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FINANCE COMMITTEE
78th session
Rome, 8 October 2015

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F.C. (78) 8
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REPORT

(prepared by the UNIDROIT Secretariat)

1. The 78th session of the Finance Committee was held at the seat of UNIDROIT in Rome on 8 October 2015 and commenced at 10:10am.

Item No. 1 on the agenda: Opening of the session

2. The *Secretary-General of UNIDROIT*, Mr José Angelo Estrella Faria, opened the session and welcomed the members of the Committee (for a complete list of participants, see Annex).

Item No. 2 on the agenda: Appointment of the Chairman of the Finance Committee (F.C. (78) 1)

3. The *Secretary-General* noted that the Committee needed to appoint a new Chair as Ms Alina Popescu, a representative of Romania who had ably led the Committee at prior sessions, would soon depart Rome. In line with UNIDROIT's established practice of appointing as Chair of the Finance Committee the most senior member of the Committee on the basis of the date of accreditation to the Government of Italy, he stated that the longest serving member of the Committee was Ms Amelie Duranton, a representative of France. Although she was unable to attend the session due to personal circumstances, she was willing to chair the Committee for the subsequent term and was represented at this session by Mr Jonathan Cordier. The *Secretary-General* proposed to the Committee that Ms Duranton be appointed as the new Chair of the Committee, with this session being chaired by Mr Cordier on behalf of Ms Duranton.

4. *The Committee agreed to this proposal, and Mr Cordier chaired the session on behalf of Ms Duranton.*

Item No. 3 on the agenda: Adoption of the agenda (F.C. (78) 1)

5. The *Chair* proposed adoption of the draft agenda to the Committee. *The agenda was adopted as proposed in document F.C. (78) 1.*

Item No. 4 on the agenda: Final modifications to the Budget and Accounts for the 2014 financial year (F.C. (78) 2 and Accounts 2014)

6. The *Chair* drew the Committee's attention to the final modifications to the Budget and Accounts for the 2014 financial year. He then gave the floor to the Secretary-General to present the document.

7. The *Secretary-General* thanked the Chair and stated that, overall, the document reflected a level of receipts that was inferior to what had earlier been estimated for that year by roughly €60,000. This diminution of receipts, however, was covered by the surplus that had been carried over from the previous year as agreed by the Finance Committee. Thus, the level of receipts, in the end, was not dramatically lower than what had been envisioned. The Secretary-General then noted that, in any event, certain savings had been made in various areas and that the cash account reflected a small surplus of roughly €36,000. In this regard, he recalled that the Committee, at its 77th session in April 2015, had authorised use of this surplus for repairs to maintain and improve the Institute's premises, which would be further described in connection with the next item on the agenda.

8. The *representative of Canada* inquired about the contributions of the Italian Government for 2014, noting that the document recorded on page 2 an estimate of €126,250 for the Italian Government's contribution but did not record an actual receipt for 2014.

9. The *Secretary-General* replied that the Italian Government had made its 2014 contribution at a point in time in 2015 after the accounts for the 2014 financial year had been closed, so that contribution would be reflected in the accounts for the 2015 financial year.

10. *There having been no further comments, the Chair concluded that the Committee recommended that the General Assembly approve the final modifications to the Budget and Accounts for the 2014 financial year.*

Item No. 5 on the agenda: Adjustments to the Budget for the 2015 financial year (F.C. (78) 3)

11. The *Chair* moved the committee to the next item on the agenda and gave the floor to the Secretary-General to present the document.

12. The *Secretary-General* stated that the document reflected, by the time of publication in September 2015, the receipts and expenditures made up until that time, as well as an estimate of receipts and expenditures for the remainder of the financial year. Regarding receipts, UNIDROIT had in the past made estimates on the basis of full receipt of all assessed contributions, as member States were obligated to make those contributions. He noted, however, that financial years were rarely closed with full payment of all such contributions. He further noted that the current level of arrears was higher than it typically was in the recent past and that it was anticipated that there might be a shortfall in receipts this year. He recognised, in this regard, that the Italian Government had already made its contribution in the first quarter of 2015 based on its new payment system, which provided for payment in that quarter and thereby helped the Institute with its financial planning. Referring to the document on arrears in contributions of member States that was to be discussed, he stated that some member States might not be in a position to meet their financial obligations to UNIDROIT this year and that, for this reason, the financial year might be closed with a shortfall of roughly €144,000 in receipts for assessed contributions.

