



XIX Regular Session of the General Conference
Agenda Item 18
Santiago, Chile, 7-8 November, 2005.

**REPORT OF THE COMMITTEE ON CONTRIBUTIONS AND BUDGETARY
AND ADMINISTRATIVE MATTERS**

The Committee on Contributions and Administrative and Budgetary Matters (CCAAP) presents to the XIX Regular Session of the General Conference this report on its activities during the year 2005. The work performed during the year 2004 is found in document CG/E/576 presented to the XVII Special Session in November of that year.

I. BACKGROUND

1. The responsibilities and authority of the Committee on Contributions and Administrative and Budgetary Matters (CCAAP) are governed by the Financial Regulations approved at the XVI Regular Session of the General Conference held in Lima, Peru in November 1999.

Members of the CCAAP

2. During the XVIII Regular Session of the General Conference, held in Havana, Cuba in November 2003, Belize, Brazil, Chile, Guatemala, and Mexico were elected as Members of the Commission for a four-year period from 1 January 2004 to 31 December 2007. (Doc. CG/Res.452)

Meetings of the CCAAP

3. This report covers the work performed from January 2005 to date, during which eight meetings were held whose proceedings are recorded in Minutes CCAAP/AR/54 of 27 January, CCAAP/AR/55 of 15 March, CCAAP/AR/56 of 31 May, CCAAP/AR/57 of 21 July,

CCAAP/AR/58 of 24 August, CCAAP/AR/59 of 14 September, CCAAP/AR/60 of 22 September, and CCAAP/AR/61 of 20 October.

4. Representatives from Argentina, Bolivia, Cuba, El Salvador, Paraguay, Peru and Uruguay participated in the meetings as Observers. The Secretary General, Ambassador Edmundo Vargas Carreño, was also present at the meetings.

Election of the President

5. At its 54th Session, held on 27 January 2005, the Members unanimously approved the reelection of the United Mexican States as President of the CCAAP. Minister Yanerit Morgan Sotomayor and Minister José Robles Aguilar acted as President and Alternate President at the Committee's meetings.

II. ACTIVITIES

6. At the aforementioned session, the CCAAP conducted a study of the resolutions approved by the Special Session of the General Conference in order to fulfill the mandates contained therein:

Resolution CG/E/Res. 463 “Discount Program for the Strengthening of OPANAL. Timely Payment of Contributions.”

The operative paragraphs read:

1. **To make an urgent call** upon the Member States to pay their contributions as timely as possible so that the Agency can fulfill its responsibilities set forth in the Treaty of Tlatelolco and contribute to the strengthening of OPANAL.
2. **Authorize** the Secretary General to take the necessary steps with the Country Representatives to OPANAL to achieve the payment of overdue contributions, authorizing him on a one-time basis to reach an agreement to this end with the governments of the Member States by applying one of the following procedures for working out their debts up to 2004:
 - a) An **80-percent** discount on payments made before December 31, 2005, to liquidate all accumulated debt through 2004, of the countries historically in arrears for more than US\$95,000.00, to be paid in one lump sum. These countries must make some payment—to be

determined by the states themselves—by December 31, 2004. The remaining amount owed shall be paid, including the contribution for 2005. (Bolivia, El Salvador, Haiti, Dominican Republic).

- b) A **50-percent** discount on payments made before December 31, 2005, to liquidate all accumulated debt through 2004, to be paid in one lump sum. These countries must make some payment—to be determined by the states themselves—by December 31, 2004. The remaining amount owed shall be paid, including the contribution for 2005. (Antigua and Barbuda, Dominica, Granada, Paraguay, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Saint Lucia and Suriname).
 - c) A **30-percent** discount on payments made to liquidate half of the accumulated debt through 2004 before December 31 of the same year. The other half shall be paid in 2005, including the corresponding contribution for that year. (Colombia, Peru and Uruguay).
- 3. **To request** the Secretary General to inform the Council and the Committee on Contributions and Administrative and Budgetary Matters about his efforts to encourage Member States to pay their debts in a timely manner and the results thereof.
 - 4. **To instruct** the Secretary General to inform all of the Member States of the contents of this Resolution.
7. Regarding this matter, the Secretary General personally contacted the countries furthest in arrears with their payments. Only one country availed itself of the proposal, which was a one-time opportunity. On 26 December, the Government of the Republic of Colombia took advantage of item 3, letter c) offering a 30% discount on its contributions in arrears.

