

The report below is an extract of the note presented to the 61st session of the IALA Council.

Report on financial aspects

The change of status Advisory Group in its first meeting in Madrid (CoS1) concluded that it would be necessary to investigate the financial impacts of the change of status for IALA as part of the Action Plan.

As a result a report on the financial issues of the change of status of IALA has been developed including a follow-up legal advice from Dr. Rosalie Balkin on the possibilities of continuing to accept financial contributions from others than contracting parties in the future.

CoS2 discussed the outcome of both the financial report and the legal advice from Dr. Balkin and is giving advice to Council on how to proceed.

Financial aspects of the change of status

Based on the year 2014 as a reference the financial situation for IALA as an IGO was looked at focusing especially on the period when the “old” IALA ceased to exist, but the new IALA as an international organization has not yet the same number of contracting parties as the national members of today.¹

Current financial status

The year 2014 as the last financially fully concluded year is taken as the reference year. In 2014 the total budget originating from membership contributions and approved by Council was at approx. 1.8 Mio €, including approx. 1.600.000 € from annual membership contributions (National members 14.000 €, Industrial members 5200 €, Associate members 2730 €). This sum will be used for all scenarios as reference to be met by membership contributions in order to keep the IALA Secretariat at least at the current level. In 2014 IALA had 75 national members, 112 industrial members and 54 associate members.

Possible scenarios

It is commonly agreed that the change of status will include a time when the agreement on IALA will enter into force due to the necessary number of contracting parties having signed and ratified the agreement. IALA as an international organization will be established and the IALA of today as a private association under the French Law of Associations will cease to exist. However it is to be expected that for an unknown time the number of contracting parties in the new IALA will be significantly lower than the number of national members in the IALA of today. As a result 3 of the most likely scenarios were developed and are described below.

¹ In the moment IALA changes its status and becomes an IGO the obligation to take part into in the French social security system cease to exist. However in order to gain protection at least similar to the status of the French security system IALA will be obliged to participate in existing international systems or seeking private protection for its employers. In accordance with the draft Head Quarters Agreement negotiated with the French Foreign Ministry France will grant tax exemption for IALA and its employees, but IALA will have to establish another system to ensure full social security protection for the staff. This could affect the financial situation, but it is not taken into account in this report and will need to investigate later.

It is further presumed that the number of contracting parties necessary to change the status of IALA and let the agreement enter into force will be 30.²

Scenario 1

Number of contracting parties	Value of membership contribution	Total budget
30	14 000 €	420.000 €
30	60 000 €	1 800 000 €
Increase:	+ 329%	

In Scenario 1 it is assumed that only contracting parties would make financial contributions to IALA. If only 30 contracting parties would contribute 14.000 € per year, a total budget of only 420.000 € would be reached. As a consequence the annual contribution per contracting party need to be raised significantly in order to meet a total annual budget of 1.800.000 € (increase of 329%).

Scenario 2

	Number of members	Value of membership contribution	Total budget	Voting rights
Contracting parties	30	34 841 €	836 180 €	yes
Associate members	45	5 200 €	234 000 €	no
Industrial members	112	5 200 €	582 400 €	no
Affiliate members	54	2 730 €	147 420 €	no
			<u>1 800 000 €</u>	
	Increase for the contracting parties:	+ 149%		

Scenario 2 incorporates the assumption that those former national members in the “old” IALA who have not ratified the new agreement yet and become contracting parties of “new” IALA will at least temporarily stay with IALA as associate members in accordance with the draft Convention text article 17. In this scenario it is assumed that associate members pay the same membership contribution as industrial members due to the fact that they lose certain privileges, e.g. voting rights. It is further assumed that industrial and affiliate members will continue to pay annual financial contributions (same as today). As a result a significant raise in annual contributions from contracting parties (149%) or considering a more balanced approach from all membership categories would be necessary in order to reach the total annual budget of 1.800.000 €.

Scenario 3

	Number of members	Value of membership contribution	Total budget	Voting rights
Contracting parties	30	14 000 €	420 000 €	yes
Associate members	45	14 000 €	630 000 €	no
Industrial members	112	5 200 €	582 400 €	no
Affiliate members	54	2 730 €	147 420 €	no
			<u>1 779 820 €</u>	

² LAP advised to choose a number slightly above the number of council members of today (24) in order to have a General Assembly that does not consist of Council members only in the very beginning of IALA as an IGO.

Increase for the contracting parties:	+ 0%
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In Scenario 3 the former 51 national members who have not ratified the international agreement yet) and thus have not become contracting party to the international agreement (associate members), will continue to pay the same membership contribution as contracting parties, €14,000 per year. The contributions of the other membership categories will stay the same. Considering the three scenarios only scenario three was able to refrain from raising membership contributions in order to meet a total annual budget of 1.800.000 € and thus keeping IALA at least at the current level.

Conclusions of the report on financial aspects to CoS2

The report to CoS2 concluded that it would be of vital importance for the next decisions ahead to get in addition to the advice of the LAP, external legal expertise on the question if an IGO can accept financial contributions from other membership categories than contracting parties. Only then it would be possible to proceed with scenarios 2 and 3.

Expertise from Dr. Balkin

The Secretary-General asked Dr. Rosalie Balkin, an experienced expert and former Director of Legal Affairs and External Relations at IMO to give her advice. LAP had already concluded that there are no legal reasons to prevent other membership categories than contracting parties to give annual financial membership contributions to IALA.

Over summer Dr. Balkin submitted a legal advice on the issue raised and stated very clearly that IALA as an IGO can accept annual financial membership contributions from all membership categories. It would be up to IALA as an organization on how to organize the issue of annual membership contributions from different membership categories.

Advice from Dr. Rosalie Balkin is input paper C61-7.3.2.2.

Conclusions of CoS2 and advice to Council

The CoS2 meeting discussed both the report on the financial aspects and the legal expertise from Dr. Balkin in detail.

A majority of attendees stated that a significant raise of annual membership contributions would be considered a major risk factor in proceeding with the change of status project specifically in getting support in membership countries to sign the international agreement and becoming contracting party.

It was concluded to advice Council to proceed with scenario 3 in which the annual membership contributions would roughly stay the same as today.