13. Regarding expenditures, the Secretary-General stated that, to account for the estimated shortfall, savings of the same magnitude would be made. He further stated that, in the worst-case scenario that there would be a shortfall, member States which had dutifully paid their assessments would not be requested to provide supplementary funds and the Working Capital Fund would not be used to cover such a possible difference. He then pointed out various savings reflected in the document's explanatory notes to the adjusted expenditure. For Chapter 1, he highlighted roughly €37,000 in savings arising from (a) a grant by the European Commission to the European Law Institute (ELI) which had enabled ELI to cover costs for the development of European model procedural rules under the American Law Institute/UNIDROIT Principles of Transnational Civil Procedure that were previously to be covered by UNIDROIT for that joint project; and (b) the postponement of the fourth meeting of the Committee on Emerging Markets Issues, Follow-Up and Implementation as the offer to host such a meeting in 2015 had been withdrawn by a member State. For Chapter 2, he highlighted savings arising from (a) the anticipated retirement of one staff member in the last quarter of the year and (b) the secondment of one of UNIDROIT's staff members to the United Nations Educational, Scientific, and Cultural Organization (UNESCO), upon UNESCO's request, on a cost-reimbursement basis. He then pointed out, however, the higher expenditures for maintenance costs, which related to the prior surplus being used to maintain and improve the Institute's premises as authorised by the Finance Committee. Such maintenance and improvements included acquisition of a projector and retractable screen and monitors for the podium in the main meeting room in the Library, for which installation was underway, and new air conditioners, which had been installed during the summer and were less expensive than anticipated.

14. The *representative of Mexico* recognised the Secretariat's efforts in making the adjustments on an exceptional basis to keep the budget balanced, but expressed concern that the shortfall would be unsustainable in the long term. He requested the Secretariat to call upon all member States to make their assessed contributions.

15. *The Chair, seeing no further requests for the floor, concluded that the Committee recommended that the General Assembly approve the adjustments to the Budget and Accounts for the 2015 financial year.*

Item No. 6 on the agenda: Information on the extra-budgetary contributions received in 2015 and on their allocation to the activities and projects of the Institute (F.C. (78) 4)

16. The *Chair* introduced the next item on the agenda and gave the floor to the Secretary-General to present the document.

17. The *Secretary-General* drew the Committee's attention to the Annex of document F.C. (78) 4, which indicated the lines of work for which UNIDROIT had received extra-budgetary contributions, the source of those contributions, how much of them had been spent in this year, and how much of them had been carried over from previous years. He noted that the total receipts for this year was roughly at that the same level as what had been carried over from the previous year. He further noted that the level of contributions was slightly lower simply because the sizeable grant for the contract farming project had been both received and spent in 2014 and that only roughly €10,000 had been received this year as part of a new grant made by the International Fund for Agricultural Development to the Food and Agriculture Organization of the United Nations for promotional activities related to the Legal Guide on Contract Farming. He then stated that the rest of the contributions came from the usual sources, including from the Uniform Law Foundation which was to fund two studies regarding (a) the economic impact of legal harmonisation projects and (b) the functioning of secured transactions registries, both of which were closely linked to UNIDROIT's work.

He also recognised the contributions of various Italian law firms and thanked the President of the Institute, Mr Alberto Mazzoni, for his efforts in this regard as these funds were used to support the Scholarship Programme, purchase books and journals for the Library, and to organise promotional activities.

18. *Seeing no requests for the floor, the Chair acknowledged that the Finance Committee took note of the information on extra-budgetary contributions received by UNIDROIT in 2015 and requested that such information also be submitted to the General Assembly at its 74th session.*

**Item No. 7 on the agenda: Arrears in contributions of member States
(F.C. (78) 5)**

19. The *Chair* introduced the next item on the agenda, recognising its sensitivity as it related to arrears in contributions, and gave the floor to the Secretary-General to present the document.

