



**FINANCE COMMITTEE**  
**67<sup>th</sup> session**  
**Rome, 25 March 2010**

UNIDROIT 2010  
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### Report

(prepared by the UNIDROIT Secretariat)

<i>Summary</i>	<i>For information of the members of the Finance Committee</i>
<i>Action to be taken</i>	<i>None</i>
<i>Related documents</i>	<i>None</i>

1. The 67<sup>th</sup> session of the Finance Committee took place at the headquarters of UNIDROIT in Rome, on 25 March 2010, starting at 10.20 a.m. The *Chairperson* welcomed the participants, who included Ms Sandby-Thomas and Mr Jorge Sanchez Cordero, members of the Permanent Committee (see Appendix I for a complete list of participants), and thanked them for their presence.

2. *Ms Sandby-Thomas* indicated that the Permanent Committee is a sub-Committee of the Governing Council, whose principal task consists in staff matters, both on the structural plan as well as for individual issues. She explained that the Permanent Committee had undertaken a revision of many aspects of the staffing structure and management of the Secretariat, looking at the future and taking into account the financial implications. During its 111<sup>th</sup> session, which had taken place the previous day, the Committee had started a review aimed at identifying possible changes in the structure of the Organization with a view to rendering it more efficient and taking into account all financial implications; the Committee had conducted interviews with seven members of the staff, whose loyalty to UNIDROIT deserved special attention and had to be respected, and she indicated that all changes would require time.

3. The *Secretary-General* emphasized the importance for any institution to carry on a periodical revision of the working methods. The revision undertaken by the Permanent Committee would lead to concrete and detailed proposals, and several options would be put before the organs of the Institute. He underlined that the rejuvenation of the staff and the revitalisation of the working methods, which he had discussed also with the Deputy Secretary-General, would require various measures to be implemented over time.

#### **Item No. 1 on the agenda: Adoption of the draft agenda (F.C. (65) 1 rev.)**

4. The *Chairperson* proposed that the Committee adopt the draft agenda (reproduced in Appendix II). *The Committee agreed to this proposal.*

**Item No. 2 on the agenda: Consideration of the Secretariat's first estimates for the draft budget for 2011 (F.C. (67) 2)**

5. The *Deputy Secretary-General* presented the first estimates for the draft budget, as illustrated in doc. F.C. (67) 2.

She indicated that these first estimates showed no increases in expenditure for 2011. As to the Chapters on salaries and social charges, some staff re-organisation would offset the increases built into staff contracts and the Regulations.

Turning to receipts, the Deputy Secretary-General pointed out that, taking into account the fact that the extra-statutory contribution of the Government of the United Kingdom, which had been generously repeated for five years, would not be maintained, the Secretariat, in order to meet the proposed expenditure, proposed an increase of 2.2% of the unit of contribution for member States other than Italy. She recalled that in the previous year the unit of contribution had not increased and accordingly not even the inflation rate had been recuperated.

6. The *Secretary-General* added that most of the expenditure was allocated to fixed costs (e.g. salaries, social security charges, building maintenance, stationery) and all efforts of the Secretariat for making savings would entail a modification of the structure of these fixed costs, which required more in depth measures to be identified via the type of thorough review that the Permanent Committee had started.

7. *Mr Sanchez-Cordero* reassured the Finance Committee that the Governing Council and the Permanent Committee had the maximum respect for the resources invested in UNIDROIT by the members States; he indicated that additional efforts would be spent in promoting the importance for all member States of the work undertaken by UNIDROIT.

8. The *representative of Canada* indicated the importance for the Organisation of being able to count on financial aspects in a timely manner, and stressed the importance of knowing in advance the amount of the host State contribution, although he was aware of the potential practical difficulties. As for the contributions of member States other than Italy, the Government of Canada could not support the proposed increase, firstly because Canada had a policy of zero nominal budget growth in all Organisations; secondly because before discussing the budget it was important to discuss the work programme within the Governing Council; thirdly because before discussing increases in the unit of contribution, his Government considered that the issue of reclassification should be discussed; and lastly, Canada believed that it was important to carry on a functional and financial review of the Institute, its structures and methods of work.

