



ARAC MEMBERSHIP FEES PROCEDURE

CLASSIFICATION

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1. PURPOSE

The purpose of this procedure is to define the parameters for calculating the fees assessed to the ARAC Members and for managing the collection of such fees (accounts receivable), consistent with the By-Laws and the Memorandum of Understanding, in a fair and equitable manner that will sustain the financial viability of the organization. This procedure also defines the policy for the suspension and cancellation of members for non-payment of fees.

The ARAC Executive Committee (EC) TFG for preparation of the ARAC membership fees procedure developed the fee model that is suitable to ARAC based on the similar fee models from other regional and international cooperation bodies.

The ARAC General Assembly and Executive Committee have adopted the Fee Model described in this policy.

2. PRINCIPLES AND FUNDAMENTAL CONSIDERATIONS

As a regional cooperation based on goodwill and all members acting in good faith to advance the common objectives of ARAC, the main purposes of the membership fee structure are to collect appropriate membership fees to fund the operating costs and also to build up and preserve a reasonable financial reserve to deal with unexpected events and other contingencies.

The fundamental principle for the membership fee structure is to be simple, fair and equitable. The fee model calculated the membership fee in a fair and equitable manner which should as far as practicable reflect the benefit that can reasonably be expected to accrue to members concerned.

Furthermore, as members become financially stronger, they should contribute a greater share of the operating costs of ARAC.

The ARAC membership fee model is based on:

- a) Members' capacity to Pay;
- b) Notional derived benefit from membership (i.e. based on Economy size, per capita GNP, and number of accreditation certificates issued);
- c) Simplicity and certainty in amount; and
- d) Administrative efficiency.

3. COMPONENTS OF THE MEMBERSHIP FEE

Based on the above principles and rationales, the membership fee for each member will

include the common fee component and those fee components that are relevant to their accreditation activities. This fee structure takes into account the benefits each member can derive from ARAC or ARAC can offer to them.

3.1. Cap on member’s size and scale as the basis for fee calculation

In relation to the notional derived benefit from membership, it is reasonable to assume that the notional benefit to a member should vary in direct proportion to its scale and size. However, it is also recognized and a common practice among similar membership based organization that the notional benefit may reach its maximum at certain size and scale.

Therefore, a ‘cap’ or a limit is usually used to put the maximum on the amount on the membership fee component based on the members’ size and scale. This also has the practical consequence of minimizing the risk of some large member organizations being asked to pay for a disproportionate amount of the total financial resources requirement of ARAC.

Membership fees will be invoiced annually and based on the calendar year per formula for the full, associate and affiliate members, and a fixed amount for stakeholder members. Fees are calculated in US dollars, and invoices may reference other currencies depending on the currency of the ARAC bank account.

3.2. Membership Fee Formula

Full and affiliate MLA signatories member fees are calculated on the basis of the following factors:

ARAC Membership Fee = (C₁ + C₂ + C₃) x F

Where:

- ❖ **C₁** is the economy element and based on % UN budget per national economy and calculated as follows:

UN Coefficient	U ≤ 0,03	0,03 < U < 0,5	U ≥ 0,5
C₁	1.000 USD	2.000 USD	3.000 USD

The scale used in this formula is available at.
<http://www.un.org/en/ga/contributions/assessments.shtml>

- ❖ **C₂** is the component number of accreditation certificates issued covered by the ARAC MLA multiplied by a factor of 10 (e.g. if the total number of accreditations = 228, **C₂** = 228x10 = 2.280 USD).

. In case an AB does not provide the ARAC Secretariat with the number of issued accreditation certificates of the preceding years by the deadline, the number of accreditations will be calculated by increasing the number of accreditation in the preceding year by 15%.

- ❖ **C₃** is the MLA element which corresponds to the number of ARAC MLA scopes and calculated as follows:

Number of the ARAC MLA scopes of the AB	1	2	3	n
C₃	1.000 USD	1.200 USD	1.400 USD	1.000 + ((n-1) x 200)

If the AB is a signatory to **n** MLA scope, the MLA element is 1.000 + ((n-1) x 200); [e.g. in case the AB is a signatory to 4 MLA scopes, **C₃** = 1.000 + ((4-1) x 200) = 1.600 USD.