Resolution CG/E/Res.464 “2006 Scale of Contributions and Budget.”

- 8. At its 54th Session, the CCAAP agreed to create an open Working Group. Representatives from Argentina, Bolivia, Brazil, Chile, Cuba, El Salvador, Guatemala, Mexico and Uruguay participated in the meetings held on 2 and 9 February, 8 March, and 5 April 2005, to study the Agency's Scale of Contributions and its 2006 Draft Budget.
- 9. As President of the CCAAP, Mexico prepared a proposed Scale of Contributions based on the comments made by the countries participating in the meetings of the CCAAP and the Working Group. The document contained background information as well as the reasons, and criteria adopted for presentation to the Foreign Ministries and for reaching a decision on the proposal. The

proposal combined the Agency's historical criteria with technical criteria consistent with the former, thus reducing the contributions of some countries, minimally adjusting the lower limit, and increasing the contributions of others in an attempt to achieve a more equally distributed commitment among all of the countries.

10. As of 8 March, written observations had been received only from the Governments of Cuba and Uruguay with no possibility of consensus. At its meeting on 15 March, the Representatives of Belize, Brazil, and Guatemala informed that their governments agreed to the scale presented by the President.
11. At the 57th Session of the CCAAP, held on 5 July, after numerous deliberations by the Working Group and the President with those countries that submitted comments, a consensus proposal to modify OPANAL's Scale of Contributions for 2006 was presented. It reads:

**“Proposal to Modify OPANAL's Scale of Contributions for 2006
Presented by the Committee on Contributions and Administrative and Budgetary Matters (CCAAP).
(Mexico, 21 July 2005)**

In accordance with orders from the XVII Special Session of the General Conference of OPANAL (Mexico City, 23 November 2004), set forth in Resolution 464, the Committee on Contributions and Administrative and Budgetary Matters (CCAAP) presents to the Agency's Council the following proposal to modify the Scale of Contributions for 2006.

Background information and criteria considered by the CCAAP during its deliberations for drafting this proposal are found in an annexed document.

Proposed Scale of Contributions of OPANAL (in percentages)			
Member States	Approved 2005 ¹	UN Based	Proposed
MEXICO	20.00	35.24	22.50
BRAZIL	20.00	28.50	20.55
ARGENTINA	16.00	17.89	16.00
VENEZUELA	16.00	3.20	11.44
CHILE	3.49	4.17	5.00
COLOMBIA	5.81	2.90	5.00
PERU	2.60	1.72	2.60
TRINIDAD AND TOBAGO	2.21	0.41	2.03
URUGUAY	1.74	0.90	1.40
ECUADOR	1.20	0.36	1.20
DOMINICAN REPUBLIC	0.83	0.65	1.00
GUATEMALA	0.83	0.56	1.00
PANAMA	0.83	0.36	1.00
BAHAMAS	0.83	0.24	1.00

CUBA	0.83	0.80	0.83
COSTA RICA	0.40	0.56	0.75
PARAGUAY	0.83	0.22	0.75
EL SALVADOR	0.40	0.41	0.40
BARBADOS	0.40	0.19	0.37
BOLIVIA	0.40	0.17	0.37
JAMAICA	0.40	0.15	0.37
HONDURAS	0.40	0.09	0.37
ANTIGUA AND BARBUDA	0.40	0.06	0.37
HAITI	0.40	0.06	0.37
SAINT LUCIA	0.40	0.04	0.37
BELIZE	0.40	0.02	0.37
DOMINICA	0.40	0.02	0.37
GRANADA	0.40	0.02	0.37
GUYANA	0.40	0.02	0.37
NICARAGUA	0.40	0.02	0.37
ST. KITTS AND NEVIS	0.40	0.02	0.37
ST. VINCENT	0.40	0.02	0.37
SURINAME	0.40	0.02	0.37
TOTAL	100.83	100.00	100.00

¹ The sum total does not equal 100% because the decision was reached to postpone the review of the Scale of Contributions with the adhesion of Cuba in 2002.

