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**FINANCE COMMITTEE
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REPORT

(prepared by the UNIDROIT Secretariat)

1. The 77th session of the Finance Committee was held at the seat of UNIDROIT in Rome on 2 April 2015. The *Chair of the Committee*, Ms Alina Popescu, the representative of Romania, opened the session at 11:15 am and welcomed the members of the Committee (for a complete list of participants, see Annexe).

Item No. 1 on the agenda: Adoption of the draft agenda (F.C. (77) 1)

2. *The agenda was adopted as proposed in document F.C. (77) 1.*

Item No. 2 on the agenda: Draft Budget for 2016 – first estimates (F.C. (77) 2)

3. The *Chair* identified the next topic on the agenda, consideration of the first estimates of receipts and expenditure for 2016, which were detailed in document F.C. (77) 2. She gave the floor to the Secretary General to present the budgetary proposal.

4. The *Secretary-General* thanked the Chair and began by briefly reminding the Committee of UNIDROIT's budgetary process. He noted that it was customary for the Secretariat to submit first estimates of the draft budget for the following year to the Finance Committee at its spring meeting. Based on the Finance Committee's deliberations and comments, the first estimates would be revised by the Secretariat and then submitted as a draft Budget to the Governing Council, which would consider it together with UNIDROIT's Work Programme. After that, based on input from the Governing Council, the draft Budget would be revised again by the Secretariat and sent to member States during the summer for their review and comment. Any comments received would be provided to the Finance Committee for consideration at its fall meeting, after which the draft Budget, if necessary, would be revised once more by the Secretariat and submitted to the General Assembly meeting for approval. The Secretary-General acknowledged that the budgetary process was quite elaborate, but transparent.

5. The Secretary-General drew the Committee's attention to the document's section on receipts. He noted that it showed the proposed receipts for 2015 and 2016 and that the difference in total expected receipts between the two years was €189.40. He further noted that this difference constituted nearly nominal zero growth and should qualify as such. He then described how the document still listed member State contributions in two different lines, one for

the Italian Government's contribution and another for the other member States' contributions. He stated that, because of the recent change of law in Italy making its contribution to UNIDROIT mandatory, those two lines could be combined as Italy was now on an equal footing with other member States in that respect. Regarding contributions from other member States, no changes were forecasted, so the units of contribution would remain the same. Turning to other receipts, he noted that, although UNIDROIT had a sizeable working capital fund, the interest accrued by it was not more than €1000 due to the Eurozone's low interest rates and the fact that the funds could not be invested on a longer term as it was the reserve for unforeseen expenditures and shortfalls of receipts. He further noted that the International Labour Organization's contribution to overhead expenses would remain the same and that the slight increase in receipts from the sale of publications was due to positive developments regarding the cooperation with Oxford University Press for publication of UNIDROIT's *Uniform Law Review*. He then explained that the listed tax reimbursement credit was an estimated budget neutral line relating to the reimbursement of taxes paid by a U.S. citizen appointed to the Secretariat pursuant to an agreement with the U.S. Government. Lastly, he expressed his gratitude to the Italian Government for solving the problem of the timing of Italy's contribution as it had already made its payment for 2015.

6. Regarding expenditures, the Secretary-General stated that there were practically no significant changes in the proposed expenditures. For meeting and travel costs, he said that there was a slight increase for two reasons: (1) higher costs for meetings of Committees of Governmental Experts and (2) higher costs of travel for members of the Governing Council, because some member States were no longer financing the travel of their own nationals to the Governing Council. He noted that UNIDROIT had been able to reduce this latter cost in the past, but now had to come back to this higher, prior level for that reason. For salaries and allowances, he said that there were no changes. For social security charges, he drew the Committee's attention to the decrease in costs for insurance against disablement, old age and sickness as that amount had previously been estimated as if all new staff members would be enrolled in the Italian social security system. Two new staff members, however, were able to retain their own systems at a lower cost, resulting in savings. For administrative expenses, he mentioned that the slight increase in that regard was due to higher postage tariffs and not an increase in mail sent by the Secretariat. For maintenance costs, he stated that there was a slight decrease thanks to maintenance work done on the heating system which had led to reduced costs. For library expenses, he noted that an increase was proposed to meet subscription costs for online databases. He further noted that, when he arrived roughly six and a half years ago, this chapter of expenditures had covered only the cost of inputting the Library's materials into an online catalogue, which was undertaken together with the Max Planck Institute for Comparative and International Private Law in Hamburg, Germany. This chapter of expenditures was now covering subscriptions to two online legal databases in English, one in French, one in German, and one in Italian, and was going to include one in Spanish as well. He noted that online databases were the future of legal research and that, even though subscriptions are a recurring expenditure, it was money well spent and still fell within the budgetary limits of previous years.

