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FINANCE COMMITTEE
64th session
Rome, 9 October 2008

UNIDROIT 2008
A.G./Comm. Finances (64) 6
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Report

(prepared by the UNIDROIT Secretariat)

<i>Summary</i>	<i>Report on the proceedings of the 64th session of the Finance Committee</i>
<i>Action to be taken</i>	<i>For the information of members of the Finance Committee</i>
<i>Related documents</i>	<i>A.G./Comm. Finances (64) 1, 2, 3, 4, 5; 2007 Accounts</i>

1. The 64th session of the Finance Committee was held at the seat of UNIDROIT in Rome on 9 October 2008. The *Chairman* opened the session at 9.30 a.m. and welcomed the Secretary-General who had taken office on 1st October 2008; on behalf of the Committee, he wished him all the best for his work in UNIDROIT.

2. The *Secretary-General* welcomed the participants to the meeting and thanked the participants for their attendance, and their respective Governments for their support of the Institute. He underlined the importance for an international Organisation of the confidence of its member States, and recalled the importance of ensuring the implementation of the work programme through the effective use of the human and financial resources, of which the Secretariat was the custodian. He recalled that a few weeks earlier a diplomatic Conference for the adoption of the Draft Convention on Intermediated Securities had taken place in Geneva, on the invitation of the Government of Switzerland, and that that project had been partly financed with extra-Budgetary contributions; for political reasons the draft Convention had not been finalized, and a second session of the Conference would take place in twelve months time, again in Geneva, thanks to the generosity of the Swiss Government. The Institute had thus to find, in its very tight Budget, the financial resources to continue the project. This was an example of the need for close cooperation between the Governments of the member States and the Secretariat with a view to rationalizing the processes and finding an appropriate balance between public and private funding.

3. The *representative of Italy*, on behalf of the host Government, expressed a warm welcome to the Secretary-General.

Item No. 1 of the Agenda: Adoption of the Agenda (AG/Comm. Finances (64) 1)

4. The *Chairman* proposed that the Committee adopt the draft Agenda. *The Committee approved the proposal.*

Item No. 2 of the Agenda: Final modifications to the Budget and Accounts for the 2007 financial year (AG/Comm. Finances (64) 2 and 2007 Accounts)

5. The *deputy Secretary-General* introduced this Agenda item. She recalled that the 2007 Accounts had been distributed in July 2008 to all the Governments of the member States. In 2007 the expenditure showed a small reduction, due to the efforts of the Secretariat to make savings, and the Accounts showed a surplus which had been carried over to the financial year 2008. The Accounts had been verified and approved by the Auditor.

6. The *Chairman* expressed the view that the 2007 Accounts were a success, because they indicated some savings in the expenditure and some increase in the receipts; in his capacity of *representative of Germany*, he affirmed that his Government was able to approve the Accounts and he congratulated the Secretariat for the results.

7. *No further comments being forthcoming, the Committee formulated the opinion that the General Assembly approve the Accounts of the 2007 financial year.*

Item No. 3 of the Agenda: Adjustments to the Budget for the 2008 financial year (AG/Comm. Finances (64) 3)

8. The *deputy Secretary-General* introduced this Agenda item. She presented the document AG/Comm. Finances (64) 3, which indicated that no adjustments to the Budget for the current financial year were deemed necessary.

9. The *representative of Italy* indicated that the contribution of his Government for 2008 would probably be smaller than the estimate indicated by the Secretariat in the Budget.

10. *The Committee took note of document AG/Comm. Finances (64) 3.*

Item No. 4 of the Agenda: Arrears in contributions of member States (AG/Comm. Finances (64) 4)

11. The *deputy Secretary-General* introduced this Agenda item. She indicated that the state of arrears of the member States had improved greatly, and that only one member State, Bolivia, presented a difficult situation and had thus lost its voting rights in the General Assembly.

12. The *Chairman* congratulated UNIDROIT for this rather satisfactory situation and expressed the hope that the remaining outstanding contributions would be paid before long.

13. The *representative of Mexico* and the *representative of the United Kingdom* joined the Chairman in expressing their congratulations to the Secretariat for their efforts and for this result.

Item No. 5 of the Agenda: Draft Budget 2009 and fixing of the contributions of member States for that financial year (AG/Comm. Finances (64) 5)

14. The *deputy Secretary-General* introduced this Agenda item. She indicated that some Governments, namely Canada, Colombia, Latvia and Switzerland, had sent their observations on the draft Budget, and that the representative of the Russian Federation had addressed a message to the Secretariat, in which he apologized for his absence to the session and indicated the full support of his Government to the proposed 2009 Budget. She presented the document AG/Comm. Finances (64) 5, which indicated that some increases in the expenditure were considered necessary by the Secretariat. She recalled that some increases were also linked to the intensification of the activities of the Institute in the last few years.

15. The *Chairman* expressed his gratitude, also on behalf of the other members of the Committee, for the extra-statutory contribution of the Government of the United Kingdom, and thanked the Governments that had sent their observations.

16. The *representative of Mexico* recalled that the new practice introduced as from 2008 after the amendment of Article 31 of the Regulations had proven very useful and productive. He raised the issue of the accession of the new member State that had joined UNIDROIT, asking if its contribution would be simply included in the 2009 receipts, and thus increase the receipts, or distributed to affect the contributions of all member States.

17. The *Secretary-General* underlined the need of being extremely cautious in managing the Budget and he suggested a flexible approach to that issue so as to allow the Secretariat to meet the unforeseen expenses that resulted from the need to continue work on the intermediated securities project in the year 2009.