ANNEX

Considerations on the Proposal to Modify OPANAL's Scale of Contributions for 2006

Background

The XVII Special Session of the General Conference of OPANAL (Mexico City, 23 November 2004) agreed, in Resolution 464, that the Committee on Contributions and Administrative and Budgetary Matters (CCAAP) should continue to study and analyze the budget and the Scale of Contributions of the Agency for 2006 and present a Draft Budget to the Council, before 31 March 2005, for submission to the XIX Regular Session of the General Conference for its consideration.

In an effort to fulfill the request, the CCAAP at its 54th meeting, held on 27 January 2005, agreed to create an open Working Group to discuss the possible updating of the Scale of Contributions and a possible increase in the Agency's Budget for 2006, based on the work performed in this regard in 2004.

The Working Group held meetings on 2 and 9 February 2005, which were attended by Representatives from Argentina, Brazil, Chile, Guatemala, and Mexico. The Secretary General of OPANAL, Ambassador Edmundo Vargas Carreño was also present.

Based on the opinions expressed, the Presidency of the CCAAP, occupied by Mexico, prepared a proposed modification to the Scale of Contributions and the Agency's Budget for 2006. The Secretariat General distributed this proposal on 17 February 2005 (S-17149) in an effort to consult with the capitals and prepare observations regarding the proposal.

The Working Group held another meeting on 8 March 2005 to review the comments made by the countries regarding the proposal. Representatives from Argentina, Brazil, Chile, Cuba, Guatemala, Mexico and Uruguay, as well as Ambassador Edmundo Vargas were in attendance at the meeting and expressed their opinions, having received written comments from Cuba and Uruguay.

In spite of the progress made on the proposal, it was not possible to reach a consensus regarding it. The Working Group agreed to continue working on the updating of the Scale of Contributions. Regarding the budget increase, at the suggestion of the Secretary General of OPANAL, Ambassador Edmundo Vargas Carreño, it was agreed to address the matter once Mexico was in a position to comment on the provision of a headquarters for OPANAL.

A report of the preceding activities was provided to the Council at its 214th Regular Session on 15 March 2005. At the session, the President of the CCAAP offered to present the results of consultations to be undertaken by the Working Group at the following Session of the Council.

At the 215th Session of the Council (31 May 2005), the President of the CCAAP informed that consultations were still ongoing and that she would present a specific proposal at the Council's next Session.

At its 57th Meeting (21 July 2005), the CCAAP approved for submission the Council of OPANAL this proposed modification of the Scale of Contributions, which enjoys the consensus of the countries that sit on the Committee, as well as that of those that have participated in the analysis of the matter (Argentina, Belize, Bolivia, Brazil, Chile, Cuba, El Salvador, Guatemala, Paraguay and Uruguay).

Additionally, the CCAAP recommended to the Council that the proposal be sent to all of the Agency's member countries so they might become familiar with the document with enough lead time that they could be in a position to approve it during the XIX Regular Session of the General Conference to be held in November of this year.

Work of the CCAAP

During 2004, the CCAAP conducted an exercise aimed at achieving consensus regarding the revised Scale of Contributions and a possible increase in the Agency's Budget for 2005. Time constraints and scheduling issues regarding the approval of the national budgets of the member countries made it difficult to conclude this task.

In this regard, it is worth recalling that the Treaty of Tlatelolco, Article 9, paragraph 3 states: "The General Conference shall adopt the Agency's budget and fix the scale of financial contributions to be paid by Member States, taking into account the systems and criteria used for the same purpose by the United Nations."