9. The *representative of Italy*, in reply to Canada's observation, indicated that he was making every effort with his Government towards maintaining the Italian contribution for 2010 round the same level as 2009, but that, due to the Italian budgetary procedures – as it had already been explained during the past sessions of the Finance Committee and was also illustrated in doc. F.C.(67)3 in a very clear manner - it would be possible to know the exact amount of the Italian contribution for 2010 only in the second half of the year, and that, therefore, it was impossible to predict the exact amount of the 2011 contribution. He had, however, taken note of Canada's comment and would report it back to his Government. He recalled that the Italian contribution, notwithstanding the cut effected in 2009, was still the highest; this, together with the allocation of the premises, was proof of the strong commitment of the host Government towards UNIDROIT, which was also confirmed by the works undertaken in the Library. The Italian Government might also explore the possibility of making further extra-budgetary contributions for the Library and for the scholarships programme.

10. The *representative of Germany* pointed out that her Government would have problems in accepting the increase in the unit of contribution and asked if it would be possible to avoid that increase.

11. The *Secretary-General* expressed the opinion that he was not in a position to responsibly indicate any possible cut in the expenditure.

He indicated that he had received the previous day a letter from the Government of the United Kingdom, expressing that Government's views on a number of questions on the Agenda. He read the letter (which is annexed to this Report as Appendix III) to the members of the Committee.

12. The *representative of France* recalled that in her country the responsibility for following up UNIDROIT matters had been placed under the financial responsibility of the Ministry of Justice, which had a very small budget; in spite of the interest that France took in UNIDROIT's work, it was to be predicted that they would not be in a position to support even a very small increase.

13. The *representative of the United States* affirmed that, despite the principle of zero nominal budget growth, supported by his Government in all international organizations, he would recommend his Government to sustain the proposed increase in view of the importance of the activities of the Organisation. He thanked the members of the Permanent Committee for their attendance, and underlined that a greater involvement of the member States in the activities of the Governing Council would be important for UNIDROIT.

14. The *representative of Austria* pointed out that it was important to take into consideration the long-term sustainability of UNIDROIT; although budgetary restraints caused the Austrian Government to discourage all increases in international organisations, it could however accept a small increase as the one proposed in the first estimates.

15. The *representative of the Russian Federation* indicated that the proposed increase could be accepted by his Government. On that respect, he underlined that the proposal made by Germany was important and should be maintained, and he also added that the relationship between the host Government and UNIDROIT should be better clarified.

16. The *representative of Italy*, in replying to the issue raised by the representative of the Russian Federation, recalled that the relationship between the host Government and UNIDROIT was based on the Headquarters Agreement, and reiterated that the relationship was also very clearly illustrated in doc. F.C. (67)3. Although it was of course possible to ameliorate any situation, he recalled on that respect the intervention made by the representative of Italy on the occasion of the 65<sup>th</sup> session of the General Assembly.

17. The *representative of the Russian Federation* offered a clarification on his previous intervention.

18. The *Chairperson*, with no other comments being forthcoming, announced that the Committee would draft a recommendation for submission to the Governing Council, and summarized the main points that had been discussed and which would form the basis for the recommendation; she proposed to circulate a draft text to this effect to the Committee members via e-mail, asking for their comments; the opinion would subsequently be transmitted to the Secretariat for inclusion in the Governing Council documents. *She concluded item No. 2 on the agenda by recalling that once the information and consultation procedures were complete, the Committee would be able to express its opinion.*

19. **Note of the Secretariat:** In the days following the Committee session, the Chairperson carried out this consultation procedure with the Committee members, and upon its completion drafted the recommendation of the Finance Committee, to be transmitted to the Governing Council, as follows:

*"The Finance Committee had a thorough discussion of the Draft 2011 Budget which had been prepared by the Secretariat. It appreciates the efforts of the Secretariat to arrive at a zero growth of the expenditure for 2011. This notwithstanding, the Committee expresses its concern for the risk of an increase in the contributions of member States, considering the difficult economic situation at*

*global level, and recommends that yet further possibilities for savings be examined. To this end, the Committee would wish the Governing Council to take the resources of UNIDROIT into consideration when next it discusses the Work Programme and the possible new projects."*

**Item No. 3 on the Agenda: Information on the contributions Chart of the Institute (F.C. (67) 3)**

20. The *Secretary-General*, in introducing this item, pointed out that the document F.C.(67)3 described the history of the contributions Chart of the organization and was aimed at offering information on that issue to the members of the Committee, and that no action was required at that point on time.