7. The *Chair* thanked the Secretary-General for his explanations and opened the floor for questions and comments.

8. The *representative of the United States of America* expressed his gratitude to the Secretary-General for setting out the ambitious programme while still operating within modest budget's limits and to the staff for their judicious management of resources and efficient preparation for the meeting. He then asked for more information regarding library expenditures, in particular the recurring costs of online subscriptions, whether additional online subscriptions would be sought in future years, the Secretary-General's vision for the Library, given changes in communications technologies and research, and how the Library would fit into UNIDROIT's broader programmatic goals.

9. The *Secretary-General* noted that it was not the first time that questions were asked about the Library's role and the rationale for committing a significant portion of UNIDROIT's resources to it. He further noted that, in addition to the chapter of expenditures for the Library, there were also personnel costs covered elsewhere in the budget which were not insignificant.

10. He pointed out that the Library is contemplated in the UNIDROIT Statute, which states that UNIDROIT shall maintain a library but does not specify whether it must be a public one as the Library traditionally has been. He described how the profile of visitors to the Library had changed, noting that in the 1950s and 1960s, scholars, students and attorneys from the host Country constituted the majority of visitors. He further noted, however, that in recent years the statistics kept by the Secretariat, which could be provided to the Committee if so desired, showed that the number of international visitors had far outranked local visitors. Thus, the Library should be seen as a service provided to nationals of all States and not only to the host Country.

11. The Secretary-General also partly attributed this difference to UNIDROIT's Scholarship Programme, which has been in place for many years and benefits from voluntary contributions from some member States, such as China, and certain institutions, such as the Transnational Law and Business University in the Republic of Korea. With these contributions, research projects were funded, in particular projects by lawyers and scholars from developing countries working in their respective governments or closely with them. Such projects have proven, in many cases, to be a useful way of establishing a relationship with non-member States and providing a way towards possible future accession. He said that the Scholarship Programme played a key role, for example, in recent accessions to the UNIDROIT Statute, including Saudi Arabia, which was impressed with UNIDROIT's work on the Aircraft Protocol to the Cape Town Convention, and Indonesia, where there was strong involvement from former scholars who were able to disseminate UNIDROIT's work through their contacts in Indonesia.

12. He then said that the Library also played a key role in the work of the Secretariat, including research and preparation of materials for UNIDROIT's various working groups and study groups. He stated that UNIDROIT would not have been able to do the work that it did on international commercial contract law if it did not have a comparative law library on contract law. He further stated that the same could be said of the work done on transnational civil procedure, secured transactions, and most other areas of UNIDROIT's work.

13. Lastly, he emphasised that UNIDROIT was a hybrid-type of organisation as it had not only a rulemaking mandate but also an academic and scientific mandate. Part of UNIDROIT's success came from contacts developed with academia around the world and, to a very large extent, those contacts were kept alive by the opportunities law professors and scholars had to conduct research at the Library. He noted that when legal scholars came to Europe, stops on their tour included the Max Planck Institute in Hamburg, the Peace Palace Library in The Hague, the Swiss Institute of Comparative Law in Lausanne, and the UNIDROIT Library, where they could find materials that were not available in their own countries. He then remarked that he had recently reviewed the Library's acquisition policy together with the Deputy-Secretary General and they had streamlined it to eliminate items that were no longer necessary or would be available at other Rome-based libraries. He further remarked that the UNIDROIT Library also cooperated with the Max Planck Institute on acquisition policy and that he had sought similar joint acquisition policies with the Hague Conference and UNCITRAL. He concluded by stating that the estimated cost was the bare minimum for keeping the Library alive and noting the improvements made to the Library's acquisition policy and its dynamism in cooperating with other libraries.