Nevertheless, several General Conference resolutions (109-VI, of 25 April 1979, 152-VII, of 24 April 1981, and 233-X, April 1987) have considered that the application of the systems and criteria used by the UN, to which reference is made in Article 9, paragraph 3 of the Treaty of Tlatelolco for determining the Scale of Contributions is only indicative in character and should serve as a procedure upon which to base the system used for setting the contributions made to OPANAL.

Reasons for Modifying the Scale of Contributions

In recent years, OPANAL's Scale of Contributions has been adjusted as the Agency's membership has increased.

In 1995, with the adhesion of Argentina, Belize, Brazil, Chile and Dominica to OPANAL, an important adjustment was made to the Agency's Scale of Contributions. In 1998, it was modified again for the smaller contributing countries because of the adhesion of Guyana and Saint Lucia.

The adoption of a new Scale of Contributions at the UN in 2001 and Cuba's joining OPANAL led to a possible revision of the Agency's Scale of Contributions being mentioned for discussion regularly since October 2002.

Given this context, it has been evident to the CCAAP that OPANAL's current scale does not correspond to what was agreed in the UN, and it is therefore necessary that it be updated, taking into account to the extent possible the historical factors unique to OPANAL that have been a criterion in the past.

Specific Criteria on the Methodology Used to Define the Proposed Modification to the Scale of Contributions

The Working Group noted the importance of emphasizing the particular purpose of the proposed Scale of Contributions of bringing it closer to that of the United Nations, although not entirely in line with it. It is important to underscore that the proposed Scale should not be seen as a reference for contributions to other agencies or as a precedent for determining other contributions by the member countries.

The proposal seeks to ensure that differences in the Scale of Contributions for the countries be consistent with the criteria of the United Nations Organization if they are to be applied, albeit not in the same magnitude nor in every case.

The proposal considers a reduction in the contributions of the smaller contributing countries, adjusting the lower limit minimally. Similarly, the proposal suggests an increase in the contributions made by the larger contributing countries, without a substantive upward adjustment in the scale's ceiling, in an effort not to distort the principle of co responsibility of all the member States.

The *objective of this proposal* is to seek a balanced commitment from all of the member countries.

If we were to adhere to the letter of the Treaty of Tlatelolco, the Agency's Scale of Contributions would include significant increases or decreases in the current contributions for most countries.

The methodology used for drafting this proposal defines:

1. an increase in the maximum limit for the main contributors,
2. minimum limits for the smaller contributors,
3. "steps" for increasing the contributions of the smaller contributors

To determine *the countries at the lower end* of scale of contributions, most of the countries (15) contributing the smallest percentage to the Agency were kept at this end of the scale.

This made it possible to respect the smaller contributors by keeping them in that category and even reducing their current percentage of total contributions, as would be the case if UN criteria were applied.

By so doing, the contribution made by the group of the smaller contributing countries drops from 0.40 to 0.37. As per UN criteria, these countries would be responsible for contributions between 0.02 and 0.19 percent.

Two countries have the *second lowest contribution*, in the case of one it is proposed that the contribution be increased (from 0.40 to 0.75) and in the case of the other it would be reduced (from 0.83 to 0.75). In accordance with the current UN Scale of Contributions, they would be responsible for a contribution between 0.22 and 0.56 percent, which means that the proposed contribution is slightly higher than what they would have to pay according to UN methodology.

For a *third group* (four countries), the contribution would increase from 0.83 to 1.00 percent. According to UN criteria, this group would be responsible for a contribution between 0.24 and 0.80 percent. As in the case of the second group, the proposed contribution is greater than what would be expected when applying UN criteria.

Beginning with the third group of countries, the differences in percentage points between countries become more pronounced, thus making it inappropriate to group them.

