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**FINANCE COMMITTEE**  
**62<sup>nd</sup> session**  
**Rome, 4 October 2007**

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**Report**

(prepared by the UNIDROIT Secretariat)

<i>Summary</i>	<i>Report on the proceedings of the 62<sup>nd</sup> 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>AG/Comm. Finances (62) 2, 3, 4, 5, 5/inf; Accounts 2006</i>

1. The 62<sup>nd</sup> session of the Finance Committee was held at the seat of UNIDROIT in Rome on 4 October 2007. Mr Kent Vachon, representative of Canada, chaired the session. The *Chairman* opened the session at 10.15 a.m. and welcomed all the participants (a list of whom is reproduced in Appendix I hereto).

**Item No. 1 on the draft Agenda: Adoption of the agenda** (AG/Comm. Finances (62) 1)

2. The draft agenda was adopted as proposed. It is reproduced in Appendix II hereto. The *Chairman* gave the floor to the Secretary-General.

3. The *Secretary-General* welcomed the participants. He illustrated some developments concerning the Institute's activities:

- At its 4<sup>th</sup> session, the Committee of Governmental experts considered that the text of the *draft Convention on Substantive Rules regarding Intermediated Securities* was well advanced; the consultation process of the Governing Council was underway, and the Swiss Government had accepted to host the Diplomatic Conference for the adoption of the draft Convention;
- In May the first session of the Committee of Governmental experts for the adoption of a Model Law on Leasing was held in Johannesburg (Africa), with a wide participation of African and Middle East countries;
- In November a conference on the harmonisation of OHADA Contracts Law would take place in Ouagadougou (Burkina Faso); the organisation of this conference, which was connected with the technical cooperation offered by the Institute to OHADA in the drafting of a uniform Act on Contracts Law, had been generously funded by the Government of Switzerland, the Government of Luxembourg and the Uniform Law Foundations;
- The Uniform Law Review had been revised with a reduction of its costs.

4. The *Secretary-General* noted that the *ad hoc* Committee for the revision of the Institute's Regulations had met on the occasion of the last session of the Governing Council; among the proposals of amendment under discussion, that concerning article 31 of the Regulations should be approved as soon as possible so as to implement it as from 2008. As this amendment concerned the budgetary procedure of the Institute, the Secretariat considered it appropriate to inform the members of the Finance Committee. To this effect, the proposed new text of article 31 was distributed to the members of the Committee. The Secretary-General asked the Chairman to illustrate the proposal.

5. The *Chairman* indicated that the proposed change to the Regulations, suggested jointly with the Secretary General, would permit the Finance Committee to meet before the Governing Council and to give an opinion on the general parameters of the draft budget for the financial year at the beginning of the procedure of adoption. This was consistent with prior discussions of the Committee and the General Assembly of the governance problem created by the current rule, under which Member States were only formally engaged late in the year, after the Governing Council had adopted the draft budget and a programme of work based on it. He indicated that the current situation had, in the past year, left the Secretary General caught between the Governing Council and Member States who were not prepared to see such a large increase in the budget, and that the Secretariat had had little time to react between the Committee's meeting and the General Assembly. Under the new system, the Governing Council would be able to set priorities within a general budgetary framework formally reviewed by the Member States' Finance Committee.

6. The *representative of Austria* indicated her preliminary reaction that the time given to the Governments for examining this proposal was not adequate; she added that she had the impression, at a first glance, that the procedure for the adoption of the budget would become very heavy.

7. The *Chairman* justified the time pressure for the adoption of this proposal with the concern of not losing a year before its implementation.

8. The *representative of the United States of America* communicated his agreement with this proposal. He suggested posting all the documents on the web site in order to allow the member States to follow the budgetary procedure.

9. The *representative of Mexico* and the *representative of Italy* asked for more precision on the procedure for the presentation of proposals of amendment. The *representative of Italy* added that the time for consulting the Governments was, in his view, very short.

10. The *Chairman* explained that he had discussed the governance problem with the Governing Council and its *ad hoc* Committee, and that the *ad hoc* Committee had formulated the proposed solution under discussion. The text of the proposed regulation change had been drafted by the Secretariat and the Chairman had agreed that it reflected the conclusions of the *ad hoc* Committee discussion. It was now before the Committee and would soon be presented to all Member States, and all would have the opportunity to put forward amendments. He added that he did not consider the time insufficient because the question was not controversial and met the needs of Member States who had long been wanting more say in the Organization's budgeting process.

11. The *Chairman* and the *Secretary-General* offered some more explanation concerning the procedure for the adoption of the amendment, stressing that it was only a change to the Regulations and not to the Statute. The President of the General Assembly would send the proposal to all the Governments.