21. The *representative of Canada* indicated that his Government would favour a strict application of the contributions Chart rather than a negotiated approach to reclassification (i.e. the Secretariat approaching the individual States and asking if they would agree to be reclassified into a higher level) as this would ensure greater consistency and transparency as regards the Secretariat's role, and greater fairness between Member States.

22. The *Secretary-General* underlined that, according to the practice of UNIDROIT, the reclassification of a member State in a higher category was possible only with the consent of the concerned member States; this would require a phase of individual negotiations with the concerned member States. He underlined that he considered important that the organs of the Institute first assess the financial needs of the Organisation, and then consider the issue of reclassification.

23. *The Chairperson concluded the Agenda item by indicating that the Finance Committee had taken note of the document submitted by the Secretariat.*

**Item No. 4 on the Agenda: First review of the Accounts of the financial year 2009**

24. The *Deputy Secretary-General* indicated that the Secretariat had circulated the Accounts among the members of the Finance Committee for their information. The Accounts would be sent to the Governments of the member States, together with the draft Budget, and would be laid down before the Finance Committee at its 68<sup>th</sup> session, to be held at the end of September/beginning of October 2010.

25. The *Secretary-General* recalled that in the financial year 2008, thanks to the recovery of arrears, UNIDROIT had accumulated an important surplus which was reported to the following year. He also recalled that the Italian Government had renovated one of the reading rooms of the Library, that could now be used also as a meeting room, and that needed to be furnished with tables, chairs and curtains. The Secretariat, with the help of the President, was seeking donors for buying that furniture; in the event that these donations were insufficient, the Secretary-General asked the agreement of the Finance Committee for allocating the remaining part of that surplus, i.e. € 28,000, to the furnishing of the room.

26. The *representative of the United States of America* and the *representative of Germany* indicated their agreement with that proposal.

27. *The Chairperson concluded the Agenda item by indicating that the Finance Committee had taken note of the Accounts and that it had agreed with the proposal of the Secretary-General of allocating part of the surplus of the financial year 2008 for the furnishing of the meeting room renovated by the Italian Government in the ground floor of the Villa Aldobrandini.*

**Item no. 5 on the Agenda: Possible scope, purpose and financing of a study on functional and financial review of the Organisation, its structures and working methods**

28. The *representative of Canada* recalled that at the 65<sup>th</sup> session of the General Assembly in December 2009 Canada had proposed a functional and financial review of UNIDROIT, in order to have a better idea of the financial issues of the Organisation which would help in indicating priorities. His Government believed that an external review would offer more persuasive arguments when discussing possible increases in the contributions at the domestic level. Such a review would require funding through extra-budgetary contributions; the Government of Canada was ready to contribute in kind to this project (i.e. with translations), but could not offer transfer of funds, that could perhaps be offered by other member States. In the absence of such funding, an alternative solution should be considered. His Government considered that such a review must flow not only from the Institute's financial or budgetary situation, but also from its strategic planning. He suggested that this matter would be referred to the Governing Council to determine how the review should proceed.

29. The *Secretary-General* recalled that in its letter the Government of the United Kingdom had indicated its strong support to that review, that ideally should be conducted by an independent institution; in the absence of funding, the Government of the United Kingdom suggested the setting up of a small working group to conduct such a review, that should make clear recommendations on financial sustainability, and also take into consideration the issue of the host Government contribution.

30. The *Chairperson, in her capacity as representative of Switzerland*, indicated that her Government welcomed the Canadian proposal and was ready to contribute to partly funding the external review.

