



FINANCE COMMITTEE
73rd session
Rome, 13 March 2013

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REPORT

(prepared by the UNIDROIT Secretariat)

1. The 73rd session of the Finance Committee was held at UNIDROIT Headquarters in Rome on 13 March 2013. The session was opened by the Chair of the Committee, Ms Katharina Wieser (*representative of Austria*), at 11.10 a.m., who welcomed the members of the Committee and thanked them for their presence (for a complete list of participants, see Appendix I).

Item No. 2 on the agenda: Draft Budget for 2014 - first estimates (F.C. (73) 2)

2. The *Chair* reminded the *Committee* that the present session would be the first after amendment of the UNIDROIT Regulations and that the draft 2014 budget would be the first submitted to, and discussed by the Committee pursuant to amended Article 26.

3. The Chair then gave the floor to the *Secretary-General* to present the first estimates for the draft budget for 2014 as contained in doc. F.C. (73) 2.

4. Before summarizing the expenditure and receipt sections, the *Secretary-General* described the proposed changes to the format and presentation of the budget. These changes, intended to make the budget clearer and more concise, would place related budget-lines together in the applicable expenditure grouping. The result would be a streamlined format in which previously misplaced or stand-alone sub-categories of expenditures would be consolidated into the most appropriate budget chapters.

5. The *Secretary-General* then explained each chapter of the expenditures section of the draft budget for 2014. Relative to the approved budget for 2013, the *Secretary-General* summarized the first estimates as follows: Chapter 1 made no changes to travel costs for the Governing Council or other official journeys, and only slight increases for committee of experts meetings, interpretation and representation; Chapter 2 added modest increases for consolidating previous posts needed to hire a junior officer and administrative assistant, as well as a new budget-neutral line for tax reimbursement expenditures for a staff person who is a United States citizen – paid with new contributions by that State; Chapter 4 reduced administrative expenses due to administrative efficiencies and the outsourcing of the Uniform Law Review to Oxford University Press; Chapter 5 decreased maintenance costs slightly due to cost savings on electric power; and Chapter 6 added a modest increase in library expenses for the acquisition of materials needed to support the work program. The *Secretary-General* also explained that previous Chapter 7 was reduced by 100 percent and would be eliminated in the future, as the Institute moves to make the legal cooperation program entirely self-funded.

6. The *Chair* thanked the *Secretary-General* for presentation of the proposed budget expenditures and for the revised organisation of the budget format. On this latter point she commented that the revised structure consolidates related fields in a more accurate and streamlined manner. She also commented on the positive impact that outsourcing the Uniform Law Review (ULR) has had on the expenses of the Institute and requested the *Secretary-General* to comment further on the savings brought by that agreement.

7. The *Secretary-General* mentioned that the changes to the publications program, including the outsourcing of the ULR, form part of a broader evaluation of how the Organisation uses its human and financial resources. He mentioned the Five-Year Management Report to the Governing Council, which describes that, at the outset of the present mandate, the Organisation employed more resources on administrative and other non-legislative activities, than it employed on actual product-delivery. The evaluation process to correct this imbalance noted that the ULR was one of the non-legislative activities that took-up the largest amount of resources. Consequently, when OUP approached the Secretariat unexpectedly with a proposal to produce, print and distribute the ULR, this proposal was considered and subsequently accepted in terms that allow UNIDROIT to retain intellectual ownership and direction of the law review, but allow it to redirect the significant resources previously employed on the ULR to the Organisation's product-delivery goals.

8. The *Secretary-General* then highlighted slightly increased revenues in Chapter 1 based on calculations by the host country regarding the amount it can pay next year and on a proposed 3.2% increase in the unit of contribution for other member States. Changes in Chapter 2 reflect a more realistic calculation of the expected interest income and a reduction in the revenues expected from the sale of publications. With regard to Chapter 3, he mentioned that the previously discussed tax reimbursement for the United States citizen of the staff would be covered, on this side of the ledger, by that member State.

9. The *Chair* then opened the discussion to the members of the *Committee*.

10. The *representative of Japan* requested further information regarding the need for the proposed 3.2% increase in the unit of contributions.

11. The *representative of Spain* inquired whether UNIDROIT regulations provide for an automatic increase for inflation corresponding to the proposed 3.2% increase.

