



9 – FINANCE AND AUDIT COMMITTEE REPORT

9.5 – Draft financial situation and budget of IALA as an IGO

Note by the Secretariat

1. INTRODUCTION

The purpose of this document is to present an estimate of the economic situation of IALA during the transition phase and after the first General Assembly of the Intergovernmental Organization.

Regular meetings have been organized in 2023 between the Secretariat, the Chartered accountant and the French Legal firm to further analyse and refine the administrative and related financial impacts of the change of status.

A tentative draft budget of IALA as an IGO is included in input paper 9.5.1. It will be approved by the first General Assembly of the IGO for the next 3-year period and will refer to the draft Headquarters agreement (HQ agreement) with the French Republic (not yet signed) and the draft Staff Rules.

It can be noted that the draft IGO budget does not include a possible relocation of the Headquarters but includes the cost of having the seat in Saint Germain en Laye. Also, the possible recruitments for the Academy are not reflected in this budget as they will be financed by sponsorships.

2. DRAFT IGO BUDGET

The draft IGO budget is built on the assumptions listed below. Some of them will represent a saving for the Organization while others will constitute new costs.

2.1 Savings

Internal Tax: As per Article 11.2 of the draft HQ agreement, the salaries and emoluments which are paid to the permanent members of staff will be exempt from national income taxation. In lieu, an internal tax will be applied to the salaries of all permanent staff. The rate of the internal tax is fixed at a percentage of the gross salary (10 % which is the same as for the IHO) and is deducted at source from monthly remunerations. This internal tax will constitute a new and permanent source of income for IALA.

VAT: according to Article 6 of the HQ agreement, the VAT paid by the Organization for purchases over €150 will be refunded by the French Government. Therefore, expenditures in the draft budget are presented for their gross amounts excluding VAT.

Corporate tax on profit: the IGO will no longer be liable for corporation tax.

Benefit in kind: The allowances paid to IGO staff members will no longer be considered as taxable benefits in kind.



Social contributions and taxes rates should be reduced as they will be voluntary contributions. The payroll tax and the apprenticeship tax should no longer be due.

Corporate flats: for internationally recruited staff, a housing allowance will be paid instead of, in some cases, the provision of corporate flat. It is envisaged that only the Secretary-General of the new IGO will be provided with a corporate appartement.

Staff Savings Plan: it is envisaged that the Organization's contributions to the collective saving scheme called PEE will cease. These investments, for sums that were not subject to tax and social security contributions, will no longer be of interest since future officials will be exempt from tax thanks to their new status. However, it is envisaged to continue contributing to the retirement saving plan PERCO and GENERALI for all.

2.2 New costs

New organizational chart: the recruitment of new staff members is foreseen to support IALA's development. The anticipated number of staff is 13 (instead of 11,5 today) including a full time Deputy Secretary-General, a new person in the technical department and a full-time Dean. Other possible recruitments may be undertaken in a progressive manner over several years to allow the budget to absorb the costs gradually.

Translators: The official languages of the future Organization will be Arabic, Chinese, English, French, Russian and Spanish. To limit translation and interpretation costs, the working language of the Organization will be English only and will be used at all meetings of the Council, Committees and subsidiary bodies. It is not anticipated to recruit translators before more experience with the language regime is gained.

Regular translations, proofreading and quality check of documents will as an initial step be made by IALA staff, translation groups already in force and external translation companies. A new budget line will be created to reflect fees paid to professional external translators. IALA will initially rely on the support from Members states as stated in the resolution from Kuala Lumpur.

Allowances: staff will remain under the existing French social security system (for medical, social and retirement benefits) which is the most appropriate and flexible option at present time. However, it has been necessary to include in the budget additional provisions for international allowances not covered by the French system but currently applicable to International civil servants (education grant, expenses when taking up appointment and on separation, mobility incentive etc.) as described in the draft Staff Rules.

IALA Headquarters: in the event the Headquarters remains in Saint Germain en Laye, a new budget line is created for the rental of a larger auditorium to accommodate the growing number of members and participants in committees etc.

Also, the transfer of the building from the NGO to the IGO may be subject to registration fees payable to a notary (equivalent to approximately 8% of the total value of the premises).

Adoption of the International accounting standards: provisions will be made in the budget to cover the costs of implementing new International Accounting Standards, as proposed at the Conference on the General Regulations and Financial Regulations in Tokyo.



3. CONCLUSIONS

Contributions and fees have been calculated with a view to balancing the level of expenditure required for the smooth running of the new IGO. Thanks to the expected savings, the level of dues should be nearly the same level as today, with an anticipated 3% increase in membership and a collection rate of 75%. Adjustments may be necessary in line with possible new recruitments and requirements.

The Organization's cash reserves accumulated over the last few years will be used to meet anticipated or unforeseen expenses linked to the change of status.

4. THE COUNCIL IS INVITED TO

Note the draft financial situation and budget of IALA as an IGO.