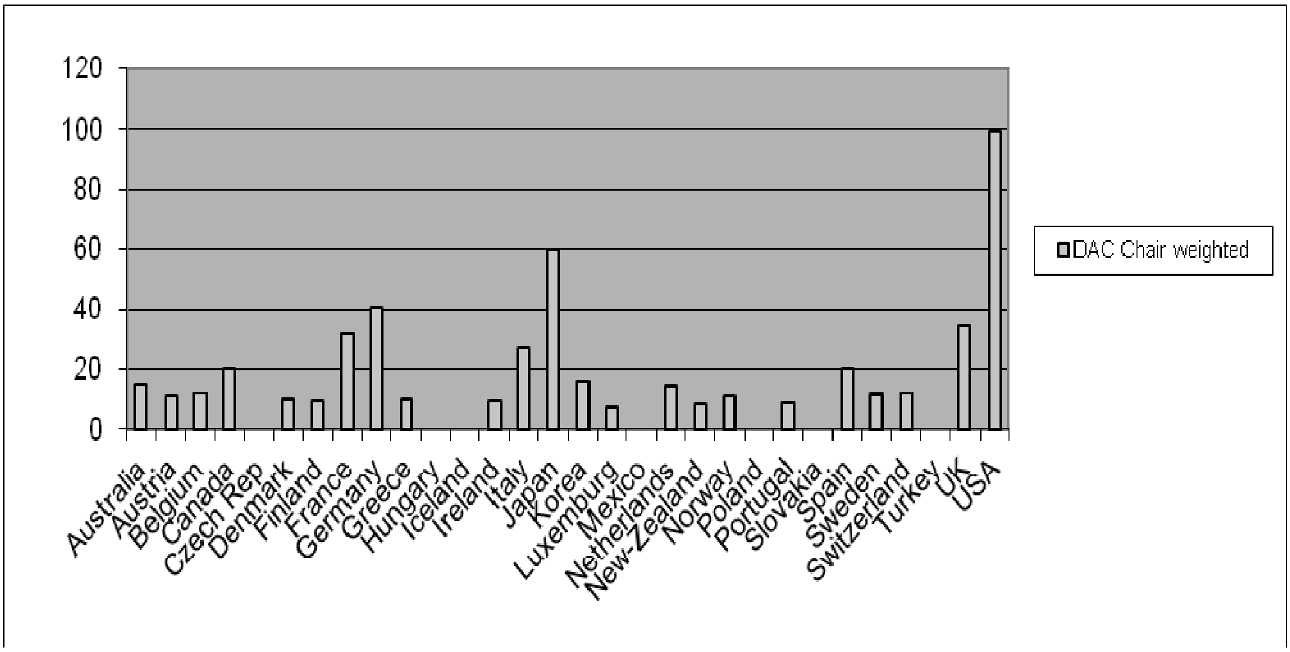
budget of 500.000 for financing the DAC chair[1,2], **Figure 1** hereunder results in fifteen DAC members contributing between 8.000 and 16.000 Euro; three between 20.000 and 30.000 Euro; another three between 30.000 and 40.000 Euro; one member 58.000 Euro, and one member 96.000 Euro. In comparison: in the proposal of 100% equal shares, each DAC member would contribute annually about 22.000 Euro.

8. In **Figure 2**, the expected contributions for DAC Chair financing under the '30/70' proposal are added to the reported voluntary contributions of the DAC members for the current PWB (DCD/DAC/RD(2009)8/RD2 presented at the DAC Meeting of 12 May 2009) divided by two to obtain an average annual contribution[3]. The results are the following: with the exception of only one DAC member, the main contributors with more than 500.000 Euro each are not amongst the eight DAC members that contribute the most to the DAC chair financing under the 30/70 proposal.

9. In the Mid-term Orientation Survey documentation on the 2009 budget for the DAC (heading 'Contribute to the Development of Non-Member Economies') the relative importance of Part I financing and voluntary contributions to the DAC budget is stated: the share of VCs to Part I budget equals 207,3%, i.e. there are more than twice as much voluntary contributions compared to Part I funding; in absolute terms 6,186 KEUR Part I budget (or 32,5%) and 12,825 KEUR voluntary contributions (or 68,5%).

Figure 1 – Simulation of annual DAC Chair financing by DAC member under the '30/70' proposal for DAC Chair financing

(figures denominated in thousands of euros)



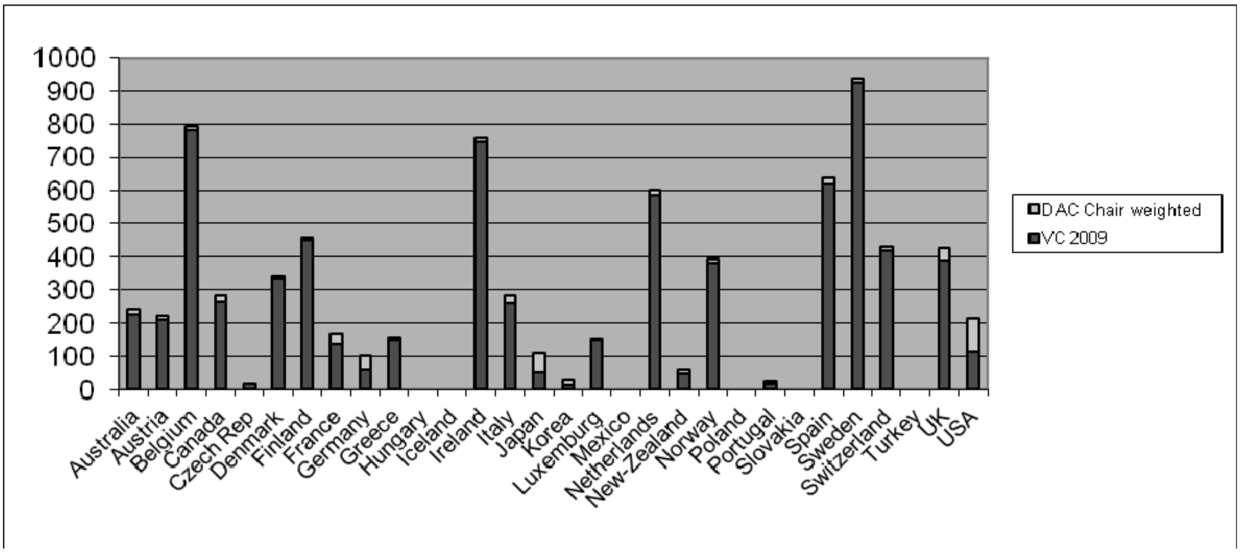
1 500.000 Euro is a round figure of the estimated annual cost of the DAC Chair presented in DCD/DAC(2008)56/REV1.