20. The *Secretary-General* also recognised the sensitivity of this item and noted that the potential shortfall figure of €144,805.68 that had been discussed in connection with adjustments to the Budget for the 2015 financial year came from this document. He stated that the list of arrears in 2014 included some member States that had been in arrears for a certain number of years for reasons well known to the Committee and other member States that had occasionally appeared on the list. He pointed out that Nigeria had in the past accumulated arrears but then paid multiple years' worth of contributions at one time and that Pakistan had always made a payment, but it was typically delayed by one year. He further pointed out that the arrears of Romania and Saudi Arabia for 2014 likely related to exchange rate discrepancies. He then stated, however, that the fact that some member States which had not appeared on the list of arrears in the past were now on the list indicated that there was a risk of shortfall and a need to be prudent regarding expenditures. He further stated that the Secretariat continued to solicit payment of assessed contributions from member States and that, whenever a member State remained in arrears close to the time of the General Assembly's session, he would typically seek a meeting with the Ambassador of that member State to see what could be done to expedite payment in order to avoid having to present the document on arrears to the General Assembly with that particular State listed.

21. The *representative of Iran* expressed his desire to explain, similar to last year's meeting, the situation of the bank account of the Embassy of Iran in Italy.

22. He stated that, as distinguished colleagues were aware, the Islamic Republic of Iran was and is under unjust and unfair international sanctions. He stated that this was unfortunately a reason for which Iran could not pay its contribution during the last years. For the other reason, he attributed the responsibility to the host State because Italy had not helped and facilitated the Embassy of Iran in Rome to have at least one official bank account. Without this circumstance, the contribution fee would have been paid. He stated that he had talked about this problem last year, but unfortunately the Report of the Finance Committee for that session had not reflected perfectly what he said. He asked the Italian representative and the Italian Ministry of Foreign Affairs to help Iran because it could not pay. He said that the money was ready, but Iran could not pay for three years. He then thanked the Secretary-General for his help regarding payment of its contribution and explained that the Iranian Embassy had paid its contribution for prior years but that, suddenly after that payment, the bank account was closed. He further explained that it was a very dramatic story that Iran faced in Italy and that he wanted to emphasise again that Iran did not have similar problems in other countries, stating that Iran was hosted in other international organisations, such as those in Vienna and New York, where Iran was able to pay. He said that, unfortunately, in Italy, the Embassy of Iran in Rome had problems and that, when Iran had asked what it could do, the Italian Government replied that it could not be of assistance because all Italian banks were private

and independent. He further said that this was the main problem and asked the Secretary-General that his idea, response, and contribution be reflected in the Report for this session.

23. The *representative of Canada* stated that Canada supported any efforts by the Secretary-General to encourage member States in arrears to make every effort to pay their contributions. He then inquired whether Brazil's non-payment thus far in 2014 was a technical glitch, stating that it was hoped that such non-payment would not be a trend continuing into 2015.

24. The *representative of Brazil* stated that the Government of Brazil was reducing expenditures and implementing a strong fiscal effort in order to put Brazil's economy back on track. He noted that, as a result, Brazil was behind on payments to many international organisations. He confirmed the readiness of the Embassy of Brazil in Italy to consult with the Secretary-General on ways to approach the relevant authorities in the capital with a view to potentially accelerating payment.

25. *The Chair concluded that the Finance Committee had taken note of the comments concerning arrears in contributions of member States and invited the member States wishing to provide additional information on the status of payment of their contributions and the reasons for their being in arrears to submit such information for consideration by the General Assembly at its 74th session.*

Item No. 8 on the agenda: Draft Budget 2016 and observations submitted by member States (F.C. (78) 6)

26. The *Chair* introduced the next item on the agenda regarding the draft Budget for the 2016 financial year and gave the floor to the Secretary-General.

27. The *Secretary-General* drew the Committee's attention to the explanatory notes in the document, which provided information regarding the purpose of expenditure and any variations compared to the previous year's Budget. He stated that the Budget substantially reflected what the Finance Committee had approved at its last session. He further stated that the draft Budget had been submitted to the Governing Council, which took note of it and did not have any comments, and that, after that, the Secretariat had not received any comments from member States. He suggested that the lack of comments might be the result of the Budget's marginal increase of expenditure of €189.40, which was not a sum that would raise eyebrows in capitals.