18. The *Chairman* expressed the view that the contribution of the new member State should not be distributed but simply included in the receipts.

19. The *deputy Secretary-General*, upon request of the representative of the United States, indicated that the new member State, Saudi Arabia, pertained to the 5th category of contributions.

20. The *representative of Italy* indicated that he fully supported the view expressed by the Secretary-general on this issue. Concerning the draft Budget for 2009, he indicated the support of his Government, and he stressed the importance of the Library to the activities of the Institute.

21. The *representative of Switzerland* thanked the Secretariat for the clear and synthetic presentation of the documents, and for having circulated the observations of his Government, concerning the work for the adoption of the draft Convention on the Intermediated Securities. He recalled that in its communication his Government, following the diplomatic Conference for the adoption of a Convention on substantive rules regarding Intermediated Securities, held in Geneva from 1 to 13 September 2008, asked if Chapter 2 of the expenditure included the salary and indemnities for the post of the scientific collaborator, covering the activities related to the elaboration of that Convention; and that, if this was not the case, the 2009 Budget included the remuneration for the person who was till that moment in charge of the dossier. He also asked for some explanations on particular aspects of the draft Budget.

22. The *deputy Secretary-General*, in response to the observations formulated by the Government of Switzerland, recalled the holding of the first session of the Diplomatic Conference for the adoption of the draft Convention on Intermediated Securities. She underlined the perfect organisation of the Conference and expressed the gratitude of the Secretariat towards the Swiss Government. She recalled that the text had not been adopted because the Conference had deemed essential that the Convention be complemented by an Official Commentary, with a view of promoting its uniform interpretation and implementation. The finalisation of the draft Convention would involve an important work of the Secretariat, in particular for the preparation of the Official Commentary, which would be drafted by some delegates, but would need a continual and effective support of the Secretariat. All the efforts of the Secretariat would go in the direction indicated by the Swiss Government in its Note Verbale.

23. She also gave some other explanations on the observations concerning the reorganisation of the staff, due to some flexibility that some members of the staff had requested for personal reasons and would thus produce some savings, and on the "Various receipts", in which the Secretariat had included € 30,000 corresponding to donations of the three Foundations: the Uniform Law Foundation, the UK Foundation for International Uniform Law and the US Foundation for International Uniform Law.

24. The *Secretary-General* highlighted that the need of the work for the finalisation of the draft Convention and for the drafting of the Official Commentary could not be foreseen, but that the Secretariat was conscious of the importance of this activity and for the need of its constant support to the experts for obtaining a result that met the high level of quality which was needed. He underlined the difficult position in which the Secretariat was placed in addressing that issue, also taking into account the very special situation in which the private sector was at that moment, which meant that donations from private sources were unlikely.

25. The *representative of the United States* indicated that the view of its Government was to continue with the Budget as it was originally drafted, because that issue was one of those extraordinary questions which had to be dealt with by the Secretariat and the delegates with some imagination and some additional resources. Although this Budget for 2009 was not a nominal zero growth Budget, he stated that his Government was ready to support it.

26. The *representative of the United Kingdom* indicated the satisfaction of its Government for the reduction of the increase in comparison with what was originally proposed in the first estimates. She recalled the interest of its Government for the issue of transparent management, and in particular for a document stating the priorities of the activities of the Institute, and she underlined that the adoption of a document along the lines of the proposal made by the Australian Ambassador in March 2008 was considered by her Government to be extremely useful.

27. The *deputy Secretary-General* indicated that such a document would be presented in time for the 63rd session of the General Assembly.

28. The *Secretary-General* added that the Secretariat would move forward to modify the financial documents, perhaps under the form of annexes to the Budget, in order to have project-related costing, and that this would also be an important planning tool for the Institute.

29. The *Chairman* welcomed the efforts made by the Secretariat in that direction.

30. The *representative of Japan* indicated that her Government supported the adoption of the draft Budget and underlined the need for exercising the greatest Budgetary discipline and make savings.

31. The *representative of Austria* indicated that her Government was able to support the Budget but expressed the view that increases in the future years should be prevented.

32. The Chairman, in his capacity of *representative of Germany*, indicated that his Government approved the draft Budget for 2009 and that it welcomed the successful activity of UNIDROIT and encouraged the Secretariat in its efforts to economise.

33. *No further comments being forthcoming, the Chairman concluded, also taking into account the written comments of some Governments, that the Finance Committee recommended to the General Assembly the adoption of the 2009 draft Budget.*

Item No. 6 of the Agenda: Any other business.

34. No further interventions being forthcoming, the Chairman closed the meeting at 11.10 a.m.

LIST OF PARTICIPANTS**Members:**

Ms Ingrid PECH	(Austria)
Mr Peter EGYED	(Canada)
Ms Lisa PAGLIONE	(France)
Mr Peter ADAMEK (<i>Chairman</i>)	(Germany)
Ms Patrizia LUBITZ	
Mr Nicola TODARO MARESCOTTI	(Italy)
Ms Claire VILLAUME	
Ms Mariko SHIKAKURA	(Japan)
Mr Diego Alonso SIMANCAS GUTIÉRREZ	(Mexico)
Mr Stefano LAZZAROTTO	(Switzerland)
Ms Claudia GIUNCHIGLIA	(United Kingdom)
Mr Leslie DEGRAFFENRIED	(United States of America)

UNIDROIT Secretariat:

Mr José Angelo ESTRELLA FARIA	(Secretary-General)
Ms Alessandra ZANOBETTI	(Deputy Secretary-General)