



**FINANCE COMMITTEE**  
**71<sup>st</sup> session**  
**Rome, 15 March 2012**

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## REPORT

(prepared by the UNIDROIT Secretariat)

1. The 71<sup>st</sup> session of the Finance Committee was held at the headquarters of UNIDROIT in Rome, on 15 March 2012, starting at 10.05 a.m. The *Secretary General* welcomed the participants (see Appendix I for a complete list of participants), and thanked them for their presence.
2. He welcomed in particular the representatives of Brazil and China who attended the meeting for the first time as members, pursuant to the decision taken by the General Assembly at its 69<sup>th</sup> session in December 2011 to invite those member States which were not already members of the Finance Committee and the contribution of which had increased by more than three units of contribution as a result of the adoption of Resolution (69) 1 to consider becoming members too.
3. The *Secretary-General* recalled that the Committee should appoint a new Chairman following the departure from Rome of the representative of France, Ms Françoise Travaillet, who had so ably chaired the Committee at its last session. In line with UNIDROIT practice, which reserved the Chair for the longest-serving member, he proposed that the Committee appoint Mr Keith Heffern, the representative of the United States of America.
4. *The Committee agreed to this proposal. Mr Heffern accepted and took office as Chairman of the Committee.*

### **Item No. 1 on the draft agenda: Adoption of the draft agenda (F.C. (71) 1)**

5. The *Chairman* proposed that the Committee adopt the draft Agenda (Appendix II). *The Committee agreed to this proposal.*

### **Item No. 2 on the agenda: Draft budget for 2013 - First estimates (F.C. (71) 2)**

6. The *Secretary-General* presented the first estimates for the draft budget, as contained in doc. F.C. (71) 2. He indicated that the first estimates were very similar to the figures given in 2011 and that they were prepared with the same philosophy. In fact, the Secretariat could not predict the exact level of receipts due to the fact that some member States might still raise objections to their reclassification in the UNIDROIT contribution chart. The figures would have to be revised at the September meeting of the Committee.

7. Starting with the receipts, he indicated that they were, for most, identical as in 2012. The first significant difference was the absence of an estimated balance, first of all because there was none this year, but also because of the decision to move away from the practice, not always prudent, to expect a surplus to carry forward from one year to the other. The Secretary General then turned to Chapter 2, Article 3, Sale of publications, explaining that the figure for 2013 was slightly lower because the Secretariat was expecting to sell less publications (in particular the UNIDROIT Principles for International Commercial Contracts published already in 2011).

8. As far as expenditure were concerned, the Secretary General indicated first those Chapters where increases were proposed. Two such proposals were made in Chapter 1 (Reimbursement of expenses), Articles 5 (Committees of experts) and 6 (Official Journeys) in order to allow the Secretariat to organise more meetings (knowing the cost of meetings which are to take place outside the UNIDROIT premises for reasons of space) and to better follow the work of other international organisations which is vital for a good implementation of its Work Programme and to promote its own instruments. In Chapter 6 (Administrative expenses), the only increase of more than 10% was in Article 5 relating to interpreters, due to the expected increase in meetings and to the fact that UNIDROIT is very keen on preserving its bilingual vocation. The increases in Chapter 7 (Maintenance costs) were most outside of the control of the Secretariat as explained in the explanatory notes. This expenditure was in the past less visible as the funds were often reallocated from other Chapters but the Secretariat decided to use a more accurate forecast for 2012. The increase proposed in Chapter 9 (Library) was for the purchase of books which was not possible in 2011 due to a severe cut. Finally, an increase was requested in Chapter 10 (Promotion of UNIDROIT instruments) which had no allocation at all in the preceding years. This increase was important as States were spending considerable sums to develop and adopt uniform law instruments but were not ratifying them after because of lack of promotion by the Secretariat.

9. The Secretary General then explained that Chapter 2 (Salaries and allowances) was showing a reduction which was mainly the result of the departure of a long standing high member of staff and its replacement by a person probably at a lower level. In fact the post of Deputy Secretary General would be filled soon but the cost was not known yet as it would depend of the level (exact Category) and personal position (married or not, with or without children, Italian or not) of the person chosen. The fact that the person would only join the Secretariat not before mid 2012 would also entail savings. The procedure should be concluded at the end of April or early May.

10. The *Chairman* thanked the Secretary-General for his explanations and for the discipline in budgetary matters shown by the Secretariat and opened the discussion.

11. The *representative of Italy* indicated that the amount of the Italian contribution for 2013 was not likely to exceed the statutory appropriation for the triennium 2010-2012, currently set at € 100,000.00. He indicated that Italy would make any possible efforts to raise the contribution later in the year but he could give no assurances for the time being.