2 The order of the DAC members in both figures is alphabetically including OECD DAC observers as in the table in BC(2009)2, Annex 1.

3 Reading from left to right, country names are associated with specific bars in the diagram e.g. Australia is represented in the first bar, Austria in the second bar, etc. Please note: non-DAC OECD members are included, but no bars are associated with them.

Figure 2 – Simulation of total annual voluntary contributions by DAC member (for DAC activities and DAC Chair financing under the '30/70%' proposal)

(figures denominated in thousands of euros)



II. Equal shares proposal

10. The alternative to the proposal described above is to use a one hundred percent equal shares basis (see above), which as noted is used sometimes for specific OECD activities, also to apportion the DAC Chair costs. Apportioning DAC Chair costs on an equal basis has the advantage of simplicity and reflects the equal benefits derived by DAC members from the post of DAC Chair.

11. Doing so does not significantly alter the ranking of total member contributions to the DAC (voluntary (estimated as above) plus Part 1) shown in **Figures 3 and 4** (the DAC budget receives some 6.7 per cent (data supplied to Delegations for the MTO survey, as referenced above refers) of that element of Part 1 contributions allocated to operational programmes within the OECD (estimated at 54.3 per cent of the total: see BC(2009)2 of January 2009 (attached in Annex 2) for total Part 1 contributions 2009).

Figure 3 – Simulation of annual DAC financing by members under equal shares proposal for DAC Chair financing when added to other VC and Pt 1 funding for 2009 DAC activities

(figures denominated in thousands of euros)

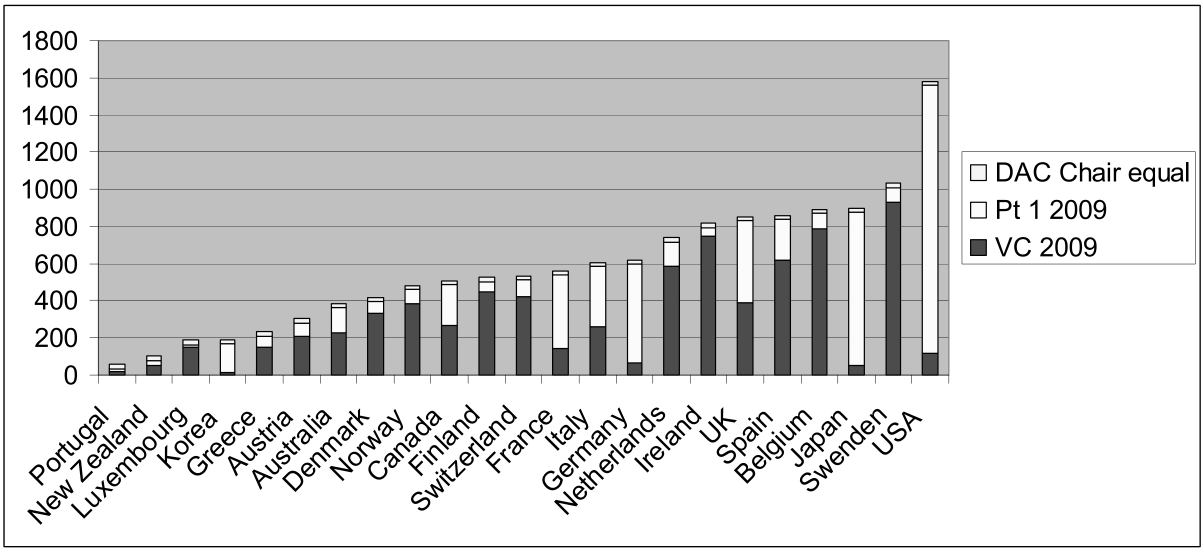
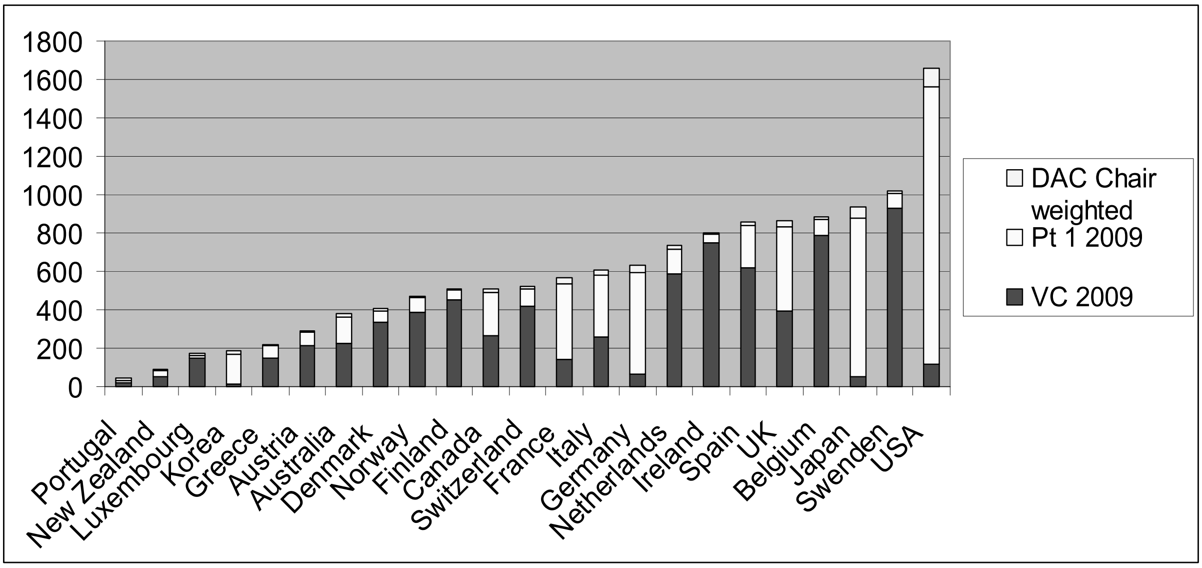


Figure 4 – Simulation of annual DAC financing by members under the '30/70' proposal for DAC Chair financing when added to other VC and Pt 1 funding for 2009 DAC activities

(figures denominated in thousands of euros)



NB: Some members make non-financial contributions in support of DAC work in addition to the figures used above.