28. The *representative of Canada* thanked the Secretary-General for preparing the Budget and for doing so with very little or zero nominal growth. He then recalled Canada's support for international organisations' maintenance of a zero nominal growth policy, and emphasised that UNIDROIT should establish the projects and priorities within its financial constraints. He further stated that UNIDROIT's Work Programme for the coming year was realistic and that Canada looked forward to setting the Programme and priorities for the next three years.

29. *Seeing no further requests for the floor, the Chair concluded that the Finance Committee recommended that the General Assembly adopt the draft Budget for the 2016 financial year.*

Item No. 9 on the agenda: Review of the compensation and social security package offered to UNIDROIT staff (F.C. (78) 7)

30. The *Chair* moved the Committee to the next item on the agenda and gave the floor to the Secretary-General.

31. The *Secretary-General* stated that this item was the most difficult one on the Finance Committee's agenda and that the document provided an update on what had happened since the last meeting of the informal working group which was considering this review. He further stated that progress had been delayed by the fact that the United Nations, the main comparator organisation as envisioned by the informal working group, was still conducting its compensation review and thus a comparison could not yet be made. He noted that the Secretariat did not have concrete information from the International Civil Service Commission (ICSC), which was responsible for the UN common system compensation review, as to when exactly the ICSC would submit its final report to the UN General Assembly, but he speculated that such submission might not occur until next year. He further noted that the Secretariat had approached potential providers of alternative health and pension schemes to obtain quotations and that the Secretariat would be meeting with a representative of the International Service for Remunerations and Pensions (ISRP), which worked with the Co-Ordinated Organisations and had earlier provided a pension proposal about which the Finance Committee had expressed some scepticism, in order to clarify and possibly improve that proposal. The *Secretary-General* suggested that the informal working group be reconvened as soon as there was sufficient information available to permit the group to proceed. He encouraged the members of the Finance Committee to establish contact with their respective capitals on this review to ensure that adequate input was received and to enable deliberations to proceed in due course.

32. *With no further requests for the floor, the Finance Committee took note of the update on the review of the compensation and social security package offered to UNIDROIT staff.*

Item No. 10 on the agenda: Any other business

33. The *Chair* brought the group to the final agenda item regarding any other business and opened the floor for comments.

34. The *Secretary-General* reminded the members of the planned celebration of UNIDROIT's 90th anniversary on 20 April 2016. He stated that an event was being organised to convey to Ambassadors and other high-ranking officials how UNIDROIT's work fit within the overall architecture of international law and the policy goals of other international organisations. In this regard, he noted that representatives of organisations that had traditionally collaborated with UNIDROIT were being invited, such as the International Civil Aviation Organization (ICAO), the Organisation for Economic Co-Operation and Development (OECD), the Intergovernmental Organisation for International Carriage by Rail (OTIF), the United Nations Commission on International Trade Law (UNCITRAL), and the Hague Conference on Private International Law (HCCH), to participate in this one-day event that would have presentations on assorted topics. He further noted that UNIDROIT would be honoured if Ambassadors would reserve their time and kindly accept the invitation to the event, which would be a high-level session of the General Assembly. He emphasised his hope that the host country would also honour UNIDROIT by having high-level representation at that event, given not only the significance of the seat in Rome but also the very important role played by Italy in both the founding of UNIDROIT in 1926 and in rescuing UNIDROIT from the demise of the League of Nations in 1940.

35. The *Chair*, seeing no further requests for the floor, thanked the representatives for their efficient work and concluded the 78th session at 10:50am.

ANNEX**List of participants**

Ms Konstanze GEIGER	(Austria)
Mr André Souza MACHADO CORTEZ	(Brazil)
Mr Warren SENKOWSKI	(Canada)
Mr YI Qiuchen	(People's Republic of China)
Mr Jonathan CORDIER	(France)
Mr Marco ACQUATICCI	(Germany)
Mr Korosh JAFARI	(Iran)
Ms Catherine FLUMIANI	(Italy)
Ms Yukiko CONSTANTINESCU	(Japan)
Mr Benito JIMENEZ	(Mexico)
Ms BAIK Seonghee	(Republic of Korea)
Mr Juan Claudio de RAMÓN	(Spain)
Mr Marcus ROTHEN	(Switzerland)
Ms Daleya UDDIN	(United States of America)

UNIDROIT Secretariat

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