**Item No. 2 on the Agenda: Final modifications to the Budget, and approval of the Accounts for the 2006 financial year** (AG/Comm. Finances (62) 2 and Accounts 2006)

12. The *Deputy Secretary-General* illustrated the document AG/Comm. Finances (62) 2, concerning the 2006 Accounts, verified and sent to the Governments for their observations. She recalled that the General Assembly had approved some adjustments to the 2006 budget; the Accounts did not present modifications in respect to the budget adjusted accordingly. The Accounts showed a surplus of € 52,599.52, due essentially to the important surplus registered in 2005 and carried forward to 2006. The Finance Committee was required to give an opinion that would be transmitted to the General Assembly which would give final approval to the Accounts.

13. The *Chairman* asked if there were observations on this point. Some members of the Committee asked for explanations, which were given by the Deputy Secretary-General, who affirmed that, following some very pertinent observations, she considered it appropriate to modify the presentation of the document concerning the approval of the Accounts, with a view to rendering it more readable, and that she would proceed in that direction when drafting the documents for the 61<sup>st</sup> session of the General Assembly.

14. No further comments being forthcoming, *the Committee formulated the opinion that the General Assembly approve the Accounts of the 2006 financial year.*

**Item No. 3 on the Agenda: Adjustments to the Budget for the 2006 financial year** (AG/Comm. Finances (62) 3)

15. The *Deputy Secretary-General* illustrated the document AG/Comm. Finances (62) 3, which indicated that no adjustments to the budget for the current financial year were deemed necessary.

16. *The Committee took note.*

**Item No. 4 on the Agenda: Arrears in contributions of member States** (AG/Comm. Finances (62) 4)

17. The *Deputy Secretary-General* illustrated the state of arrears of the member States; regarding the document appended to document AG/Comm. Finances (62) 4), it had to be noted that Iran had paid its arrears and that Tunisia communicated that the small sum outstanding would be paid together with the 2008 contribution. She informed the Committee of the ongoing contacts with the defaulting States. She underlined that the Embassy of Bolivia in Italy had contacted the Secretariat on this matter.

18. The *representative of Mexico* indicated that all the member States with arrears pertained to a region which had structural problems, and that the Institute should study ways to face these problems.

19. The *Secretary-General* informed the members of the Committee that the President of the General Assembly had contacted the Government of Bolivia.

20. The *Chairman* recalled that the General Assembly had adopted a series of progressive sanctions to be applied in the case of arrears, and that the objective was not to punish, but to provide incentive to States to play their full role in the Organization, including the exercise of their vote.

21. The *representative of the United Kingdom* indicated the satisfaction of its Government for the recovery of part of the arrears and recalled the question of the sanctions to be taken for the defaulting States.

22. The *Secretary-General* indicated that the flexibility left to the Secretariat on this issue permitted interventions adjusted to the different situations with some pragmatism.

23. The *representative of Italy* thanked the Secretariat for the efforts undertaken and congratulated for the results obtained with that flexibility and that pragmatism.

24. The *Deputy Secretary-General* informed the Committee that the Secretariat would continue its contacts with all the Governments showing arrears.

25. *It was so noted.*

#### **Item No. 5 on the Agenda: Implementation and up-date of the Strategic Plan**

26. The *Secretary-General* at the opening of the session of the Finance Committee had given a summary of the ongoing activities and of the advancement of the implementation of the Strategic Plan. He thus indicated that a document devoted to these issues would be presented to the next session of the General Assembly, which would be the last before the adoption of a new work programme.

27. *It was so noted.*

#### **Item No. 6 on the Agenda: Approval of the draft Budget 2008 and fixing of the contributions of member States for that financial year (AG/Comm. Finances (62) 5)**

28. The *Deputy Secretary-General* illustrated the document AG/Comm. Finances (62) 5, presenting the draft budget 2008 and fixing the contributions of the member States other than Italy. She recalled that during the procedure of adoption, the draft budget was amended for taking into account the extra-statutory contribution of £ 50,000 offered by the Government of the United Kingdom, that the Secretariat wished to thank for its generosity. She informed the members of the Finance Committee that the Secretariat had received the observations of the Government of Japan, which approved the 2008 draft budget and underlined the need for exercising the greatest budgetary discipline. The Secretariat, which wanted to thank the Government of Japan for its interest, gave assurances that it would make every effort to follow this indication.