III. Questions for the DAC

1. Which of the two options do you prefer?

2. Would you be prepared to join a consensus about the other option?

ANNEX 1

SIMULATIONS OF MEMBERS' CONTRIBUTIONS UNDER THE "30/70" PROPOSAL

30% EQUAL SHARES + 70% WEIGHTED SHARES

	Scale for principal contributions										**TOTAL**
BC(2009)2; p.4				**30% equal**	**70% shared**	**TOTAL**		**VC's to DAC**			
	23 OECD members =DAC			150,000.00	350,000.00	500,000.00		2 yrs	1 yr		
	(EC not contributing to Part I)			**= Y / 23**		(1)			(2)		(1) + (2)
2.268	**AUS**	2.268	2.411	6,521.74	8,436.87	14,958.61	**AUS**	455,000.00	227,500.00	**Australia**	242,458.61
1.147	**AT**	1.147	1.219	6,521.74	4,266.80	10,788.53	**AT**	420,000.00	210,000.00	**Austria**	220,788.53
1.415	**BE**	1.415	1.504	6,521.74	5,263.75	11,785.48	**BE**	1,570,000.00	785,000.00	**Belgium**	796,785.48
3.783	**CAN**	3.783	4.021	6,521.74	14,072.61	20,594.35	**CAN**	530,000.00	265,000.00	**Canada**	285,594.35
0.544	**CZ**						**CZ**	40,000.00	20,000.00	**Czech Rep**	20,000.00
0.975	**DEN**	0.975	1.036	6,521.74	3,626.96	10,148.70	**DEN**	669,000.00	334,500.00	**Denmark**	344,648.70
0.804	**FIN**	0.804	0.855	6,521.74	2,990.85	9,512.59	**FIN**	900,000.00	450,000.00	**Finland**	459,512.59
6.829	**FRA**	6.829	7.258	6,521.74	25,403.62	31,925.35	**FRA**	280,000.00	140,000.00	**France**	171,925.35
9.175	**GER**	9.175	9.752	6,521.74	34,130.65	40,652.38	**GER**	125,000.00	62,500.00	**Germany**	103,152.38
0.942	**GREE**	0.942	1.001	6,521.74	3,504.20	10,025.94	**GREE**	300,000.00	150,000.00	**Greece**	160,025.94
0.442	**HUN**						**HUN**			**Hungary**	
0.176	**ICE**						**ICE**			**Iceland**	
0.713	**IRE**	0.713	0.758	6,521.74	2,652.33	9,174.07	**IRE**	1,500,000.00	750,000.00	**Ireland**	759,174.07
5.524	**IT**	5.524	5.871	6,521.74	20,549.07	27,070.81	**IT**	520,000.00	260,000.00	**Italy**	287,070.81
14.200	**JAP**	14.200	15.092	6,521.74	52,823.45	59,345.19	**JAP**	107,000.00	53,500.00	**Japan**	112,845.19
2.544	**KOR**	2.544	2.704	6,521.74	9,463.58	15,985.32	**KOR**	30,000.00	15,000.00	**Korea**	30,985.32
0.216	**LUX**	0.216	0.230	6,521.74	803.51	7,325.25	**LUX**	300,000.00	150,000.00	**Luxemburg**	157,325.25
2.433	**MEX**						**MEX**			**Mexico**	
2.140	**NL**	2.140	2.274	6,521.74	7,960.72	14,482.46	**NL**	1,175,000.00	587,500.00	**Netherlands**	601,982.46
0.450	**NZ**	0.450	0.478	6,521.74	1,673.98	8,195.72	**NZ**	103,000.00	51,500.00	**New-Zealanc**	59,695.72
1.223	**NOR**	1.223	1.300	6,521.74	4,549.51	11,071.25	**NOR**	771,000.00	385,500.00	**Norway**	396,571.25
1.039	**POL**						**POL**			**Poland**	
0.693	**POR**	0.693	0.737	6,521.74	2,577.93	9,099.67	**POR**	35,000.00	17,500.00	**Portugal**	26,599.67
0.279	**SLOV**						**SLOV**			**Slovakia**	
3.701	**SPAIN**	3.701	3.934	6,521.74	13,767.58	20,289.32	**SPAIN**	1,240,000.00	620,000.00	**Spain**	640,289.32
1.348	**SWE**	1.348	1.433	6,521.74	5,014.51	11,536.25	**SWE**	1,852,000.00	926,000.00	**Sweden**	937,536.25
1.500	**SWI**	1.500	1.594	6,521.74	5,579.94	12,101.68	**SWI**	840,000.00	420,000.00	**Switzerland**	432,101.68
1.000	**TUR**						**TUR**			**Turkey**	
7.522	**UK**	7.522	7.995	6,521.74	27,981.55	34,503.29	**UK**	784,000.00	392,000.00	**UK**	426,503.29
24.975	**US**	24.975	26.545	6,521.74	92,906.03	99,427.77	**US**	233,000.00	116,500.00	**USA**	215,927.77
	EC						**EC**				
100.000		**94.087**	**100.000**	**150,000.00**	**350,000.00**	**500,000.00**					

ANNEX 2

DRAFT BUDGET COMMITTEE DECISION CONCERNING THE ASSESSED CONTRIBUTIONS BY MEMBERS TO THE PART I BUDGET OF THE ORGANISATION FOR THE FINANCIAL YEAR 2009

1. In June 2008, Council meeting at ministerial level (MCM) agreed the *Resolution of the Council on the Financing of Part I of the Budget of the Organisation* (hereinafter the "2008 MCM Resolution") [C/MIN(2008)6/FINAL]. The MCM noted that the *Principles and rules for determining the scales of contributions by Members to the Budget of the Organisation*, adopted in 2004, needed to be amended to reflect the changes to the methodology for calculating the assessed contributions of Members to the Part I Budget agreed in the 2008 MCM Resolution.

2. In its Decision on the Implementation of the 2008 MCM Resolution on the financing of the Organisation [C(2008)144/REV1 and C/M(2008)19/PROV], Council adopted the 2008 Principles and Rules for determining the assessed contributions by Members to the Part I Budget of the Organisation [Item 261 (b)].

3. In accordance with the Council Resolution [C(2006)78/FINAL, § 51], the annual approval of the scales of contributions is delegated to the Budget Committee. The Budget Committee will find attached, in Annex I, the assessed contributions by Members to the Part I Budget of the Organisation for the financial year 2009.

4. The 2008 Principles and Rules for determining the assessed contributions by Members to the Part I Budget of the Organisation are set out in Annex II.

5. The calculation of the 2009 Part I assessed contributions is based on Gross National Product, exchange rates and population statistics for the years of reference 2005, 2006 and 2007 presented in document BC(2009)3 Annexes III through VII and a Summary Table for the Part I calculations is in Annex III of this document.

6. In light of the preceding, the Budget Committee is invited to adopt the following draft conclusions:

THE BUDGET COMMITTEE

a) noted document BC(2009)2;

b) adopted the draft Decision concerning the Assessed Contributions by Members to the Part I Budget of the Organisation for the financial year 2009 as set out in Annex I to document BC(2009)2.