There are *six countries* (Colombia, Peru, Trinidad and Tobago, Uruguay, Ecuador, and Venezuela) that should have their contributions reduced, based on UN criteria. Of the six, it is proposed that two keep the same contribution (Peru and Ecuador) while slightly lowering the contributions of the other four.

It is proposed that Chile's contribution be increased beyond the level that would be applicable if the UN criteria were used.

The Working Group suggests that the *upper limit* of the Scale of Contributions determined by the Agency's General Conference be raised, increasing the contributions of Mexico and Brazil.

The increase is consistent with the criteria of the United Nations, but in different magnitudes. The proposed increase for Mexico would be even greater.

In sum:

- The proposal seeks to achieve, to the extent possible, that the adjustments be as balanced as possible, with the purpose of establishing a uniform commitment for all.
- It contemplates increased contributions from the two main contributors.
- The increase of the upper limit would be consistent with UN criteria, if they were applied.
- The main increases would also be in line with UN criteria, if applied.
- The largest increase in terms of percentage points and dollars is in the case of Mexico.
- The most significant decrease in payment is in the case of Venezuela, albeit not of the same magnitude as would be stipulated by UN methodology.
- The reduction of the lower limit is also in line with UN criteria.

Transitional Nature of the Proposal

The members of the CCAAP wish to emphasize the transitional nature of this proposal as well as the commitment of the member countries of the CCAAP to revise the Scale of Contributions every time the United Nations Organization modifies its scale.

Carrying out the aforementioned review would make it possible to adjust OPANAL's Scale of Contributions much closer to that of the United Nations, bringing it more in line with technical criteria."

Draft Budget for Fiscal Year 2005

12. At its 57th Meeting held on 5 July, the CCAAP agreed to request that the Agency's Council delegate to it the authority to revise and approve the draft budget for its timely submission to the Foreign Ministries of the member countries, thus meeting the deadline established in the regulations of OPANAL. The 216th Regular Session of the Council, held on the same date, approved the Committee's request.
13. At its 58th Session, held on 24 August, the CCAAP began a point-by-point study of the Draft Budget for 2006, presented by the Secretary General. The document was presented in two different versions, in one, should the Agency have its own Headquarters, the budget would remain unchanged since no rent would have to be paid, and in the other the total amount is based on the Agency needing to pay rent for its office space.
14. The 59th Session of the CCAAP, held on 22 September 2005, approved a draft budget for 2006 of US\$324,000.00. The Committee agreed to reduce funding in the following areas: honoraria of the External Auditor, acquisition of equipment, office equipment maintenance, vehicle maintenance, postage, courier services, and academic activities.

Resolution CG/E/Res.466 "Certification by the External Auditor of the Agency's Statements of Accounts for the Fourth Quarter of 2003."

15. The External Auditor presented to the XVII Special Session of the General Conference the audit of the fourth quarter of 2003, which was subsequently approved. The General Conference also thanked the accounting firm Muñoz, Gómez, Hernández y Cía. S.C. for their work and recognized the excellent administration of the Agency by the Secretary General.

Resolution CG/E/ Res. 467 "Certification by the External Auditor of the Agency's Statements of Accounts for the First Three Quarters of 2004."

16. The XVII Special Session of the General Conference took note of the Agency's Statements of Accounts for the first three quarters of 2004, which had been presented to the Committee and approved by the aforementioned resolution.

Certification by the External Auditor of the Agency's Statements of Accounts for the Fourth Quarter of 2004.

17. During its 56th Session held on 31 May, the CCAAP took note of the Audit of the fourth quarter of 2004 presented by the accounting firm of Muñoz, Gómez, Hernández y Cía. S.C., which noted that: all of OPANAL's tangible assets and liabilities were appropriately registered in the Agency's books; the unpaid contributions as of 31 December 2004 totaled \$960,606.06; Agency personnel had been paid their accumulated vacation bonus. Consequently, the Agency is up to date in that category. (Doc. CG/581)

Certification by the External Auditor of the Agency's Statements of Accounts for the First Three Quarters of 2005.

