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FINANCE COMMITTEE
70th session
Rome, 29 September 2011

UNIDROIT 2011
AG/Comm. Finances (70) 9
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REPORT

(prepared by the Secretariat)

<i>Summary</i>	<i>Report on the proceedings of the 70th session of the Finance Committee</i>
<i>Action to be taken</i>	<i>For information</i>
<i>Related documents</i>	<i>A.G./Comm. Finances (70) 1 - 8; 2010 Accounts</i>

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

1. The 70th session of the Finance Committee was held at the seat of UNIDROIT in Rome, on 29 September 2011. The *Secretary-General* opened the session at 10h and welcomed the participants, listed in Annex II to this document.

Item No. 2 on the Agenda: Appointment of the Chairman of the Finance Committee

2. The *Secretary-General* recalled that the Committee would be called upon to appoint a new Chairperson to succeed Mr Diego Alonso Simancas, the representative of Mexico, who had left Rome. Mr Simancas had efficiently chaired the Finance Committee at its most recent sessions. It was the Institute's established practice to appoint as Chairperson the most senior member on the basis of the date of accreditation to the Government of Italy, and the *Secretary-General* accordingly proposed that the Committee appoint Ms Françoise Travailot, the representative of France.

3. *The Finance Committee approved the proposal, Ms Travailot accepted and took the Chair.*

Item No. 3 on the Agenda: Adoption of the agenda

4. *The Finance Committee adopted the annotated draft agenda as proposed by the Secretariat (Annex I).*

Item No. 4 on the Agenda: Final modifications to the Budget and Accounts for the 2010 financial year (AG/Comm. Finances (70) 2 and Accounts 2010)

5. The *Secretary-General* introduced this agenda item. He stressed that actual expenditure had fallen in 2010 thanks to the Secretariat's efforts to make savings. The Accounts nevertheless showed only a modest credit balance due to an unexpected fall in receipts. The surplus had been carried over to the 2011 financial year.

6. *No further comments having been made, the Chairperson of the Finance Committee concluded that the Committee would recommend that the General Assembly approve the Accounts for the 2010 financial year at its 69th session.*

Item No. 5 on the Agenda: Adjustments to the Budget for the 2011 financial year (AG/Comm. Finances (70) 3)

7. Le *Secretary-General* introduced this agenda item, recalling that it was customary at this time of the year to adjust the budget for the current financial year if necessary and where appropriate. As to receipts, he indicated that these were expected to be roughly € 45,892.00 down on the budget approved by the General Assembly in 2010. With respect to expenditure, the *Secretary-General* indicated that, even though the financial year was not yet over, the Secretariat was still hoping to make some savings. This did not mean that the Organisation's budget had been overestimated but that the Secretariat, given the uncertainty as to the level of receipts, was keeping expenditure down as much as possible. He stressed that UNIDROIT had been confronted with unexpected expenditure due to a decision by the Institute's Administrative Tribunal following proceedings brought by a former member of the staff (Chapter 1, Article 3), and to the need to conclude a new cleaning and maintenance contract for the Institute's premises (Chapter 7, Article 7). The Secretariat would not, however, request member States to provide additional funds to meet these expenses.

8. *The Chairperson of the Finance Committee expressed her gratitude to the Secretary-General and, in the absence of any comments, indicated that the Finance Committee would recommend that the General Assembly approve the adjustments to the budget proposed for the 2011 financial year at its 69th session.*

Item No. 6 on the Agenda: Information on the extra-budgetary contributions received in 2011 and on their allocation to the activities and projects of the Institute (AG/Comm. Finances (70) 4)

9. The *Secretary-General* introduced this agenda item, indicating that this document was intended for information purposes only and that the format had been changed to show the data in table form so as to afford an overall view of the extra-budgetary contributions made to UNIDROIT in 2011 and of the activities for which these funds had been set aside. The table showed that these extra-budgetary contributions had, in 2011, represented some 10% of the Organisation's overall budget, which was atypical. This had been due to the fact that the new topic on the UNIDROIT Work Programme on the netting of financial instruments had aroused considerable interest, in particular from the German banks, which had made it possible to recruit an officer to work exclusively on this project and to organise meetings, commission studies, etc. The *Secretary-General* also indicated that the remaining extra-budgetary contributions had mostly come from the various uniform law foundations (the UK Foundation for International Uniform Law and the US Foundation for International Uniform Law), whose principal objective was to raise funds for UNIDROIT activities.