14. The *representative of the United States of America* thanked the Secretary-General for elaborating on the Library's costs and for his perspective.

15. The *representative of Canada* thanked the Secretary-General for his efforts in proposing zero nominal growth in the budget for next year. He then asked, with regard to the estimated expenditure of €90,000 for meetings of Committees of Experts, if it was known which meetings the experts would attend.

16. The *Secretary-General* replied that it was known which meetings were expected to be funded with that line item. He began with the work on the possible fourth Protocol to the Cape Town Convention on agricultural, construction and mining equipment, for which one Study Group meeting had already been held and the second meeting would be held in one week's time. Subject to the opinion of the Governing Council, there might be one or two more meetings of that group before moving to a meeting of a Committee of Governmental Experts (CGE) and it was estimated that there would be an expenditure of €36,000 to €40,000 in 2016, assuming that there would be either one Study Group meeting and one CGE meeting, or two CGE meetings, which was less likely. He noted that the costs for a Study Group meeting and a CGE meeting were roughly equivalent because a Study Group meeting entailed higher travel costs for experts whereas a CGE meeting entailed higher meeting costs attributable to the rental of facilities at the Food and Agriculture Organization. In addition to the €36,000 to €40,000 for that project, he stated that it had been hoped that, in 2015, there would be a meeting of the Committee on Emerging Markets to consider an initial draft of the Legislative Guide on Principles and Rules capable of enhancing trading in securities in emerging markets. He further stated that, unfortunately, the country that had originally agreed to host that meeting this year had cancelled it by withdrawing their agreement for budgetary reasons. He said that it was unlikely that an alternative venue for a meeting this year would be found and, as a result, that meeting would be shifted to 2016 and would require an estimated €15,000 to €20,000. He then noted that UNIDROIT would have to fund at least one meeting of the joint UNIDROIT-European Law Institute (ELI) project to develop model rules to implement the UNIDROIT-American Law Institute Principles of International Civil Procedure within the European context. He stated that the expected meetings thus far described accounted for an estimated €70,000. He further stated that the remaining estimated costs were linked to (1) a possible exploratory meeting, subject to the Governing Council's view, on a follow-up project in the area of private law and agricultural development to the Legal Guide on Contract Farming, which was nearly completed and (2) a planned meeting, in conjunction with the Governing Council, with the Advisory Council on the interpretation of the UN Convention for Contracts on the International Sale of Goods (CISG) for purposes of doing away with misunderstandings regarding the relationship between the CISG and the UNIDROIT Principles of International Commercial Contracts and stressing the complementary nature of the two instruments.

17. The *Chair*, seeing no further requests for the floors, proposed that the Finance Committee proceed with the proposal. *The Finance Committee took note of the Secretariat's first estimates of the draft Budget for 2016.*

**Item No. 3 on the agenda: First review of the Accounts of the financial year 2014
(F.C. (77) 3)**

18. The *Chair* drew the Committee's attention to the first review of the Accounts of the financial year 2014, the details of which were provided in document F.C. (77) 3. She then gave the floor to the Secretary-General to present the document.

19. The *Secretary-General* thanked the Chair and began by briefly describing the process by which UNIDROIT reviewed its financial accounts for the prior year. He stated that, in the past, the Finance Committee had held its spring meeting to consider the first estimates of the following year's budget without reviewing the accounts of the previous year. He further stated that he had encouraged the staff to close the accounts of the prior year before the spring meeting so that the Committee could understand how UNIDROIT performed before considering the first estimates for the following year.

20. Regarding the document, he noted that it began with the Auditor's Report, which reflected UNIDROIT's general funds and working capital. He stated that, for general funds, €89,390.42 had been carried over from the 2013 financial year because of savings arising from the timing of departures and hiring of staff. He then reminded the Committee that it had previously agreed to allocate these funds to urgent repairs to UNIDROIT's premises, installation of air conditioning, and

replacement of the switchboard and old office furniture. He stated that he would be able to provide further information on such expenditures very soon and noted that the balance of general funds at the close of the 2014 financial year was €36,557.82.

