

## **RYCO Financials– Proposal**

*Preliminary remark: Within the RYCO Working Group no agreement could be found regarding the question of the financing of RYCO, and more especially about the calculation of the percentages of the financial contributions of the different Western-Balkans-6-Participants to the annual budget, and about the ratio between the part provided to the budget on the one hand by the Western Balkans-6-Participants, and by international donors on the other hand. The Working Group agreed that this question needs to be clarified directly on the governmental level as soon as possible. In order to help to address these questions, the Working Group also agreed to join to its drafts the following document elaborated by the expert-consultant and which exposes different options regarding the open questions.*

### **Introduction**

When considering financial contributions for any international organisation it is important to keep in mind not only how much will be given by the participating RYCO signatories, but also a manner in which the funds can be drawn by each RYCO signatory.

This 'Proposal' will be broken down into three segments. The first one will consider options that can be used to determine the contributions of each RYCO signatory. The second segment will look at the manner in which each RYCO signatory can draw the funds from the RYCO budget, while the third section will consider some other provisions that would help RYCO achieve its mission and vision.

### **1. Contributions to the RYCO budget**

It is important to have a clear and transparent way of calculating the contributions of RYCO signatories before the signing of the agreement on establishing RYCO. This not only helps the RYCO members have a clear vision of what they will be paying in, but also gives stability to the RYCO Secretariat to support projects that will fulfill the RYCO mission and vision.

There are three main options for calculating the RYCO signatory contributions to the budget.

#### **1.1 Option 1.**

The first option considers the percentage of youth in all RYCO signatories, the Gross National Income (GNI) and the Purchasing Power Parity (PPP), as well as the relationship between GNI and PPP controlled for the number of youth.

The data needed for each RYCO signatory is:

- GNI (Gross National Income)
- PPP (Purchasing Power Parity)
- GNI/PPP (Ratio between Gross National Income and Purchasing Power Parity)
- Percentage of youth as part of the overall population

To work out the proportion of total GNI/PPP for young persons per RYCO signatory:

*Total GNI/PPP for a RYCO signatory \* percentage of youth in that RYCO signatory (where 20% is expressed as 0.2) = total GNI/PPP as a proportion of youth population in that RYCO signatory*

This formula gives an overall GNI/PPP of each RYCO signatory. The number is then used to calculate the ratio between the RYCO signatories by combining it with the total GNI/PPP of youth population for all the RYCO signatories and each individual RYCO signatory's GNI/PPP of youth population.

To get a ratio between the RYCO signatories:

*((1 / addition of total GNI/PPP for youth population in all RYCO signatories) \* the GNI/PPP for young persons in any given RYCO signatory) \* 100 = percentage of contribution with respect to GNI controlled for PPP and youth population in each RYCO signatory*

The calculations are available in the separate spreadsheet, while the percentages of contributions of each RYCO signatory are as follows:

Albania: 17.3%  
Bosnia and Herzegovina: 15.4%  
Kosovo\*<sup>1</sup>: 10.2%  
Macedonia: 13.8%  
Montenegro: 4.4%  
Serbia: 38.9%

When the total amount of the contributions of RYCO signatories is defined this percentage can be used to indicate what the contributions of each RYCO signatory would be. If, the overall RYCO signatory contributions to RYCO would be 1,000,000EUR, following the logic above Albania would contribute 173,000EUR, Bosnia and Herzegovina 154,000EUR, and so on.

The main benefit of this approach is that it considers several economic factors that indicate the national income of any given RYCO signatory, the value of 1 EUR in the RYCO signatory and also take account of the youth population of RYCO signatories.

The principal drawback is that there is a significant difference of contribution between the smallest and the largest RYCO signatory. Should this translate into a smaller fund being available for applicants from the smallest RYCO signatory, it could mean that applicants from Montenegro would have very few projects being supported through RYCO.

### *1.2. Option 2.*

The second option is based on proportional contributions of all RYCO signatories to the RYCO Budget. In other words, the percentage of RYCO signatory contributions would be the same in percentage and absolute terms for all RYCO signatories. Although this has advantages, it may mean that the RYCO Budget contributions by RYCO signatories will be drawn back by the smaller RYCO signatories. It would likely lead to a maximum amount being fixed to the financial capacity to contribute to the RYCO Budget by the smallest RYCO signatory.

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<sup>1</sup> This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence

The RYCO Budget contributions using this option would be as follows:

Albania: 16.6%

Bosnia and Herzegovina: 16.6%

Kosovo\*: 16.6%

Macedonia: 16.6%

Montenegro: 16.6%

Serbia: 16.6%

### *1.3. Option 3.*

The third option takes into consideration the budget contributions as elaborated in the first option and introduces a baseline. Following this logic each RYCO signatory would contribute a fixed amount to the RYCO Budget (e.g. 50,000 EUR), while the other part of their contribution would be based on the percentage. The percentage would be calculated for the part of the RYCO Budget that does not include the 50,000 EUR per RYCO participant contributions.

In practice, this approach would mean that smaller RYCO signatories have a greater proportional contribution to the RYCO Budget than the larger RYCO signatories. This could once again draw back the overall RYCO Budget, although not the same extent as Option 2.