10. The *Chairperson* congratulated the Secretariat on the clarity of this document and expressed her gratitude to the private donors for their contributions.

11. *The Finance Committee took note of the information on the extra-budgetary contributions received by the Institute in 2011 and suggested that this information also be submitted to the General Assembly at its 69th session.*

Item No. 7 on the agenda: Arrears in contributions of member States (AG/Comm. Finances (70) 5)

12. The *Secretary-General* indicated that, with the exception of Bolivia, whose situation would be discussed under the next agenda item, the position as to arrears in contributions was not critical. He announced that since this agenda document had been drafted, Colombia had regularised its position. In addition, the arrears of the other three countries concerned (Pakistan, Nigeria and Venezuela) did not exceed two years' contribution and possible ways of regularising their position were now being discussed.

13. *The Chairperson of the Finance Committee indicated that this issue was a matter more of irregular payments than of actual arrears. The Finance Committee thanked the Secretariat and recommended that it pursue its efforts to collect the amounts in question.*

Item No. 8 on the agenda: Financial situation of inactive member States (AG/Comm. Finances (70) 6)

14. The *Secretary-General* traced the history of Bolivia's situation and indicated that the Secretariat had received no reply to its communication to the Bolivian Embassy of the possible application of Resolution 58(1) of the General Assembly, adopted on 26 November 2004, providing for disciplinary measures. The Finance Committee had expressed great concern about the impact of this situation, which was distorting the Institute's budget documents, and which was why it had felt compelled to envisage applying the sanctions provided for in the Resolution. The situation of Paraguay was entirely different, since that country had regularly paid its contributions since 2008, even though it had never submitted a formal commitment henceforth to honour its financial obligations to the Institute. The Finance Committee was accordingly invited to confirm the procedures proposed in the relevant document.

15. The *representative of Germany* pointed out that, as far as Bolivia was concerned, it was important that the budgetary situation be cleared up for the future and that for strictly budgetary reasons, her Government was in favour of applying Resolution 58(1) in respect of that country.

16. *In respect of the situation of Bolivia, the Finance Committee recommended that, unless the Secretariat and Bolivia managed to reach agreement as to the settlement of Bolivia's arrears in instalments, the General Assembly suspend Bolivia's right to be invited to participate in the sessions of the General Assembly and the governmental expert committees convened by UNIDROIT, as well as in the diplomatic Conferences convened under UNIDROIT auspices, until such time as Bolivia had regularised its position. The Committee also recommended that the General Assembly instruct the Secretariat no longer to take account of the contributions owed by Bolivia in drawing up the budget for future financial years.*

17. *The Finance Committee recommended that the General Assembly take note of the positive developments in respect of Paraguay.*

Item No. 9 on the agenda: Classification of member States in the UNIDROIT Contributions Chart (AG/Comm. Finances (70) 7)

18. The *Secretary-General* introduced this agenda item, recalling that the proposed classification of member States in the UNIDROIT contributions chart simply applied the methodology and criteria that had been adopted by the General Assembly in 1998, and confirmed in 2004, in accordance with 16(3) of the UNIDROIT Statute. He gave a brief outline of both methodology and criteria, stressing that there was no question of implementing a new system. The Secretary-General also indicated that the Finance Committee was invited to examine a draft Resolution to be submitted to the General Assembly with a view to confirming the application of the existing classification rules in the UNIDROIT contributions chart (see Annex III attached to this document). Finally, he expressed his gratitude to those member States that had indicated they wished to remain in their present category even though the application of the existing criteria entitled them to move into a lower category.