21. The Secretary-General explained that the document that had been transmitted to the members of the Committee contained a typographical error in the sections on receipts and expenditures. He further explained that it related to the estimated €15,000 for the tax reimbursement credit, which had not been included in certain figures in the receipts and expenditures as it should have been. He noted that the corrected document would be sent to the members of the Committee and that it would be available on UNIDROIT'S website as well.

22. Regarding the contributions of participating Governments, he noted that the Italian contribution for 2014 had arrived very late. Because the contribution arrived after 28 February 2015, when the Accounts for the 2014 financial year were closed, it was not reflected in the Accounts for that year. He noted, however, that the contribution had nevertheless arrived and that there was not, as a result, an inordinate shortfall of receipts for 2014.

23. The *Chair* thanked the Secretary-General for his explanations and opened the floor for comments and questions.

24. The *representative of Canada* thanked the Secretary-General for his efforts in preparing the Accounts. He expressed appreciation for the results achieved given the limited resources and budgetary constraints. He then inquired whether any of the member States that were in arrears had indicated that they would make the necessary payments soon.

25. The *Secretary-General* noted that a member State was only considered to be in arrears when it owed more than two years' worth of contributions, not including the current financial year. He noted that the only member State in that situation was the Islamic Republic of Iran and reminded the Committee of the reasons expressed by the representative of the Islamic Republic of Iran at previous meetings. He stated that other member States had amounts due for either 2013 or 2014, noting that, for example, Pakistan typically paid later than other member States because of its budget cycle. He also indicated that he had heard that Brazil's federal budget had been approved fairly late and that had created a backlog in payments to international organisations which would be resolved soon. He then noted that the Secretariat, as usual, would prepare a specific document on arrears for the Finance Committee's review at its fall meeting. Lastly, he stated that no surprises regarding arrears were expected that year.

26. *The Finance Committee thanked the Secretariat for providing the first review of the Accounts of receipts and expenditures for the 2014 financial year and noted that it would conduct its final review at its fall meeting.*

Item No. 4 on the agenda: Any other business

27. The *Chair* opened the floor for comments or questions regarding any other business.

28. The *representative of the United States of America* noted that it was his last meeting representing the United States and indicated that there would be a change in representation during the summer. He stated that some other representatives would also likely be changing before the Finance Committee's next meeting.

29. The *representative of Italy* noted that it was his last meeting as well and that, in referring to the changes regarding the Italian contribution that the Secretary-General had mentioned earlier, the General Directorate of Political Affairs would be responsible for that contribution going forward. He stated that these changes were positive developments and he thanked his colleagues on the Finance Committee for their cooperation over the last four years.

30. The *Chair* wished those who would be moving on all the best in their future endeavours and thanked them for their service to the Committee.

31. The *Secretary-General* reminded the Committee that following the conclusion of the meeting there would be a meeting of the informal working group on the review of the compensation and social security package offered to UNIDROIT staff.

32. The *Chair*, seeing no further requests for the floor, thanked the representatives for their participation and concluded the 77th session at 12:05pm.

ANNEXE**List of participants**

Ms Konstanze GEIGER	(Austria)
Mr André Souza MACHADO CORTEZ	(Brazil)
Mr Warren SENKOWSKI	(Canada)
Ms Amélie DURANTON	(France)
Mr Marco ACQUATICCI	(Germany)
Mr Fernando PALLINI ONETO DI SAN LORENZO	(Italy)
Ms Stefania COSTANZA	(Italy)
Ms Yukiko CONSTANTINESCU	(Japan)
Mr Benito JIMENEZ	(Mexico)
Mr LEE Je-Hyoung	(Republic of Korea)
Ms Alina POPESCU	(Romania)
Mr Evgeny EGOROV	(Russian Federation)
Mr Marcus ROTHEN	(Switzerland)
Mr Stetson SANDERS	(United States of America)

UNIDROIT Secretariat

Mr José Angelo ESTRELLA FARIA	(Secretary-General)
Ms Anna VENEZIANO	(Deputy Secretary-General)
Mr Neale BERGMAN	(Legal Officer)