ANNEX I

DRAFT BUDGET COMMITTEE DECISION

Concerning the Assessed Contributions by Members to the Part I Budget of the Organisation for the Financial Year 2009

THE BUDGET COMMITTEE,

Having regard to Articles 5 a) and 20 of the Convention on the Organisation for Economic Co-operation and Development of 14 December 1960;

Having regard to the Decision of the Council of 4 November 2008 on the Implementation of the 2008 MCM Resolution on the Financing of the Organisation by which the Council approved the 2008 Principles and Rules for Determining the Assessed Contributions by Members to the Part I Budget of the Organisation [C(2008)144/REV1 and C/M(2008)19/PROV, Item 261 (b)];

Having regard to the Resolution of the Council on a New Governance Structure for the Organisation [C(2006)78/FINAL];

APPROVES:

> the assessed contributions in respect of Part I, General Expenditures for the Financial Year 2009 as set out in the following table.

ASSESSED CONTRIBUTIONS BY MEMBERS TO THE PART I BUDGET OF THE ORGANISATION FOR THE FINANCIAL YEAR 2009

MEMBER	SCALE FOR PRINCIPAL CONTRIBUTIONS	PRINCIPAL CONTRIBUTIONS	BASE FEE	ADJUSTMENTS	REDISTRIBUTION OF ADJUSTMENTS	TOTAL ASSESSED CONTRIBUTIONS
AUSTRALIA	2.268%	3 561 735	161 900		19 030	3 742 665
AUSTRIA	1.147%	1 801 283	161 900		9 624	1 972 807
BELGIUM	1.415%	2 222 158	161 900		11 873	2 395 931
CANADA	3.783%	5 940 937	161 900		31 742	6 134 579
CZECH REPUBLIC	0.544%	854 314	161 900	- 97 810 **	4 564	922 968
DENMARK	0.975%	1 531 169	161 900		8 181	1 701 250
FINLAND	0.804%	1 262 626	161 900		6 746	1 431 272
FRANCE	6.829%	10 724 466	161 900		57 300	10 943 667
GERMANY	9.175%	14 408 695	161 900		76 986	14 647 581
GREECE	0.942%	1 479 345	161 900		7 904	1 649 149
HUNGARY	0.442%	694 130	161 900	- 80 586 **	3 709	779 153
ICELAND	0.176%	276 396	161 900	- 124 834 **	1 476	314 938
IRELAND	0.713%	1 119 717	161 900	- 46 052 **	5 982	1 241 547
ITALY	5.524%	8 675 055	161 900		46 351	8 883 306
JAPAN	14.200%	22 300 106	161 900	****	119 149	22 581 155
KOREA	2.544%	3 995 174	161 900		21 346	4 178 420
LUXEMBOURG	0.216%	339 213	161 900	- 109 708 **	1 812	393 217
MEXICO	2.433% *	3 820 856	161 900	- 131 074 **	20 415	3 872 097
NETHERLANDS	2.140%	3 360 720	161 900		17 956	3 540 576
NEW ZEALAND	0.450%	706 694	161 900	- 65 910 **	3 775	806 459
NORWAY	1.223%	1 920 636	161 900		10 262	2 092 798
POLAND	1.039% *	1 631 677	161 900	- 60 124 **	8 718	1 742 171
PORTUGAL	0.693%	1 088 308	161 900		5 815	1 256 023
SLOVAK REPUBLIC	0.279% *	438 150	161 900	- 119 972 **	2 341	482 419
SPAIN	3.701%	5 812 161	161 900		31 055	6 005 116
SWEDEN	1.348%	2 116 940	161 900		11 310	2 290 150
SWITZERLAND	1.500%	2 355 645	161 900		12 586	2 530 131
TURKEY	1.000% *	1 570 430	161 900	- 64 087 **	8 391	1 676 634
UNITED KINGDOM	7.522%	11 812 774	161 900		63 116	12 037 790
UNITED STATES	24.975%	39 221 489	161 900	61 082 ***	209 560	39 654 031
TOTAL	**100.000%**	**157 043 000**	**4 857 000**	**- 839 075**	**839 075**	**161 900 000**

* Application of the rule of 10% year on year limitation

** Application of the rule of 15% year on year limitation

***Application of the 0.3% minimum increase rule

****Application of the 0.3% minimum increase net of abatement

ANNEX II

THE 2008 PRINCIPLES AND RULES FOR DETERMINING THE ASSESSED CONTRIBUTIONS BY MEMBERS TO THE PART I BUDGET OF THE ORGANISATION

Section I - General framework

1. Members' assessed contributions to the Part I Budget shall be determined annually. They shall be composed of an element taking into account capacity to pay (hereafter the "principal contribution") and a base fee.

2. The base fee shall be determined in accordance with Section II and the principal contribution in accordance with Section III. These elements shall be adjusted to take into account the mitigation measures set out in Section IV and the provisional measures set out in Annexes A and B.

Section II - Base fee

3. The base fee for each Member shall result from the equal sharing among all Members of 30% of the Part I Budget to be financed by Members' assessed contributions.

Section III - Principal contribution

4. The total amount to be paid as base fees by Members shall be deducted from the Part I Budget to be financed by assessed contributions in order to determine the amount of the Part I Budget to be financed by the principal contributions.

5. The principal contribution of each Member to the Part I Budget as identified in the preceding paragraph 4 shall be determined as follows:

a. The principal contributions by Members shall be assessed according to their capacity to pay, as determined by reference to national income statistics;

b. National income shall be calculated on the basis of "gross national product at factor cost" less a deduction of 10% for depreciation. In the cases of countries for which no gross national product data are available, direct use of national income data shall be made;

c. "Gross national product at factor cost" shall be equal to "Gross national income at market prices" less "Taxes less subsidies on production and imports paid to general government" as defined and published in "System of National Accounts 1993." The Secretariat shall, whenever necessary, so adjust the official data as to bring them into line with these standard definitions;

d. For this purpose, there shall be determined the estimated average national income for the three latest calendar years for which figures for all Members are available;

e. The conversion of national income and gross national product data shall be made on the basis of a common currency unit according to the average current official exchange rates for these years;

f. "Taxable incomes" shall be determined by deducting a fixed amount of $875 per capita from the national income of each Member up to a population of 110 million inhabitants. A Member's percentage share shall be equal to the proportion that its "taxable income" bears to the total "taxable income" for all Members;

g. Until a new Member accedes to the Organisation, no Member shall pay more than 24.975% of the total principal contributions. When a new Member accedes to the Organisation and participates in the scale used to determine the principal contributions, the share of all prior Members in this scale shall be adjusted proportionately. The maximum share in the scale used to determine principal contributions (hereafter "principal contribution cap") for all Members shall be modified accordingly but shall not be adjusted below a floor of 24.250%;

h. The principal contribution cap percentage shall also apply as the maximum share (hereafter "redistribution cap") in the scale for redistribution resulting from the principal contribution cap. In addition, no Member's share shall increase by more than 2.5 % in absolute terms as a result of such redistribution (hereafter "redistribution limit");

i. The share of any Member in the scale for principal contributions cannot be increased by more than 10% year on year in relative terms, or by more than 0.75% in absolute terms.[1]