19. The *representative of Spain* stated that his country was one of those affected by the proposed re-classification and that the official position of his Government at this time was that it wished to remain in Category II of the UNIDROIT contributions chart.

20. The *representative of Mexico* specified that her Government agreed to the re-classification proposed for her country, which meant moving from Category IV to Category III. She also urged the Secretariat to pursue its efforts in matters of budget management.

21. The *representative of Romania* indicated that her Government wished to remain in Category VIII and did not wish to be moved to the higher category.

22. *The Finance Committee expressed its gratitude to those States that had indicated they wished to remain in the category in which they currently found themselves even though the application of the re-classification criteria would entitle them to move to a lower category. The Committee decided to submit draft Resolution No. 1/2011 to the General Assembly for adoption at its 69th session, together with the revised annual UNIDROIT contributions chart.*

Item No. 10 on the agenda: Draft Budget 2012 and fixing of the contributions of member States for that financial year (AG/Comm. Finances (70) 8)

23. The *Secretary-General* recalled that the first estimates of receipts and expenditure for the year 2012 had been submitted to the Finance Committee at its session in March 2011, and that they provided for an increase in expenditure to be financed by additional units of contribution resulting from the re-classification of a number of member States in the UNIDROIT contributions chart. The Governing Council had also been consulted and had adjusted the estimates slightly to take account of an expected fall in receipts. He indicated that the draft budget showed an increase in expenditure primarily in Chapter I, Article 5 (expert committees), with a view to organising meetings on FAO premises (necessary for meetings with more than 60 participants) despite their high cost; in Chapters II and III (Salaries and allowances, and Social security charges, respectively), with a view to recruiting new staff to replace officers who had retired; and finally, in Chapter VII, Article 7 (Maintenance costs) for the new cleaning contract. The Secretary-General stressed that since the draft budget as proposed was closely linked to the projected re-classification of member States in the UNIDROIT contributions chart, the decision of the Assembly General on this latter point would be a key element in assessing its impact on the budget.

24. The *Chairperson* thanked the Secretary-General for his presentation and expressed gratitude to the Secretariat for its efforts in containing further increases in expenditure.

25. The *representative of Spain* stated he was not able to form an opinion on the draft budget pending the adoption of draft Resolution No. 1/2011 (see paragraph 22 above) on the re-classification of member States in the UNIDROIT contributions chart.

26. The *representative of Mexico* stressed that her Government appreciated the efforts made by the Secretariat to contain expenditure to the utmost and urged it to continue on this path, but requested further information, in particular concerning the functions of the new staff that needed to be recruited, and suggested that the Secretariat try to keep employment costs down.

27. In reply to the question put by the representative of Spain, the *Secretary-General* indicated that the budget had indeed been prepared on the basis of the re-classification of member States and that it would need to be modified if the General Assembly decided not to adopt the new contributions chart. Accordingly, if the Secretariat had to do without the supplementary resources resulting from re-classification, it would not fill any positions that fell vacant. He stated, moreover, that the General Assembly had adopted an amendment to the UNIDROIT Regulations at its 2010 session that would enable the Secretariat to recruit junior executive staff at temporary B-category level and that the Governing Council had, at its last session, decided to seize the General Assembly of an amendment to the Regulations concerning staff expatriation allowances. These two decisions would have a long-term impact on the budget.

28. As to the question put by the representative of Mexico, the Secretary-General stated that he did not intend to recruit the three people mentioned in the document, even though the Secretariat was understaffed. The senior officer who would be retiring at the end of 2011 was mainly in charge of the UNIDROIT internet website and the depositary libraries. Her work would henceforth be divided up among other staff members, and he was proposing to recruit a junior officer. With respect to the post of Deputy Secretary-General, he indicated that the Governing Council had expressed a wish for this position to cover not only administration and management, but also greater involvement in the Work Programme, so as to provide assistance to the Secretary-General in his manifold tasks. He also indicated that the positions would be widely publicised and that the Governing Council had advised a measure of flexibility in setting the parameters for the position (in terms of staff category). Finally, he recalled that no selection procedure would be launched before there was certainty that the necessary funds would be available in the 2012 budget.