31. The *representative of Italy* underlined that the aspects of this review were not completely clear and that there were some differences between the position expressed by the representative of Canada and the one illustrated in the letter sent on behalf of the Government of the United Kingdom. The said letter had not been circulated in advance and therefore he was not in a position to express an opinion and reserved it after further consultation with his Government. He underlined once again that the relationship between UNIDROIT and the Host Government was regulated by the existing Agreements, that it was very clear and that it did not need further examination from the Italian side

32. The *Secretary-General* asked the representative of Canada to clarify the position of his Government, and in particular to specify if, in spite of its preference for an external review, it would be ready to accept an internal review. He recalled that a similar exercise had been conducted at the Hague Conference, whose outcome was recorded in the official document of the Conference that had been distributed to the members of the Committee. He advanced a different proposal: first, that the Organisation should establish its new strategic plan, and then the review could assess which resources were needed for carrying it out. He considered that that review should be conducted internally. An external consultancy could be useful as an additional tool, for instance, for the purpose of estimating cost implications of various policy alternatives.

For this reason, the Secretariat saw this proposal as distinct from the proposal formulated by the Government of the United Kingdom in relation to the Italian Government contribution.

33. The *Chairperson* suggested that perhaps the Committee could create a sub-committee which could be tasked of examining two aspects: 1) who should undertake the review; 2) what should be the object of the review.

34. The *representative of Italy* underlined that the Finance Committee could make proposals for a "financial" review, but that a review which touched also "functional" aspects fell outside the

competence of the Committee; the decision on that kind of review should be taken by the General Assembly or, even better, by the Governing Council, which is an independent organ. In his view it was thus premature to create a sub-committee.

35. The *representative of Canada*, in reply to the request of clarification formulated by the Secretary-General, indicated that his Government would prefer an external review; he agreed in all points with the Secretary-General, and suggested that the question be discussed by the Governing Council which could perhaps mandate some tasks to the Finance Committee.

36. The *Secretary-General* reiterated his opinion that this matter should be considered by the Governing Council in examining the Strategic Plan.

37. The *representative of Italy* pointed out that - as a matter of fact and according to the remit of the Finance Committee - the proposed review fell beyond the competence of the Finance Committee.

38. The *representative of Canada* indicated that also in the opinion of his Government the scope of this review went beyond the competence of the Finance Committee and that the matter should be submitted to the Governing Council.

39. The *representative of Austria* signified that her Government was not ready to contribute to the funding of the review; only the Government of Switzerland had offered to contribute to funding it, and Canada was ready to contribute in kind. Accordingly, the financial aspects connected with the proposed review should be mentioned in the conclusions of the Committee on this agenda item.

40. *The Chairperson concluded the Agenda item by indicating that the Finance Committee had taken note of the proposals put forward by the Government of Canada and by the Government of the United Kingdom; Canada had indicated its willingness to contribute in kind, and Switzerland had offered some funding for undertaking that Review; the Committee had agreed that the scope of this review went beyond its competence, and that the matter could be taken up by the Governing Council, if it so chose.*

#### **Item no. 6 of the Agenda: Amendments to the UNIDROIT Regulations on financial matters: Proposal by Germany (F.C. (67) 4)**

41. The *representative of Germany* illustrated the proposal put forward by her Government of reformulating the financial aspects of the Regulations of the Institute (doc. F.C.(67)4). The proposal aimed at putting in writing and making compulsory the practice of UNIDROIT in respect of financial matters; her Government had sent a draft of the proposal to the Secretary-General, who had suggested that the document be presented to the Finance Committee.

42. The *representative of Italy* indicated that he would favour a procedure which saw a direct involvement of the Secretariat, and he reserved the position of his Government on the content of the proposal.

43. The *representative of Canada* thanked the representative of Germany for the proposal, and underlined that also this aspect could be taken into account by the Governing Council at the occasion of the discussion on the review suggested by his Government.

44. The *representative of Italy* and the *representative of the Russian Federation* supported the Canadian opinion.

45. The *representative of Germany* stressed that her Government was concerned with the content of the proposed amendments, and not with the procedure, and accordingly supported the proposal formulated by the representative of Canada.

46. *The Chairperson, in concluding the Agenda item, indicated that the Committee had taken note of the proposal submitted by the Government of Canada; the Committee had agreed that the*

*matter should be reported to the Governing Council, and invited the Secretary-General to formulate his opinion on the proposal.*

**Item No. 7 on the agenda: Any other business**

47. The *representative of Italy* informed the members of the Committee that he would be leaving Rome soon for a new post, and took the occasion for thanking the members of the Committee and the Secretariat for their collaboration in the handling of the Committee.