12. The *Secretary-General* made reference to footnotes 4 through 6 of the proposed budget, which explain the increases needed to match expenditures. Principally, he highlighted the need to return the workforce of the Secretariat to previously-existing functional minimums, in particular to hire an administrative assistant; no current administrative assistant on staff speaks native English. In addition, the *Secretary-General* mentioned the need for resources to regularize a series of informal working arrangements with several long-standing members of the staff, which would require urgent attention to avoid potential problems in the future. He also reminded the *Committee* that there are no specific provisions in the Regulations requiring automatic budgetary increases to account for inflation – as evident by the non-increase in unit of contribution rates since 2008, a period of high inflationary growth. He urged members to recall, however, that inflationary and cost of living adjustments are automatically included in the expenditures part of the budget by the Co-ordinated Organisations increases for salaries (even if these are not accounted for on the receipts part of the budget). He mentioned that the Secretariat has absorbed these increases for the last several years, but will have little ability to do so moving forward.

13. The *Chair* commented that staffing cost could be an area of further review. On the matter, she requested a document detailing the remuneration process of the Institute and proposed holding an informal meeting in the summer of 2013 to look at the salary system of UNIDROIT.

14. The *representative of Canada* thanked the *Secretary-General* for the changes to the format, which he mentioned provides for a more transparent and efficient presentation of the budget and suggested to keep it, moving forward. With regard to the proposed budget increase, he mentioned that zero nominal growth is the policy of Canada for international Organisations, but noted that inflation is a reality and a 3% increase was not unreasonable. He requested further clarification, however, on why the Secretariat required an increase in member State contribution rates in view of the fact that the 2012 accounts showed a surplus. In light of these points, he said he would reserve his position on the proposed increase in contribution rates pending further discussions with his capital.

15. The *representative of Brazil* mentioned that her delegation could support the proposed 3.2% increase in the unit of contribution and requested that the new contribution of each country be reflected on a General Assembly document. She also requested information on two additional points: first, on the proposed additional increase in 2014 by Italy as the host country, and second on whether the reduction in revenues resulting from the agreement with OUP on the law review are covered by the cost savings inherent to that agreement.

16. The *representative of Spain* thanked the *Secretary-General* for responding to her inquiries. She explained that Spain's current policy as regards international organizations budgets is that of zero nominal growth except in those cases where the organization's regulations specifically provide for automatic adjustment to inflation. Therefore, her country objected to the proposal of increasing member States contributions in order to finance a nominal increase of the budget. She subsequently asked for further information on the legal and financial feasibility of employing the surplus from the 2012 budget, to cover the increase in expenditures expected for 2014. She also mentioned that it might be helpful for member States if the Secretariat could include in the figures of the draft budget the percentage increase/decrease of each budget line as compared to the previous year's budget, as well as the share of each line in the overall budget.

17. The *Secretary-General* remarked that revenues from the sale of the ULR had often been overestimated in previous years. He mentioned, however, that the costs associated with the in-house production of the ULR were close to 10 times the revenues obtained from its sale and that the further reduction in postage costs (reduced by over 40%), printing costs (reduced by over 25%) and the redirection of staff towards product-delivery goals, far exceeded the decrease in receipts.

18. With regard to the comment from the *representative of Spain*, the *Secretary-General* mentioned that the surplus enjoyed in 2012 was due to atypical and unexpected factors in that year – rather than from an overestimate of the budget – and would thus not be available for 2014. First, the surplus was due to several member States paying arrears in 2012 that applied to expenses in other periods. Second, as previously mentioned, a post in the Secretariat remained vacant for several months in 2012. The *Secretary-General* also mentioned that there are many needs for the surplus, including maintenance of the building and a potential settlement of a dispute with a previous staff member.

19. On the matter of the increased contribution by the host State, the *Chair* gave the floor to the *representative of Italy* before opening to further comments from the States.

20. The *representative of Italy* stated that a proposal to render Italy's contribution mandatory at the same level as member States classified in category I of the UNIDROIT contributions chart would require authorization by the Parliament. He mentioned that it was the expectation of his delegation that said increase would be approved for 2014.