29. The *representative of Austria* thanked the Secretary-General for his explanations. She indicated that the re-classification of member States in the UNIDROIT contributions chart was the result of applying the existing rules, even though these rules had been but sparsely used in the past. She inquired as to the procedure the Secretariat intended to follow, particularly given the current tight financial situation. Article 16(4) of the UNIDROIT Statute provided for a General Assembly decision on member States' classification every three years, and she wondered what would be the procedure if a State affected by re-classification found itself financially unable to meet its obligations in a given year. Would that mean that no relevant new decision could be taken until the three years were up, or might the situation be reviewed after one year? Naturally, this was a question for Governments to decide.

30. The *Secretary-General* replied that Article 16 of the Statutes had no answer to this. He indicated that Article 16(6) enabled member States to protest against their re-classification within one year, but was silent as to any consequences. The Institute had no experience in this areas since the matter had never come up before. If it were known before the General Assembly meeting was held that a particular State would not agree to re-classification, one possibility might be for the Assembly to decide to re-classify certain States but not those who opposed re-classification. That

would then raise the question of whether this would be merely a suspension or whether the decision would stand for three years. He stressed that Article 16(6) could be read in several ways, but that the final decision was up to the General Assembly.

31. The *representative of Spain* did not agree with this interpretation of Article 16 of the UNIDROIT Statute but agreed that it might have been better drafted. He stated that if draft Resolution No. 1/2011 was adopted by the General Assembly, the Italian Government would notify the member States of the Assembly's decision (Article 16(5)), following which each member State would be able to object within one year.

32. The *representative of Austria* enquired of the representative of Spain whether his Government intended to oppose the entire system, *i.e.*, the application of the existing rules, or whether it would merely object to its own re-classification into a higher category of the contributions chart. While it was understandable that States might have difficulties in the current climate, and that solutions might have to be sought, not applying the current rules would mean that there would be no re-classification and that UNIDROIT would be forced to increase all member States' contributions. It was important to bear in mind that the ultimate objective was to effect an increase in the Organisation's resources, be it ever so modest.

33. The *representative of Spain* replied that his Government had no intention of opposing the entire system but would request that Article 16 of the UNIDROIT Statute be applied and the relevant procedure implemented, so that it might assert its claim.

34. The *representative of Canada* suggested that the Finance Committee recommend that the General Assembly adopt the draft Resolution and with it, the revised contributions chart. Moreover, since the methodology already existed, all that was needed was to follow that procedure. If the projected increases in contributions did not materialise, the budget would have to be amended.

35. The *Chairperson* summed up the debate, stressing that the draft budget depended on the adoption of draft Resolution No. 1/2011 and the revised contributions chart. She took note of the divergent interpretations of Article 16 of the UNIDROIT Statute caused by lack of experience over time.

36. *The Finance Committee decided to recommend that the General Assembly adopt draft Resolution No. 1/2011 as well as the revised contributions chart by the required majority of votes. If adopted, the draft budget would likewise be adopted since it had been prepared on the basis of the projected re-classification; otherwise, the Secretariat would be called upon to amend the budget accordingly.*

Item No. 11 on the agenda: Any other business

37. *There were no further interventions and the Chairperson closed the meeting at 11h30.*

ANNEX I**AGENDA**

1. Opening of the session
2. Appointment of the Chairman of the Finance Committee
3. Adoption of the agenda (AG/Comm. Finances (70) 1)
4. Final modifications to the Budget and Accounts for the 2010 financial year (AG/Comm. Finances (70) 2 and Accounts 2010)
5. Adjustments to the Budget for the 2011 financial year (AG/Comm. Finances (70) 3)
6. Information on the extra-budgetary contributions received in 2011 and on their allocation to the activities and projects of the Institute (AG/Comm. Finances (70) 4)
7. Arrears in contributions of member States (AG/Comm. Finances (70) 5)
8. Financial situation of inactive member States (AG/Comm. Finances (70) 6)
9. Classification of member States in the UNIDROIT Contributions Chart (AG/Comm. Finances (70) 7)
10. Draft Budget 2012 and fixing of the contributions of member States for that financial year (AG/Comm. Finances (70) 8)
11. Any other business.