48. The *Chairperson*, on behalf of the Committee, formulated the best greetings to the representative of Italy.

49. *There being no further business, the Chairperson closed the meeting at 12.50 p.m.*

## APPENDIX I

## LIST OF PARTICIPANTS

Ms Katharina WIESER	(Austria)
Mr Craig WEICHEL	(Canada)
Ms Françoise TRAVAILLOT	(France)
Ms Simone MAASSEN-KRUPKE	(Germany)
Mrs Johanna GÜNTHER	
Mr Rahmatollah AZADEH	(Iran)
Mr Nicola TODARO MARESCOTTI	(Italy)
Ms Satoko MASUTANI KOIKE	(Japan)
Ms Cecile DE MAULEON	(Mexico)
Ms Alina CATANA	(Romania)
Mr Valery. FEDCHUK	(Russian Federation)
Ms Vera SOLER DEL CAMPO	(Spain)
Ms Manuela LEIMGRUBER ( <i>Chairperson</i> )	(Switzerland)
Mr Keith HEFFERN	(United States of America)
PERMANENT COMMITTEE	
Mr Jorge SANCHEZ CORDERO	(Mexico)
Ms Rachel SANDBY-THOMAS	(United Kingdom)
UNIDROIT Secretariat	
Mr José Angelo ESTRELLA FARIA	(Secretary-General)
Ms Alessandra ZANOBETTI	(Deputy Secretary-General)



**APPENDIX II****AGENDA**

1. Adoption of the draft agenda
2. Consideration of the Secretariat's first estimates for the draft budget for the financial year 2011 (F.C. (67) 2)
3. Information on the Contributions Chart of the Institute (F.C. (67) 3)
4. First review of the Accounts of the financial year 2009
5. Possible scope, purpose and financing of a study on functional and financial review of the Organisation, its structures and working methods
6. Any other business.

**APPENDIX III**

**Sally Moss**  
**Head, Legislation and International Policy Unit**  
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José Angelo Estrella Faria  
Secretary-General  
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24 March 2010

Dear Angelo,

**UNIDROIT FINANCE COMMITTEE – 67th SESSION**

As you know the UK will not be able to attend the Finance Committee on Thursday 25 March, so I thought it would be helpful if I set out the UK's views on the various agenda items

The UK is pleased see that the expenditure for the year 2010 will remain the same for 2011 and would like to thank the Secretariat for the work that has been done on the budget.

However, the UK is concerned to note the proposed increase in member State contributions of 2.2%. A 2.2% increase is difficult to justify in the current climate, where all member State governments will be subject to their own budget cuts. This is very much the case in the UK and as a result we are unable to agree an increase in the proposed members State contributions for 2011. I note that if the 2.2% increase were to be rejected then there would need to be a reduction in the Institutes' expenditure for 2011 of €40,975. In light of this we believe that the Governing Council, at their forthcoming meeting, should be tasked with identifying which area of activity and/or expenditure should be reduced or stopped to achieve the savings required.

In terms of the functional and financial review of the Institute, we strongly support this idea which was proposed by Canada at the General Assembly meeting last year. It is important that the Institute undertakes such a review to identify what the medium and long term aims of the Institute are from both a financial and human resource perspective. Ideally this should be an independent review undertaken by an outside organisation but the UK recognises that this will have an impact on resources. In the event that resources are not available we would suggest a small working group is set up to take forward such a review. The review should make clear recommendations on ways to ensure greater long term financial stability for the Institute. As previously noted by Canada, one the recommendations might be the revision of the classification of member States contributions which in turn could result in increased receipts. Similarly, we would expect the review to also address how Italy's financial contribution to the Institute is assessed to ensure that there is greater certainty for long term planning.

The UK welcomes Germany's proposal for the amendment of the Regulations on financial matters. However, we prefer to see this proposal being discussed as part of the wider review of the Institute and any amendments being put forward as part of the review's recommendations. We need to take a strategic view of these matters rather than an ad hoc approach.

I am happy to discuss any of the above issues with you.

Kind Regards

Sally