12. The *representative of the United Kingdom* thanked the Secretariat for the first estimates and for not contemplating an increase in contributions by member States. She asked for clarification on the reasons behind the unexpected shortfalls in the year 2011. The *Secretary General* said that he would be happy to provide for explanations during the discussion on Item n. 5 of the agenda relating the Accounts for 2011.

13. *The Chairman thanked the Italian Government for the support given to the Organisation and indicated that the Finance Committee was looking forward to continuing to work together with the host country. He concluded that the Finance Committee had taken note of the first estimates for the budget 2013 awaiting the position of the Governing Council in this regard. The Committee would have a more precise idea of the resources available for the 2013 budget at its autumn session.*

**Item No. 3 on the agenda: Consideration of objections to the reclassification of member States in the UNIDROIT Contributions Chart (F.C. (71) 3)**

14. The *Secretary-General* presented this item on the agenda referring to document F.C. (71) 3. He recalled that the decision taken by the General Assembly last December to approve the reclassification of several member States in the UNIDROIT contributions chart was without prejudice of Article 16 of the Statute allowing the member States concerned to raise objections. Two Governments had so far made such an objection, Colombia and Portugal, and he invited those States members of the Finance Committee for which it was difficult to accept the reclassification to indicate their intentions in that respect as soon as possible.

15. He indicated that the terms of the objections of the two aforementioned countries were different in nature. The Government of Colombia accepted the reclassification but asked to postpone it as from 2013. The Secretariat would suggest the Finance Committee to recommend the General Assembly to accept this request. The objection raised by the Government of Portugal was less precise and the Secretary General indicated that the Finance Committee might express its opinion and explain how it understood this objection (either as a request to remain in the current Category for the next three years or request to postpone the reclassification of one or more years).

16. The *representative of Spain* indicated that his country would probably raise an objection to its reclassification in the UNIDROIT contributions chart after the budget for 2012 in Spain had formally been approved.

17. The *representative of Romania* reiterated the statement made at the last session of the General Assembly indicating Romania's intention to object to its reclassification although no final decision had so far been taken.

18. The *Chairman*, also as *representative of the United States of America*, suggested that as other States might make objections to their reclassification in the coming months, the Finance Committee might decide to postpone any decision to its next meeting and opened the discussion on this proposal.

19. The *representatives of Spain and Canada* supported the proposal to postpone the decision to the autumn session of the Finance Committee when it would have a better idea of the situation.

20. *The Chairman concluded that the Finance Committee decided to differ the formal decision on the objections raised or due to be raised by some States against their reclassification in the contributions chart of the Institute until its next session, the idea being then to postpone the reclassification of States having objected by one year.*

**Item No. 4 on the agenda: Amendments to the UNIDROIT Regulations on financial matters (F.C. (71) 4)**

21. The *Secretary General* presented this item on the agenda referring to document F.C. (71) 4. He indicated that the entire rules on the financial management of UNIDROIT was contained in 15 articles of the Regulations but that the practice had somewhat changed since those articles had been drafted. He recalled that the Government of Germany had proposed amendments to the Regulations in 2010 which were quite close to the actual practice followed by the Institute. At that time the Government of Canada had proposed a broad functional and financial review covering not only the Institute's financial or budgetary situation, but also its strategic planning. The Committee had then agreed that the scope of such a review went beyond its competence, and that the matter could be taken up by the Governing Council, if it so chose. The Governing Council chose, at its 90<sup>th</sup> session in 2011, to focus on broad strategic objectives, rather than on financial management issues and preferred to leave it for the Finance Committee to undertake an initial review of the provisions of the UNIDROIT Regulations dealing with financial administration of the Institute. The Secretary General indicated that the Finance Committee was not expected to express a final opinion at this occasion but that it would be positive for UNIDROIT to have Regulations which would reflect good practices in financial matters.

22. The *Chairman* thanked the Government of Germany for the proposals and the Secretariat for the very useful document which presented the proposals, the related articles in the UNIDROIT Regulations and/or Statute, as well as comments of the Secretariat. He opened the discussion.

23. The *representative of Germany* wished to underline that the idea was not to radically change the current rules but to amend them to clarify the practice. This was important for transparency and accountability in financial matters. He proposed to set up an informal working group which would formulate proposals to the Finance Committee.

24. The *representative of the United Kingdom* welcomed the financial regulation proposals of the Government of Germany and thanked the German Government and UNIDROIT Secretariat for the work done. The United Kingdom agreed that specific financial regulations were required and although several proposed regulations were implied in existing regulations or current practice, it believed it was important for UNIDROIT to set out standalone, robust and detailed financial regulations.

25. The *representative of Austria* also thanked the Government of Germany for the proposal of such a codification and the Secretariat for its helpful analysis of the proposal. She indicated that the proposals were already so well presented and developed that the work of the proposed informal working group would not need to be extensive.