ANNEX II**List of participants**

Ms Simone MAASSEN-KRUPKE	(Germany)
Ms Katharina WIESER	(Austria)
Mr Craig WEICHEL	(Canada)
Mr Emilio PIN	(Spain)
Mr Keith HEFFERN	(United States of America)
Mr Valery. FEDCHUK	(Russian Federation)
Ms Françoise TRAVAILLOT	(France) Chairperson
Mr Seyed Kamel MIRKHALAF	(Iran)
Mr Emanuele MARCHISIO	(Italy)
Ms Cecile de MAULEON	(Mexico)
Ms Alina POPESCU	(Romania)
Mr Tiziano BALMELLI	(Switzerland)

UNIDROIT Secretariat

Mr José Angelo ESTRELLA FARIA	(Secretary-General)
Ms Marina SCHNEIDER	(Senior Officer)

ANNEX III**Draft RESOLUTION No. 1/2011**

(proposed for adoption by the General Assembly at its 69th session, on 1 December 2011)

The General Assembly,

Reaffirming the obligation of all member States to cover the expenditure of the Institute, in a proportion determined by the General Assembly, and to make timely payment of their contributions in full,

Mindful of Article 16 of the UNIDROIT Statute, which provides for the classification of the member States into categories, each corresponding to a particular number of units, for the purpose of apportioning the annual expenditure of the Institute,

Noting that the number of categories, the number of units corresponding to each category, the amount of each unit, as well as the classification of each Government in a category, are determined by the General Assembly, taking into account, among other considerations, the national income of the country concerned,

Recalling that the current methodology for the classification of States in the contributions chart of UNIDROIT, approved by the General Assembly at its 52nd session held on 27 November 1998, provides for the classification of member States in eight categories, in addition to a special category, each corresponding to a certain percentage of the contributions owed by these States to the budget of the United Nations Organisation,

Having examined the reports of the 69th et 70th sessions of the Finance Committee,

1. *Re-affirms* the number of categories, the number of units corresponding to each category, as well as the criteria currently used to classify the member States, as listed in Annex I to this Resolution;
2. *Approves* the recommendations of the Finance Committee to re-classify a number of member States in light of the United Nations scale of assessment adopted by the General Assembly of the United Nations by means of its Resolution No. 64/248 of 23 December 2009;
3. *Adopts* the distribution table for the member States' contributions to the Institute's regular budget for 2012, 2013 and 2014, as set out in Annex II to this Resolution;
4. *Invites* the Finance Committee, in accordance with its mandate, to re-examine the current methodology and to study possible improvements, bearing in mind the principle of ability to pay, and to make recommendations to the General Assembly in due course.

Rome, 1 December 2011

Annex I

**Methodology for the classification of member States
in the UNIDROIT contributions chart**

(as approved by the General Assembly at its 52nd session, on 27 November 1998) ¹

Category	Units of contribution	Range of contribution to the UN budget
I	50	More than 3%
II	22	2% to 3%
III	18	1.00% to 2.00%
IV	13	0.960% to 0.999%
V	11	0.500% to 0.959%
VI	9	0.450% to 0.499%
VII	8	0.115% to 0.449%
VIII	5	0.005% to 0.114%
Special	1	0.0% to 0.004%.

¹ See UNIDROIT 1998 - A.G. (52) 8 rev. and UNIDROIT 1998 - AG(52)13, p. 14.