Section IV – Mitigation measures

6. The base fees and principal contributions, as calculated under Sections II and III above shall be subject to the following further adjustments :

a) The total assessed contribution of any Member shall not increase by more than 15% year on year. Each Member shall have the possibility to forego this mitigation measure at any time;

b) The total assessed contribution of any Member which was a Member on 5 June 2008 shall not increase by more than 300% as a result of this reform, compared to the amount of its contribution in 2008 adjusted in line with the nominal increase in the Part I Budget to be financed by assessed contributions[2]. Should this limit be reached by any such Member, its assessed contribution will however continue to be adjusted in line with the nominal increase in the Part I Budget to be financed by assessed contributions. The amount of any abatement in the assessed contribution of a Member resulting from this sub-paragraph shall

1 Until the minimum share adjustment is phased out (see Annex B to this Decision), these limits shall apply to increases in the relative taxable income of Members, a calculation which includes the per capita abatement and the application of the principal contribution cap, rather than to the share resulting from the application of the minimum share adjustment, the redistribution cap and redistribution limit. Once the minimum share adjustment has been phased out, these limits shall be applied as the final step in the calculation of this scale.

2 For the purpose of this comparison, the Part I Budget considered shall exclude, in any given financial period, the amount of the assessed contribution due in the first full financial period of its membership by a country which became a Member of the Organisation as from 2009.

not result in an additional increase of the total assessed contributions of other Members but shall be absorbed by the Organisation.

Section V – Methodology

7. The principles and rules set out above shall be implemented following the detailed methodology set out in Annex C.

Annex A

Provisional measures applicable during a 10 year phase-in period

Timeframe

1. The following provisional measures shall apply to the determination of the assessed contributions of Members during a phase-in period of ten financial periods, as from 2009 (hereafter "phase-in period").

Base fees of 2008 Members

2. During the phase-in period, the base fee for countries which were Members of the Organisation on 5 June 2008 (hereafter "2008 Members") shall be determined as follows:

1. the 30% share of the Part I Budget to be financed by assessed contributions referred to in paragraph 3 of the main body of this Decision shall be phased-in in ten annual equal steps so that, subject to mitigation, the fully implemented base fee is achieved in financial period 2018;

2. in any given financial period, the share resulting from this sub-paragraph a) shall be divided by the total number of Members on 1 January of that period.

3. The phasing-in of the base fees shall be suspended, and the phase-in period consequently extended by the length of the suspension period, if, in any given financial period, the growth of the agreed Part I Budget falls short of the rate of inflation in the host country as described in paragraph 2 of Section III of the 2008 MCM Resolution.

4. Should there be a suspension in the phasing-in, the base fee shall be fixed at the level it achieved in the preceding financial period. Its progression shall resume in the financial period in which the Part I Budget grows at a rate at least equal to host country inflation, as described in paragraph 2 of Section III of the 2008 MCM Resolution.

Assessed contributions of 2008 Members

5. During the phase-in period, the determination of the assessed contributions of 2008 Members shall further be subject to the following provisions:

1. The total assessed contribution of any such Member shall increase by at least 0.3% compared with its previous year's total assessed contribution (hereafter "minimum increase"). This minimum increase shall be abated where there is a relative decrease in a Member's share in the scale used for determining the principal contributions due to a decline in a Member's share of total Members' gross national product at factor cost;

2. For those countries which are subject to this minimum increase, the preceding sub-paragraph 5 a. shall continue to apply, notwithstanding paragraph 1 of this Annex, until the complement thereby generated in their respect reaches zero.

Assessed contributions of Chile, Estonia, Israel, the Russian Federation and Slovenia

6. Upon their joining the Organisation and throughout the phase-in period:

1. The total assessed contributions of Chile, Estonia, Israel, and Slovenia shall be fixed at MEUR 2.4 each and that of the Russian Federation at MEUR 4.6 and the Part I Budget shall be increased accordingly.

2. These assessed contributions shall be adjusted to take into account nominal increases in the Part I Budget over the phase-in period.[1]

7. During the phase-in period, the total assessed contributions from the Members referred to in paragraph 6.a. of this Annex shall be added to the total amount of base fees used in calculating the amount of the Part I Budget to be financed by the principal contributions of the 2008 Members, as referred to in paragraph 4 (Section III) of the main body of this Decision.

Repeal

8. This Annex shall be deemed to be repealed at the end of the phase-in period and of the period of application of sub-paragraph 5.2. of this Annex.

1 For the purpose of determining this adjustment, the Part I Budget considered shall exclude, in any given financial period, the amount of the assessed contributions_due by Chile, Estonia, Israel, the Russian Federation and Slovenia in the first full financial period of their membership.

Annex B
Provisional measures applicable during a 5 year phase-out period

Timeframe

1. The following provisional measures shall apply to the determination of the principal contributions of countries which were Members of the Organisation on 5 June 2008 (hereafter "2008 Members") during a phase-out period of five financial periods, as from 2009 (hereafter the "phase-out period").

Minimum share adjustment

2. In addition to the provisions set out in the main body of this Decision, the calculation of the scale used to determine the principal contributions of 2008 Members shall be subject, during the phase-out period, to the following provisions:

1. A minimum share adjustment (hereafter "MSA") of 0.128% shall be added, in financial period 2009, to the shares of 2008 Members, up to an adjusted share limit of 1.5%;[1]

2. This MSA shall be reduced annually by 20%, starting from financial period 2010;

3. The total MSA shall be applied to reduce uncapped contribution shares[2] which exceed 1.5%.[3]

3. The phasing-out of the MSA shall be suspended, and the phase-out period consequently extended by the length of the suspension period, if, in any given financial period, the growth of the agreed Part I Budget falls short of the rate of inflation in the host country as described in paragraph 2 of Section III of the 2008 MCM Resolution.

4. Should there be a suspension in the phasing-out, the level of the MSA shall be fixed at the level it achieved in the preceding financial period. Its reduction shall resume in the financial period in which the Part I Budget grows at a rate at least equal to host country inflation as described in paragraph 2 of Section III of the 2008 MCM Resolution.

Repeal

5. This Annex shall be deemed to be repealed at the end of the phase-out period.

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1 If as a result of the application of the MSA, Luxembourg's share in the scale used to determine the principal contributions exceeds 0.216%, its share in that scale shall be limited to 0.216%.

