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The BIML Director

10 June 2004

Presentation of the draft budget for the financial period 2005 – 2008

1 ACCOUNTANCY RULES ADOPTED

The draft budget for the financial period 2005 – 2008 has been presented according to the same plan as the proforma statement of financial performance for 2001 – 2004 (Annex 2 of the report on the financial period 2001 – 2004), that is to say:

- considering loans to personnel and their reimbursement as transfers between asset items;
- considering the depreciation of capital assets as follows: building improvements depreciated over 10 years, equipment depreciated over 5 years;
- distinguishing between the operating revenue and expenses, the financial revenue (the financial expenses being zero) and the exceptional revenue and expenses;
- considering the revenue and expenses related to the implementation of the MAA in a separate, annexed, budget, which includes the post at the BIML which will be created to implement the MAA.

The additional budget for the implementation of the MAA is not a permanent budget, it is only adopted for the financial period 2005 – 2008. Beyond this financial period, this budget will be balanced. There are two possibilities to balance this budget:

- either the revenue generated by the implementation of the MAA will be sufficient to cover the expenses, or
- the new post will become part time, to reduce the expenses to the level of the revenue generated.

If the budget cannot be balanced in one of these two ways, the post created at the BIML will not be renewed beyond its initial four-year term and the Bureau will present, as soon as possible, an alternative means of ensuring the following-up of the MAA, in which the majority of the expenses will fall upon the participants in the Declarations of Mutual Confidence.

2 ASSUMPTIONS MADE IN ESTABLISHING THE BUDGET

The assumptions made in establishing this budget were as follows.

- inflation has been estimated at 2 % for the period 2005 – 2008;
- a slight increase in the number of Member States and in the number of base contributory shares (61 Member States for 100 base contributory shares at the end of the period, compared with 59 Member States and 98 base contributory shares at the end of 2004);
- progression of the staff of the BIML on the salary scales according to the *Staff Regulations*;

- changes in the structure of the operating expenses according to the expenses recorded at the end of the financial period 2001 – 2004 (this expenses structure has changed from that voted by the 11th Conference because of developments in working methods and their costs);
- abolition, for the financial period 2005 – 2008, of the additional allocation from the Reserve Fund to the Pension Fund. The Pension Fund has an extra contributor so the normal, increased, allocations (employee and employer contributions) will ensure that it is balanced over this period (see report on the Pension Fund); and
- abolition of revenue from the sale of publications. Those publications which are not jointly published with another Organisation will be made freely available on the OIML web site. Joint publications will have to be bought from the other Organisation.

As decided at the 11th Conference:

- the base contributory share of Member States is fixed independantly of the number of shares and increases by the estimated inflation level of 2 %; and
- the subscription of Corresponding Members is progressively increased over the financial period 2005 – 2008 so as to reach one tenth of the value of one Member State base contributory share at the end of the period.

3 PROVISIONAL STATEMENT OF FINANCIAL PERFORMANCE

The provisional statement of financial performance based on these budgetary proposals is shown in Annex 2, in which it can be seen that:

- the statement of financial performance is balanced; and
- except for 2005, where an additional extraordinary expense of 180 k€ is proposed for events organised for the 50th anniversary of the OIML, the planned net result is in the order of 20 k€ per year (1.3 % of revenue).

The Reserve Fund is reduced over this financial period by:

- the net result for the period, negative due to the celebration of the OIML's 50th anniversary (-105 k€ for the whole financial period); and
- the cumulative deficits resulting from the additional budget for the MAA (- 297 k€).

The OIML's Reserve Fund is thus reduced by 401 k€ during the financial period 2005 – 2008, and has a value of around 790 k€ at the end of this financial period, which represents approximately 50 % of the total annual expenses (compared with 92 % at the beginning of the financial period). This value of the Reserve Fund (50 % of annual expenses) is that which has been considered appropriate by the members of the Presidential Council.

It should be noted that the implementation of the new Financial Regulations will require a complete re-evaluation of the Organisation's assets, particularly:

- Member States' debts (provisions for which have already been made);
- Corresponding Members' debts (item to be re-evaluated); and
- loans to personnel, which are to be moved from "other financial assets" to "assets".

The commitments concerning the staff pensions, as well as the assets which must be provided for to guarantee these commitments, will be studied later, with the aid of an actuary. The details of this

study will be submitted to CIML Members for discussion before decisions to be taken are proposed to the Conference at its next meeting in 2008.

A handwritten signature in black ink, appearing to read "J.F. Magaña", followed by a short horizontal line.

J.F. Magaña
BIML Director