26. *The Chairman concluded that the Finance Committee would leave to the Secretariat to organise the work of the informal working group which should be open to all interested members of the Finance Committee and which could meet in the next months.*

**Item No. 5 on the agenda: First review of the Accounts of the financial year 2011**

27. The *Secretary-General* indicated that the Secretariat was happy to submit an advance document containing the Accounts of receipts and expenditure for the 2011 financial year to the Finance Committee at this session as in the past it was submitted only at the autumn session. He also indicated that the Accounts which assess the current financial situation of the Institute were

presented only for information as they were to be first seen by the auditor and adopted by the General Assembly.

28. He indicated that the necessary sums had been borrowed from the Working Capital Fund to cover the negative balance at the close of the financial year 2011 of € 58,484.02 but that the Fund would have to be replenished in 2012. Because of this shortfall in income, the Secretariat kept expenditure much lower than those authorised under the 2011 budget. The Secretary General also indicated that this negative balance was due to different factors such as lack of payment of contributions.

29. As far as receipts were concerned, the Secretary General recalled in particular the situation of the Italian contribution for which a difference of € 97,000.00 appeared in the chart. The Secretary-General explained that the draft budget for the year 2011, as approved by the Governing Council of UNIDROIT at its 89th session (Rome, 10-12 May 2010) and as transmitted to member States later that year, had estimated the Italian contribution for 2011 at the same level of the payment actually made in 2009 (i.e. € 197,000). It was only several months thereafter that the *legge finanziaria* fixed the allocation for UNIDROIT under the relevant chapter of the Budget of the Italian Ministry of Foreign Affairs at the level of € 100,000 for the triennium 2010-2012. In view of the steps announced at that time to attempt to remedy the situation through subsequent supplementary payments, the level of contribution by the host country was not adjusted in the draft budget submitted to the General Assembly on 1 December 2010. A supplementary payment in the amount of €50,000 was indeed received early 2011, but before the closing of the accounts for the year 2010. Unfortunately, no such supplementary payment was possible for the financial year.

30. Concerning expenditure, the Secretary General referred to the summary presented at page 9 of the document, and indicated that apart from Chapter 7 on Maintenance costs, which were outside the control of the Institute, all lines of expenditure had been cut, in particular for the Library which suffered a cut of nearly 40%.

31. The *Chairman* thanked the Secretary General for his explanations which showed the prudence he put in the management of the accounts as could be seen in particular with the lower amount of the Italian contribution being largely compensated by cuts in expenditure.

32. The *representative of Italy* wished to thank the Secretary General for his exact recollection of the situation regarding the Italian contribution.

33. *The Financial Committee took note of the Accounts and the remark of the Chairman concerning the presentation of the document.*

#### **Item No. 6 on the agenda: Any other business**

34. *No other matters having been raised, the Chairman closed the meeting at 11.05 a.m.*

**APPENDIX I****List of participants**

|  |                            |                 |
|--|----------------------------|-----------------|
| Ms Katharina WIESER                      | (Austria)                  |                 |
| Ms Gilda MOTTA SANTOS NEVES              | (Brazil)                   |                 |
| Mr Craig WEICHEL                         | (Canada)                   |                 |
| Mr Wu Cong                               | (China)                    |                 |
| Mr Cédric MANUEL                         | (France)                   |                 |
| Mr Christian PLATE                       | (Germany)                  |                 |
| Mr Seyed Kamel MIRKHALAF                 | (Iran)                     |                 |
| Mr Fernando PALLINI ONETO DI SAN LORENZO | (Italy)                    |                 |
| Ms Satoko KOIKE                          | (Japan)                    |                 |
| Ms Cecile de MAULEON                     | (Mexico)                   |                 |
| Ms Alina POPESCU                         | (Romania)                  |                 |
| Mr Egor LYUDKEVICH                       | (Russian Federation)       |                 |
| Mr Emilio PIN                            | (Spain)                    |                 |
| Ms Teresa DI VITO                        | (Switzerland)              |                 |
| Ms Claudia GIUNCHIGLIA                   | (United Kingdom)           |                 |
| Mr Keith HEFFERN                         | (United States of America) | <b>Chairman</b> |

**UNIDROIT Secretariat**

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

**APPENDIX II****AGENDA**

1. Adoption of the draft agenda (F.C. (71) 1)
2. Draft Budget for 2013 - first estimates (F.C. (71) 2)
3. Consideration of objections to the reclassification of member States in the UNIDROIT Contributions Chart (F.C. (71) 3)
4. Amendments to the UNIDROIT Regulations on financial matters (F.C. (71) 4)
5. First review of the Accounts of the financial year 2011
6. Any other business.