2 Uncapped contribution shares are all shares that have not been limited as a result of the application of the principal contribution cap, the redistribution cap, the redistribution limit or the year-on-year increase limit in the scale used to determine principal contributions. Redistribution of the total MSA shall not result in a share above 1.5% going below that level.

3 Before being applied to reduce uncapped contribution shares which exceed 1.5%, the MSA shall be applied to offset net share increases resulting from the introduction of the redistribution cap and redistribution limit in 2004 and the changes to the per capita abatement in 2004 and 2008, namely the increase of that abatement from $450 to $875 and the introduction of a population cap.

Annex C

DETAILED METHODOLOGY

This Annex describes in more detail the principles and rules which reflect the fully implemented financing scheme. Where necessary, reference is made to provisional measures which are described in its appendices.

Calculation of the base fees[1]

1. The Part I Budget to be financed by Members' assessed contributions is first multiplied by 30% and then divided by the total number of Members to determine the base fee of each Member.

Calculation of the principal contributions[2]

2. The total base fees payable by Members is deducted from the Part I Budget to be financed by assessed contributions to derive the Part I Budget to be financed by principal contributions.

3. The principal contribution of each Member is determined by reference to national income statistics and after applying a scale calculated according to the following formula:

1. the national income is calculated on the basis of "gross national product at factor cost" less a deduction of 10% for depreciation. In the cases of countries for which no gross national product data are available, direct use is made of national income data;

2. "Gross national product at factor cost" shall be equal to "Gross national income at market prices" less "Taxes less subsidies on production and imports paid to general government" as defined and published in "System of National Accounts 1993." The Secretariat shall, whenever necessary, so adjust the official data as to bring them into line with these standard definitions;

3. the national income data for the three latest calendar years for which figures for all Members are available is converted into a common currency unit (USD) at official exchange rates for each relevant year published by the IMF;

4. the estimated average national income is determined for these three latest calendar years;

5. a $875 per capita abatement (PCA) is calculated based on the estimated average national population for the three relevant years up to a population of 110million inhabitants;

6. the taxable income is calculated by deducting the per capita abatement resulting from step e) from the average national income derived from step 4;

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1 Appendix C.1 describes provisional measures which apply to the calculation of the base fees.

2 Appendices C.1 and C.2 describe provisional measures which apply to the calculation of the principal contributions.

7. the relative taxable income is calculated in proportion to the total taxable income resulting from step f). (hereafter “initial relative taxable income”);

8. the principal contribution cap is applied[3] resulting in an excess to be redistributed (hereafter the “excess to be redistributed”) and relative taxable incomes are recalculated by reference to total taxable income, excluding the taxable income of any Member benefiting from the principal contribution cap (hereafter the “recalculated relative taxable income”);

9. the share of the excess to be redistributed borne by each Member not benefiting from the principal contribution cap is calculated by deducting from the recalculated relative taxable incomes resulting from step h) the initial relative taxable income resulting from step g) (hereafter the absolute share of the excess”);

10. the absolute share of the excess borne by each Member resulting from the application of step i) is converted into a relative share by dividing the absolute share of each Member by the excess to be redistributed identified in step h) (hereafter “relative redistribution percentage”);

11. the relative redistribution percentage resulting from step j) is itself capped at 24.975%[4] (“hereafter “redistribution cap”), and if necessary, the remainder is redistributed using the relative redistribution percentages resulting from step j), excluding Members having benefited from caps as a result of this or a previous step (hereafter “recalculated redistribution percentage”);

12. a revised share of the excess is calculated in absolute terms by multiplying the excess to be redistributed identified in step h) by the relative redistribution percentage resulting from step j) or, if applicable, the recalculated redistribution percentage resulting from step k) (hereafter the “revised share of the excess”);

13. the revised share of the excess resulting from step l) is itself capped at 2.5 % in absolute terms (hereafter “redistribution limit”) and, if necessary, the remainder is redistributed to all Members in proportion to the shares calculated in step l), excluding Members having benefited from the principal contribution cap, the redistribution cap or the redistribution limit (hereafter “final share of the excess”);

14. an adjusted scale is calculated by adding Members’ initial relative taxable income resulting from step g) and their final share of the excess resulting from step m), except for Members benefiting from the principal contribution cap whose share in the scale is fixed at the principal contribution cap (hereafter “adjusted scale”);

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3 The principal contribution cap is currently fixed at 24.975%. When a new Member accedes to the Organisation and participates in the scale used to determine principal contributions (i.e. after the phase-in period), this cap is adjusted in proportion to the new Member’s share, but shall not be adjusted below a floor of 24.250%. The adjustment to the cap is calculated by multiplying the cap by the new Member’s share in the scale and, subject to the floor, is deducted from the principal contribution cap to determine the new principal contribution cap.

4 The redistribution percentage cap is modified in line with footnote 3 of this Annex.

15. the adjusted scale resulting from step n) is compared to the adjusted scale for the prior financial period. If the increase in a Member's share resulting from the adjusted scale exceeds 10% in relative terms or 0.75% in absolute terms, its share is adjusted to correspond to its share in the adjusted scale for the prior financial period plus either 10% in relative terms or 0.75% in absolute terms, as applicable. The remainder is redistributed using the adjusted scale, excluding Members having benefited from a cap or limit pursuant to this or a previous step;[5]

16. the resulting scale is rounded to three decimal places to determine the final scale of principal contributions (hereafter "final scale").

4. The interim principal contribution of each Member is calculated by applying the final scale to the Part I Budget to be financed by principal contributions.

Calculation of Members' assessed contributions[6]

5. The base fee and interim principal contribution are added for each Member (hereafter "interim assessed contributions").

6. The interim assessed contributions resulting from step 5 are compared to the assessed contributions for the prior financial period. If the increase in a Member's interim assessed contribution exceeds 15% in relative terms, the assessed contribution of that Member is abated to ensure that its assessed contribution is limited to its assessed contribution for the prior financial period plus 15% in relative terms. The amount of the abatement resulting from the application of this mitigation measure is redistributed using the final scale resulting from step 3 p).