18. The External Auditor, the accounting firm of Muñoz, Gómez, Hernández y Cía. S.C., presented its Report on the Agency's Statements of Accounts for the First Three Quarters of 2005 (Doc. CG/601) at the 61st Session of the CCAAP. After reviewing the Report by the External Auditor, the CCAAP agreed to present it to the XIX Regular Session of the General Conference for consideration.
19. The External Auditor recommended investing OPANAL's resources in checking accounts in a fixed-term investment to obtain some kind of earnings. In this regard, the Secretary General informed that the bank offered a rate of 0.45% and charged a commission of 0.5% and therefore requested that the Mexican Secretariat of Foreign Affairs arrange for a VAT exemption for the Agency's accounts. In official note PRO-08654 of 1 July 2005, the General Directorate of Protocol of the Secretariat of Foreign Relations informed the Deputy Director in charge of Embassy Relations of the bank HSBC, S.A. that OPANAL

would enjoy "... an exemption from the income tax on the capital returns earned from official bank accounts."

Offer by the Government of Mexico to Provide a Headquarters for OPANAL

20. At the XVII Special Session of the General Conference, the CCAAP presented its annual report in document CG/E/576, in which it takes note of the repeated offer by the Mexican Government to provide OPANAL with its own offices.
21. During meetings held in 2005, the representatives from Mexico as Presidents, informed the CCAAP of the ongoing efforts. They expressed the Mexican Government's continued interest in providing OPANAL with a headquarters, however, in spite of the efforts of authorities at the Secretariat of Foreign Relations, a satisfactory conclusion has proved elusive. Since this matter is fundamental for any consideration of the Agency's budget, the Government of Mexico will continue to endeavor to honor its offer.

Payment of Rent for Office Space Occupied by OPANAL

22. The Secretary General informed the CCAAP that in December 2004, he had received the payment of contributions for 2001, 2002, and 2003 from the Venezuelan Government. He immediately proceeded to pay the rent due for the space occupied by the Agency's offices. Then, on 27 May 2005, payment was received to cover the contribution for 2004, and the Secretary General paid the past due rent for the first half of 2005.

Appointment of the External Auditor

23. The Secretary General informed the CCAAP that the accounting firm of Muñoz, Gómez, Hernández y Cía. S.C. had been appointed (CG/Res. 427 XVII) for a period of four years, from 1 January 2002 to 31 December 2005, pursuant to Article 14, paragraph 10.01 of the Agency's Financial Regulations. Consequently, he recommended that the CCAAP search for a new firm to conduct the Agency's audits.

Collection of Contributions

24. In spite of the notes sent by the Member States during 2005, only 36.35% has been collected.
25. At its 55th Session, held on 15 March, the CCAAP authorized the request by Ambassador Vargas to incur an expense unapproved by the General Conference in the approximate amount of US\$600.00 to print a publication containing the speeches from the XXXVIII Anniversary of the Signature of the Treaty of Tlatelolco.

Election of the Members of the Committee for One Year

26. During the XVII Special Session of the General Conference held in Mexico City on 23 November 2004, no country expressed interest in participating on the CCAAP for one year. Pursuant to Article 12 of the Agency's Financial Regulations, the CCAAP invites other countries to express interest in participating as full members of the Committee.

III. RECOMMENDATIONS

27. The Committee on Contributions and Administrative and Budgetary Matters submits for the consideration of the XIX Special Session of the General Conference of OPANAL the following Draft Resolutions:
- Report of the Committee on Contributions and Administrative and Budgetary Matters (CG/L.501).
 - Approval of the Scale of Contributions and the Budget for Fiscal Year 2006. (CG/L.504)
 - Certification by the External Auditor of the Agency's Accounts for the Fourth Quarter of 2004. (CG/L.505)
 - Certification by the External Auditor of the Agency's Accounts for the First Three Quarters of 2005. (CG/L.506)
 - Election of the Members of the CCAAP for One Year. (CG/L.502)
 - Appointment of the External Auditor. (CG/L.503)