## **2. RYCO Budget Allocations to RYCO Signatories**

It is important to put forward to ensure that each RYCO signatory has a certain proportion of the RYCO Budget for supporting projects proposed by organisations registered in every RYCO signatory. This will ensure inclusiveness of all RYCO signatories and differs to the budget allocation of every RYCO signatory in as much as it seeks to address the question of how much funding will each RYCO signatory have. Of course, the amount available for sub-granting would be the total RYCO Budget minus the operational costs of the RYCO Secretariat. Nevertheless, the amount that is available should be linked to the RYCO signatory contributions in one way or another.<sup>2</sup>

### *2.1. Proportional Allocations*

Allocations that are proportional to the contributions as described in the previous chapter can be employed. In this case the amount that each RYCO signatory contributed would be equal to the amount applicant organisations from that RYCO signatory would have. Benefits of this approach are that it would be easy to calculate the amount applicant from each RYCO signatory would have available and can be applied to all three options described above. The downsides of these approaches are similar to the ones explained in the previous chapter. In other words it is difficult to strike a balance between an acceptable contribution for smaller

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<sup>2</sup> Although criteria that will be developed in this section indicate what kind of funds are available for sub-granting to each RYCO signatory, it is important to underline that when approving project proposals from the RYCO Budget strong emphasis will also be placed on the quality of projects as well as the priorities developed in the Strategic and Operational Plans of RYCO.

RYCO signatories and a fund available for sub-granting that can have a real impact in engaging applicants from the smaller RYCO signatories and therefore helping achieve the overall mission and vision of RYCO.

## *2.2. Controlled Allocations*

Another possibility is Controlled allocations. These are set up to tackle the problem described above and would in practice mean that smaller RYCO signatories would have a higher percentage of the sub-granting fund available than their contribution. On the other hand the larger RYCO signatories, with larger contributions, would have a somewhat smaller fund for sub-granting available.

Here, once again, it is important to bear in mind that the funds available for sub-granting are lower than the contribution of each RYCO signatory because a certain percentage will be used for the operational costs of the RYCO Secretariat. Nevertheless, given that the aim is to propose percentages the amount will still be calculated and applied to the entire contribution of each RYCO signatory.

As an example, we can use a 20% offset for each RYCO signatory from the average contribution. In that case we use the total GNI/PPP controlled for the youth population in all the RYCO signatories and divide this by the number of RYCO signatories. The number we get is an average for all 6 RYCO signatories and serves as a baseline. The difference between the baseline and the actual GNI/PPP controlled for the youth population of any particular RYCO signatory is calculated and controlled for 20%. If a RYCO signatory has a lower GNI/PPP controlled for the youth population than the average, their percentage available for sub-granting would be greater, while if it were greater than the average their percentage available would be lower.

The formula would be as follows:

$((\text{Total GNI/PPP controlled for the youth population} / 6) + \text{GNI/PPP controlled for the youth population of RYCO signatory}) = \text{The difference from the average for a particular RYCO signatory (this we call X)}$ .

To control the increase or decrease of the amount available from the contribution of each RYCO signatory by 20% (defined as 1.2 in the formula) we use the following formula:

$((1/\text{Average GNI/PPP of youth}) * X) * 1.2 = \text{the percentage points increase/decrease of the RYCO Budget contribution for a given RYCO signatory}$ .

Following the above logic, the amounts that would be available for sub-granting to organisations registered in each of the RYCO signatories would be the following:

Albania: 17.26%  
Bosnia and Herzegovina: 15.49%  
Kosovo\*: 10.66%  
Macedonia: 14.00%  
Montenegro: 5.28%  
Serbia: 37.30%

A different percentage can be used to adjust the effect, but it is clear that for example a relatively small decrease of the percentage available for sub-granting in Serbia, can mean a significant increase for Montenegro.

### **3. Considerations:**

#### *3.1. RYCO Signatory Contributions to the RYCO Budget*

Firstly it is important to consider what the total sum of contributions of RYCO signatories would be in relation to the overall RYCO Budget. In line with the desire to emphasize regional ownership of RYCO it is proposed that the RYCO signatory governments make contributions no lower than 50% + 1EUR of the total RYCO Budget. Although this would mean that 50% - 1EUR of the RYCO Budget would come from other donors it does not preclude that other donor funds could be made available through different mechanisms that are external to the RYCO Budget.

#### *3.2. Ensuring a long-term commitment*

In order to ensure long-term commitment towards RYCO it is advisable to adopt the above mentioned provision stipulating that RYCO signatory contributions to the RYCO Budget shall be no lower than 50% + 1 EUR.

Additionally, the RYCO signatories could pledge not to reduce the RYCO Budget from the initial baseline established for any of the upcoming budgetary periods. This would ensure the continuity of RYCO activities in the long term, and in particular once international donor funds would start reducing as part of RYCO signatories becoming EU members.

#### *3.3. Inclusion*

Inclusion through exchanges between all RYCO signatories is one of the key elements that will contribute to the fulfillment of the mission and vision of RYCO. To avoid a situation where exchanges take place only between several RYCO signatories a minimum percentage of the RYCO Budget for activities (i.e. sub-granting) that each RYCO signatory has, could be allocated for exchanges with every other RYCO signatory. The percentage could be symbolic to ensure that at least some participants from every RYCO signatory take part in projects funded from the allocation for a given RYCO signatory.

This proposal fits in with the logic as described in 2.2., but can equally be combined with option 1.1.