7. The 300% cap on increases in assessed contributions is calculated as described in Appendix C.4.

5 Until the MSA is phased out (see Appendix C.2), this step will be performed after step h).

6 Appendices C.1 and C.3 describe provisional measures which apply to the calculation of the total assessed contributions of 2008 Members. Appendix C.1 also describes the provisional measure which applies to the determination of the assessed contributions of Chile, Estonia, Israel, the Russian Federation and Slovenia;

Appendix C.1

Provisional measures applicable during a 10 year phase-in period

For any given financial period within the phase-in period described in Annex A, the detailed methodology shall involve the following steps to determine the assessed contributions of Members:

I - Assessed contributions of 2008 Members

Base fees calculation

1. Step 1 of Annex C shall be replaced by the following methodology to determine the base fees of 2008 Members :

    1. The Part I Budget to be financed by assessed contributions is multiplied by 30% and divided by 10 to derive the value of each annual base fee step. The resulting first 3% is applied in 2009, and further increments of 3% are added each year for the remaining 9 years; [1]

    2. The result of this step 1 a) is divided by the total number of Members (2008 Members and, as they join, Chile, Estonia, Israel, the Russian Federation and Slovenia);

Principal contributions

2. The total amount of assessed contributions from Chile, Estonia, Israel, the Russian Federation and Slovenia (see steps 5 and 6 of this Appendix) is also deducted from the Part I Budget in step 2 of Annex C to determine the Part I Budget to be financed by principal contributions.

Minimum increase

3. Step 6 of Annex C shall take into account the following additional adjustment: [2]

    1. The sum of the base fee and the principal contribution of any 2008 Member is compared to its assessed contribution for the prior financial period. In the event that there is less than a 0.3% increase, a complement is added to its assessed contribution for the financial period at stake to ensure a minimum increase of 0.3%.

    2. The complement resulting from this step 3 a) is abated if there is a relative decrease in the Member's share in the final scale resulting from step 3 p) of Annex C due to a decline in its share of total Members' gross national product at factor cost. The calculation of this abatement is set out in Appendix C.3.

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1 Should there be a suspension in the phasing-in, the base fee shall be fixed at the level it achieved in the preceding financial period. Its progression shall resume in the financial period in which the Part I Budget grows at a rate at least equal to host country inflation as described in paragraph 2 of Section III of the 2008 MCM Resolution.

2 The application of this provision may be extended as a result of the application of sub-paragraph 5 b. of Annex A.

4. The complement calculated under step 3 of this Appendix is deducted from any shortfall resulting from the application of 15% maximum increase identified in step 6 of Annex C. The net amount is then redistributed according to the final scale resulting from step 3 p) of Annex C.

II - Assessed contributions of Chile, Estonia, Israel, the Russian Federation and Slovenia

5. The total annual assessed contributions of Chile, Estonia, Israel, and Slovenia are fixed at MEUR 2.4 each and that of the Russian Federation at MEUR 4.6 and the Part I Budget to be financed by assessed contributions will be increased accordingly.

6. These contributions are adjusted over the phase-in period to take into account nominal increases in the Part I Budget to be financed by assessed contributions compared to the Part I Budget financed by assessed contributions for financial period 2008.

7. The cumulative nominal increases in the Part I Budget to be financed by assessed contributions are calculated in the following way:

1. In order to exclude increases due the accession of Chile, Estonia, Israel, the Russian Federation and Slovenia, deduct from the Part I Budget to be financed by assessed contributions for the financial period at stake, the amount of the assessed contribution due by any of these countries in the first full year of their membership;

2. Calculate the difference between the result of this step 7 a) and the Part I Budget financed by assessed contributions for 2008.

8. The cumulative percentage increase is determined by dividing the result of step 7 b) of this Appendix by the Part I Budget financed by assessed contributions for 2008.

9. The adjusted 2008 assessed contributions of Chile, Estonia, Israel, the Russian Federation and Slovenia are determined by applying this cumulative percentage increase to assessed contributions set out in step 5 of this Appendix.

Appendix C.2

Provisional measures applicable during a 5 year phase-out period

For any given financial period within the phase-out period described in Annex B, the detailed methodology shall involve the following steps to determine the scale of principal contributions applicable to 2008 Members:

1. If the share of a 2008 Member in the adjusted scale resulting from step 3 n) of Annex C is less than 1.5%, a minimum share adjustment (MSA) of 0.128% is added to its share in the adjusted scale in financial period 2009.

2. This 0.128% adjustment is reduced annually by 20%, starting from 2010 and ultimately eliminated in 2014[1].

3. The amount yielded by the MSA is applied to the benefit of Members with a share in the adjusted scale above 1.5% as follows:

    1. To offset increases in their shares in this scale resulting from the reforms decided in 2004 and 2008 (excluding any Member benefiting from the principal contribution cap)[2]. This is calculated by comparing the adjusted scale resulting from step 3 n) of Annex C with the scale that would result from the application of the scale principles and rules which applied to the Part I Budget prior to 2004;[3]

    2. If there is a remainder, it is used to reduce their shares (excluding Members benefiting from any cap or limitation provided for under step 3 of Annex C), in proportion to their share in the adjusted scale resulting from step 3 n) of Annex C.

4. The adjustments resulting from the steps 1 to 3 of this Appendix are applied to the adjusted scale resulting from step 3 n) of Annex C.

5. Before applying the final rounding step as described under step 3 p) of Annex C, the following final adjustments are made to the scale resulting from step 4 of this Appendix:

    1. If Luxembourg's share in this scale is greater than 0.216%, Luxembourg's principal contribution is limited to 0.216%;

    2. If a Member's share goes above 1.5% due to the application of the MSA, its share is limited to 1.5%;

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1 The MSA reduction period may be extended as a result of the application of Section III, paragraph 2 of the 2008 MCM Resolution.

2 See footnote 3 of Annex B.

3 These Principles and rules are still applicable for determining the scales of contributions by Members to the Budget of the Organisation other than the Part I Budget and are compiled in the *Revised 2004 Principles and rules for determining the scales of contributions by Members to the Budget of the Organisation other than the Part I Budget* (reproduced in Annex II of this document).

3. If a Member is a recipient of the amount yielded by the MSA, the benefit of the MSA cannot bring its share below 1.5%;

4. The remainder resulting from steps 5 a) to c) of this Appendix is redistributed to Members whose share in the scale resulting from step 4 of this Appendix is in excess of 1.5% (excluding Members benefiting from any cap or limit resulting from the step 3 of Annex C or steps 5 a) to c) of this Appendix).

Appendix C.3

Calculation of the abatement to the 0.3% minimum increase

The abatement of the complement resulting from application of the 0.3% minimum increase to 2008 Members (referred to in step 3.b) of Appendix C.1) is calculated as follows:

1. A theoretical share in the final scale for the previous financial period is calculated by replacing the input data[1] of 2008 Members for the financial period at stake by their input data for the previous financial period into the calculations model for determining the scale for the principal contributions for the financial period at stake.

2. The Member's share in the final scale for the financial period at stake is compared to its theoretical share for the previous financial period resulting from step 1 of this Appendix.