29. The 2008 draft budget contained an increase of the contributions of the member States other than Italy of 0.296%. In comparison with the 2007 budget, the 2008 draft budget showed an increase of the receipts coming from the Foundations, which funded the Institute's activities in two ways: with a direct participation to the budget and with the funding of some projects and activities as indicated in the document AG/Comm. Finances (62) 5/inf, which illustrated the extra-budgetary receipts and expenditure.

30. The *representative of the United Kingdom* indicated that her Government could accept the proposed increases. She asked some explanations on Article 5 of Chapter 7.

31. The *Deputy Secretary-General* explained that that Article covered all the equipment of the offices, including furniture, accessories, as well as computers, printers, software etc. Some adjustments among the Articles of Chapter 7 could be made to allow ameliorations of the premises having regard to the standards of safety in work.

32. The *representative of Switzerland* indicated that the additional documents went in the direction of greater transparency, and that her Government wished that these documents were not optional but that they should be considered compulsory. An accounting document showing all the extra-budgetary contributions made during the year would be useful in order to attain a greater transparency.

33. The *Deputy Secretary-General* drew the attention to the fact that almost all the receipts and the expenditure were included in the regular budget, in particular all the expenditure for the staff. She asked if the document illustrating extra-budgetary receipts and expenditure should indicate the sums in connection with the projects and activities as it was made for the document "inf".

34. The *representative of the United Kingdom* indicated that this presentation was satisfactory but that it could be more detailed especially for what concerned the time devoted by the members of the staff to every project and activity.

35. The *Deputy Secretary-General* indicated that details concerning the staff were contained in the document which illustrated the Strategic Plan. She thus informed the members of the Finance Committee that the Institute had adopted in the current year internal documents devoted to each project and activity containing detailed information, of which the documents "inf" were a synthesis. The *Deputy Secretary-General* thanked the members of the Committee for their suggestions, which would help her in drafting improved documentation. She indicated that she would integrate the content of the documents indicated as "inf" in the documents for the 61<sup>st</sup> session of the General Assembly.

36. The *representative of Italy* indicated that also in 2007, as was done in 2006, Italy had been able to maintain - with a slight reduction - the voluntary increase of its contribution, amounting to € 265,000, and this notwithstanding the budgetary restrictions suffered by the Ministry of Foreign Affairs. He underlined the support of the host Government towards the Institute.

37. The Chairman, as *representative of Canada*, affirmed, supporting the representative of Switzerland, that he was satisfied with the new documents and the internal documents that the Deputy Secretary-General had illustrated.

38. The *Chairman* concluded that there was a consensus on the proposal of the representative of Switzerland.

39. No further comments being forthcoming, *the Finance Committee recommended to the General Assembly the adoption of the 2008 draft budget and expressed its wish that a document presenting at the end of the year the extra-budgetary receipts and expenditure be included in the accounts of every financial year.*

#### **Item No. 7 on the Agenda: Any other business**

40. The *Chairman* informed the members of the Committee that he would assume a different position at the Embassy of Canada and that, accordingly, this was his last participation to the Finance Committee. He noted that important improvements concerning transparency of budgetary documents had been made over recent meetings.

41. No further interventions being forthcoming, the Chairman closed the session at 12.15.

**APPENDIX I****LIST of PARTICIPANTS****Members:**

Ms Ingrid Pech	(Austria)
Mr Kent VACHON ( <i>Chairman</i> )	(Canada)
Mr Susanne HOCK	(Germany)
Mr Gholamreza NAJJARI	(Iran)
Mr Nicola TODARO MARESCOTTI	(Italy)
Ms Mariko SHIKAKURA	(Japan)
Mr Diego Alonso SIMANCAS GUTIÉRREZ	(Mexico)
Mr Evgeny TYUSIN	(Russian Federation)
Ms Manuela LEIMBURGER	(Switzerland)
Ms Lynne MCGREGOR	(United Kingdom)
Mr Leslie DEGRAFFENRIED	(United States of America)

**UNIDROIT SECRETARIAT:**

Mr Herbert KRONKE	(Secretary-General)
Ms Alessandra ZANOBETTI	(Deputy Secretary-General)

**APPENDIX II****AGENDA**

1. Adoption of the agenda (AG/Comm. Finances (62) 1)
2. Final modifications to the Budget, and approval of the Accounts for the 2006 financial year (AG/Comm. Finances (62) 2 and Accounts 2006)
3. Adjustments to the Budget for the 2007 financial year (AG/Comm. Finances (62) 3)
4. Arrears in contributions of member States (AG/Comm. Finances (62) 4)
5. Implementation and up-date of the Strategic Plan
6. Approval of the draft Budget 2008 and fixing of the contributions of member States for that financial year (AG/Comm. Finances (62) 5)
7. Any other business.