- ❖ **F** – Global adjustment factor

While the C factors should provide some consistency in achieving the equity and fairness objectives of the fee model, we need the global adjustment factor F which is established each year to ensure the recovery of sufficient membership fees to meet the ARAC expenditures.

3.3. Associate and Affiliate non ARAC MLA signatories' membership fees:

Associate and Affiliate non ARAC MLA signatories member fees are calculated on the basis of the following factors:

$$\text{ARAC Membership Fee} = (\text{C}_1 + \text{C}_2) \times \text{F}$$

Where:

- ❖ **C₁** is the economy element and based on % UN budget per national economy and calculated as follows:

UN Coefficient	U ≤ 0,03	0,03 < U < 0,5	U ≥ 0,5
C₁	1.000 USD	2.000 USD	3.000 USD

The scale used in this formula is available at.

<http://www.un.org/en/ga/contributions/assessments.shtml>

- ❖ **C₂** is the component number of accreditation certificates issued multiplied by a factor of 10 (e.g. if the total number of accreditations = 118, **C₂** = 118x10 = 1.180 USD).

3.4. Stakeholders membership fees:

The membership fees for Stakeholders members is fixed as of \$ 1000 USD annually.

4. INVOICING

4.1. The ARAC Secretariat shall invoice members for fees on an annual basis in accordance with the corresponding procedure.

4.1.1. Invoices are mailed to members on or around January 15 of each year.

All invoices for annual membership fees are payable by March 31 at maximum of the current year, unless otherwise agreed upon by the Executive Committee.

4.1.2. If membership fees are not paid by the March 31 due date, the member shall be notified by the Secretariat of the overdue payment. The member will be advised in 5 working days that the membership will be suspended if payment is not received by June 30 in the same year for which the membership fee applies (see section 6 below) and a 3% monthly increment from the total fee shall be applied.

4.1.3. In order to allow for the accurate calculation of the formula for Full, Associate and Affiliate Members, each member shall respond to the request of the Secretariat no later than 1 August each year of the relevant factors might introduced and affecting their fee calculation, especially their current number of accreditations and assumptions for incentive discounts. If a member fails to advise the Secretariat within the deadline, the Secretariat (with advisement of the Treasurer) will make assumptions on these factors, and will calculate a 20% increase in the number of accreditations as the basis for calculation of fees. The membership fee invoice will not be amended once it is issued.

4.1.4. New Members shall pay their fees, pro-rated by dividing that amount by 12 and then multiplying it by the months remaining in the first year, including the month their membership commences.

4.1.5. Under acceptable reasons and as exceptional circumstances the ARAC EC may consider a request to postpone payment with an agreed upon payment plan not to exceed December 31st, of the year the fee applies.

5. OTHER FEES AS APPLICABLE

5.1. \$1,000 USD are invoiced to the appellant in case the appeal was not upheld.

These fees will cover the administrative costs of this review.

6. TERMINATION AND SUSPENSION OF MEMBERSHIP

6.1 Any member may have its membership suspended or terminated due to fail in paying the ARAC fees or other debt to ARAC.

6.1.1. A suspended member shall have its name removed from the list of members but shall continue to receive correspondence from ARAC. An ARAC member whose membership is suspended shall not claim to be one of the ARAC members and the suspensions provisions as described in ARAC MD 002 are applicable. A suspended member is not eligible to participate in ARAC sponsored activities.

6.1.2. A suspended member, that is a signatory to the ARAC MLA, IAF MLA Mark and/or ILAC MRA Mark shall not claim signatory status during the suspension period.

6.1.3. A membership suspension does not require General Assembly approval and shall be performed according to this procedure.

6.1.4. If the membership fee is not received by the end of the ARAC financial year (i.e. December 31), membership shall be terminated. A membership termination requires General Assembly approval.

6.1.5. On termination of membership all correspondence from ARAC ceases.

6.1.6. Any organization whose membership is suspended or terminated remains liable to pay ARAC any fees due and payable but unpaid at the date of suspension or termination.

6.1.7. The Secretariat shall notify IAF and/or ILAC of a suspended or terminated member that is a signatory to the ARAC MLA.

7. REVIEW

The formula will be reviewed and refined by the ARAC Executive Committee, at least every 2 years.