3. If the Member's share in the final scale for the financial period at stake is :

    1. more than its theoretical share for the previous financial period, the complement is applied in full without abatement.;

    2. less than its theoretical share for the previous financial period, the abatement is calculated as follows:

        i. the Part I Budget to be financed by principal contributions is multiplied by the difference in percentage terms between the Member's share in the final scale for the financial period at stake and its theoretical share for the previous financial period;

        ii. if the result from the application of step 3.b)i. of this Appendix is greater than the complement resulting from step 3.a) of Appendix C.1, the abatement is equal to the complement resulting from step 3.a) of Appendix C.1;

        iii. if the result from the application of the preceding step 3.b)i. of this Appendix is less than the complement resulting from step 3.a) of Appendix C.1, the abatement is equal to the result of step 3.b)i. of this Appendix.

[1] This input data includes the gross national product at factor cost, the population data and exchange rates for the corresponding 3 year period.

Appendix C.4

Calculation of the 300% cap on increases in assessed contributions

The 300% cap on increases in assessed contributions of 2008 Members due to the 2008 reform (referred to in step 7 of Annex C) is calculated as follows:

1. Adjust the 2008 assessed contributions in line with the cumulative nominal increases in the Part I Budget to be financed by assessed contributions in the following way:

    1. In order to exclude increases due the accession of Chile, Estonia, Israel, the Russian Federation and Slovenia, deduct from the Part I Budget to be financed by assessed contributions for the financial period at stake, the amount of the assessed contribution due by any of these countries in the first full year of their membership;

    2. Calculate the difference between the Part I Budget resulting from step 1.a) of this Appendix and the Part I Budget financed by assessed contributions for 2008.

    3. The cumulative percentage increase is determined by dividing the result of step 1.b) of this Appendix by the Part I Budget financed by assessed contributions for 2008.

    4. The adjusted 2008 assessed contributions are determined by applying this cumulative percentage increase to each Member's 2008 assessed contributions.

2. The impact of 2008 reform on the 2008 Members assessed contributions for the financial period at stake is isolated by calculating theoretical assessed contributions for 2008 Members. These theoretical assessed contributions are calculated by replacing the input data[1] of 2008 Members for the financial period at stake by their input data for financial period 2008 into the calculations model for determining the assessed contributions for the financial period at stake.

3. The difference between Members' theoretical assessed contributions for the financial period at stake resulting from step 2 this Appendix and their adjusted 2008 assessed contributions resulting from step 1.d) of this Appendix is divided by their adjusted 2008 assessed contributions to determine the cumulative percentage increase borne by each 2008 Member resulting from the 2008 reform.

4. If this cumulative percentage increase is greater than 300% for any 2008 Member, the increase in that Member's share is abated to bring this increase down to 300% and the amount of this abatement is deducted from the assessed contributions of that Member resulting from step 6 of Annex C.[2]

5. Should any 2008 Member benefit from 300% cap on increases in assessed contributions, its assessed contribution shall however continue to be adjusted in following financial periods in line with the nominal increases in the Part I Budget to be financed by assessed contributions.

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1 This input data includes the gross national product at factor cost, the population data and exchange rates for the corresponding 3 year period.

2 The amount of this abatement is not redistributed to other Members but is absorbed in the Part I Budget of the Organisation.

ANNEX III

Summary table for the 30 Members (All monetary units are expressed in millions of dollars)

MEMBER	2005 G.N.P. in USD (1)	2006 G.N.P. in USD (1)	2007 G.N.P. in USD (1)	2005/2006/2007 Average G.N.P. (1)	National Income (2)	Adjustment of 875 USD per inhabitant limited to a population of 110 million inhabitants	Taxable Income basis : 875 USD (3)
AUSTRALIA	606 226	641 255	771 011	672 831	605 548	18 222	587 325
AUSTRIA	267 118	282 526	323 079	290 908	261 817	7 242	254 575
BELGIUM	334 696	356 496	411 253	367 482	330 734	9 228	321 506
CANADA	984 206	1 125 814	1 254 193	1 121 404	1 009 264	28 565	980 699
CZECH REPUBLIC	106 954	121 779	147 534	125 422	112 880	8 990	103 890
DENMARK	221 519	236 067	263 452	240 346	216 311	4 759	211 553
FINLAND	172 129	185 936	219 994	192 686	173 417	4 608	168 809
FRANCE	1 860 577	1 969 530	2 249 379	2 026 495	1 823 846	55 296	1 768 550
GERMANY	2 527 720	2 645 316	2 991 659	2 721 565	2 449 409	72 069	2 377 340
GREECE	213 961	230 224	266 126	236 770	213 093	9 755	203 338
HUNGARY	89 117	91 733	109 834	96 895	87 205	8 812	78 393
ICELAND	12 932	12 505	15 833	13 757	12 381	266	12 115
IRELAND	146 971	163 164	189 112	166 416	149 774	3 721	146 053
ITALY	1 534 668	1 593 798	1 800 684	1 643 050	1 478 745	51 586	1 427 159
JAPAN	4 307 179	4 152 019	4 179 020	4 212 740	3 791 466	96 250	3 695 216
KOREA	695 975	780 482	849 694	775 384	697 845	42 260	655 585
LUXEMBOURG	27 966	27 689	35 867	30 507	27 457	414	27 043
MEXICO	747 062	842 623	909 567	833 084	749 776	91 658	658 117
NETHERLANDS	569 828	620 934	709 299	633 354	570 018	14 302	555 716
NEW ZEALAND	89 352	86 210	104 367	93 310	83 979	3 625	80 354
NORWAY	273 347	301 969	349 617	308 311	277 480	4 080	273 400
POLAND	259 239	287 456	352 736	299 810	269 829	33 369	236 460
PORTUGAL	156 915	160 780	183 297	166 997	150 298	9 258	141 040
SLOVAK REPUBLIC	41 171	48 956	65 322	51 816	46 635	4 718	41 917
SPAIN	987 615	1 071 783	1 250 139	1 103 179	992 861	38 599	954 262
SWEDEN	310 568	339 838	392 235	347 547	312 792	7 951	304 842
SWITZERLAND	395 463	411 130	440 927	415 840	374 256	6 528	367 728
TURKEY	417 412	458 937	566 103	480 817	432 736	63 858	368 877
UNITED KINGDOM	2 042 087	2 157 938	2 484 063	2 228 029	2 005 226	52 963	1 952 263
UNITED STATES	11 659 300	12 431 400	12 962 300	12 351 000	11 115 900	96 250	11 019 650

(1) In million of dollars = G.N.P. at factor cost divided by exchange rate
(2) National Income = average G.N.P. (2005/2006/2007) - 10%
(3) Taxable Income = National Income - Adjustment of 875 USD per inhabitant (limited to 110 M inhabitants)