Annex II

**REVISED CHART OF THE ANNUAL CONTRIBUTIONS TO UNIDROIT
OF MEMBER STATES (OTHER THAN ITALY) FOR 2012**

Category	Corresponding range in UN scale	State	UN budget assessment 2010-2012	No of units (2011)	Unit value	Contribution 2011
I	3% +	Canada	3.207	50	€ 2,450	€ 122,500
		China	3.189	50	€ 2,450	€ 122,500
		France	6.123	50	€ 2,450	€ 122,500
		Germany	8.018	50	€ 2,450	€ 122,500
		Japan	12.530	50	€ 2,450	€ 122,500
		Spain	3.177	50	€ 2,450	€ 122,500
		United Kingdom	6.604	50	€ 2,450	€ 122,500
		United States	22.000	50	€ 2,450	€ 122,500
II	2%-3%	Republic of Korea	2.260	22	€ 2,450	€ 53,900
		Russian Federation	1.602	22	€ 2,450	€ 53,900
III	1%-2%	Australia	1.933	18	€ 2,450	€ 44,100
		Belgium	1.075	18	€ 2,450	€ 44,100
		Brazil	1.611	18	€ 2,450	€ 44,100
		Netherlands	1.855	18	€ 2,450	€ 44,100
		Sweden	1.064	18	€ 2,450	€ 44,100
		Switzerland	1.130	18	€ 2,450	€ 44,100
IV	0.960%-0.99%	Mexico	2.356	13	€ 2,450	€ 31,850
V	0.5%-0.959%	Austria	0.851	11	€ 2,450	€ 26,950
		Denmark	0.736	11	€ 2,450	€ 26,950
		Finland	0.566	11	€ 2,450	€ 26,950
		Greece	0.691	11	€ 2,450	€ 26,950
		Norway	0.871	11	€ 2,450	€ 26,950
		Poland	0.828	11	€ 2,450	€ 26,950
		Portugal	0.511	11	€ 2,450	€ 26,950
		Saudi Arabia	0.830	11	€ 2,450	€ 26,950
VI	0.450%-0.499%	India	0.534	9	€ 2,450	€ 22,050
		Ireland	0.498	9	€ 2,450	€ 22,050
		South Africa	0.385	9	€ 2,450	€ 22,050
		Turkey	0.617	9	€ 2,450	€ 22,050
VII	0.115%-0.449%	Argentina	0.287	8	€ 2,450	€ 19,600
		Chile	0.236	8	€ 2,450	€ 19,600
		Colombia	0.144	8	€ 2,450	€ 19,600
		Czech Republic	0.349	8	€ 2,450	€ 19,600
		Indonesia	0.238	8	€ 2,450	€ 19,600
		Hungary	0.291	8	€ 2,450	€ 19,600
		Iran	0.233	8	€ 2,450	€ 19,600
		Israel	0.384	8	€ 2,450	€ 19,600
		Venezuela	0.314	8	€ 2,450	€ 19,600
		Slovakia	0.142	8	€ 2,450	€ 19,600
		Romania	0.177	8	€ 2,450	€ 19,600

VIII	0.005%-0.114%	Bulgaria	0.038	5	€ 2,450	€ 12,250
		Croatia	0.097	5	€ 2,450	€ 12,250
		Cyprus	0.046	5	€ 2,450	€ 12,250
		Egypt	0.094	5	€ 2,450	€ 12,250
		Estonia	0.040	5	€ 2,450	€ 12,250
		Latvia	0.038	5	€ 2,450	€ 12,250
		Lithuania	0.065	5	€ 2,450	€ 12,250
		Luxembourg	0.090	5	€ 2,450	€ 12,250
		Malta	0.017	5	€ 2,450	€ 12,250
		Nigeria	0.078	5	€ 2,450	€ 12,250
		Pakistan	0.082	5	€ 2,450	€ 12,250
		Paraguay	0.007	5	€ 2,450	€ 12,250
		Serbia	0.037	5	€ 2,450	€ 12,250
		Slovenia	0.103	5	€ 2,450	€ 12,250
Tunisia	0.030	5	€ 2,450	€ 12,250		
Uruguay	0.027	5	€ 2,450	€ 12,250		
Special	0.001%-0.004%	Holy See	0.001	1	€ 2,450	€ 2,450
		San Marino	0.003	1	€ 2,450	€ 2,450
				859		€ 2,104,550