21. In response to queries by the *representatives of Brazil and China*, the *Secretary-General* pointed out that, in accordance with the procedure set forth in Article 16 of the Statute and Article 26 of the Regulations, the amount of contributions would be approved by the General Assembly and would become an appendix to the 2014 budget.

22. In terms of process, the *Secretary-General* mentioned that the draft budget would be remitted for recommendations from the *Governing Council* in May and thereafter sent to the member States for their comment by September. The proposed budget with revisions would then be resubmitted to the *Finance Committee* in the fall, prior to approval by the *General Assembly*. In that process, the *Secretary-General* mentioned that the States would have ample opportunity for additional comment and that the budget would automatically provide the exact detail for contributions per category. On this latter issue the *Secretary-General* mentioned that, per category, the exact figures would be as follows: States in Category 1 pay 50 units, which would be equivalent to € 126,500; States in Category 2 pay 22 units, equivalent to € 55,660; States in Category 3 pay 18 units, equivalent to € 45,540; States in Category 4 pay 13 units, equivalent to € 32,890; States in Category 5 pay 11 units, equivalent to € 27,830; States in Category 6 pay 9 units, equivalent to € 22,770; States in Category 7 pay 8 units, equivalent to € 20,240, and States in Category 8 pay 5 units, equivalent to € 12,650 (A revised contributions chart is attached as Appendix II).

23. After a brief discussion, the *Secretary-General* reminded the *Committee* that in four years there had been close to a 25% reduction in professional staff (with equivalent reductions in category B and C staff as well). As a result, he stressed that the proposed 3.2% increase would not be to expand the Secretariat, but simply to keep it at an operational level.

24. The *Chair* concluded that the *Committee* had taken note of the request of the Secretariat and that some members expressed their reservation to endorsing the proposal at this stage.

Item No. 3 on the agenda: First review of the Accounts of the financial year 2012

25. The *Chair* also noted that the proposed increase in contributions would in any event be reconsidered at the next session of the *Committee*. The *Chair* turned to item number 3 of the agenda – review of the accounts of the financial year 2012 – for which she gave the floor to the *Secretary-General*.

26. The *Secretary-General* mentioned that the income part of the 2012 budget was corrected to reflect the fact that some States had their contribution reduced. On the expenditure side, the *Secretary-General* mentioned that the Secretariat has consistently spent less, but reminded the *Committee* that the surplus was due to a post which remained vacant in the Secretariat for several months. With regard to the use of the surplus, he mentioned the need to reserve part for a possible settlement in a complex case before the administrative tribunal, to purchase equipment and books for the library, and to make much needed repair work to the Headquarters building. He mentioned that a proposal for the use of the surplus will be presented to the *Finance Committee* at a future date.

Item No. 4 on the agenda: Any other Business

27. Having been no comments on the statement of accounts, the *Chair* opened the floor to any other business.

28. Following instructions from his Government, the *representative of Germany* seized the opportunity of the meeting of the Finance Committee to ascertain which of the member States present were going to propose a candidate for the elections to the Governing Council. Nearly all of the States present confirmed that they were going to present a candidate. The representative of Germany therefore seized the opportunity to ask for support for the German candidate to the Governing Council, Mr Hans-Georg Bollweg.

29. No other matters having been raised, the Chair closed the meeting at 12.45 p.m.

APPENDIX I**List of participants**

Ms Katharina WIESER	(Austria)
Ms Gilda MOTTA SANTOS NEVES	(Brazil)
Mr Craig WEICHEL	(Canada)
Mr Wu Cong	(China)
Ms Amélie DURANTON	(France)
Mr Marco ACQUATICCI	(Germany)
Mr Seyed Kamel MIRKHALAF	(Iran)
Mr Fernando PALLINI ONETO DI SAN LORENZO	(Italy)
Ms Satoko KOIKE	(Japan)
Mr Alan ROMERO ZAVALA	(Mexico)
Ms Alina POPESCU	(Romania)
Mr Evgeny EGOROV	(Russian Federation)
Ms Lorea ARRIBALZAGA	(Spain)
Mr Tiziano BALMELLI	(Switzerland)
UNIDROIT Secretariat	
Mr José Angelo ESTRELLA FARIA	(Secretary-General)
Mr John WILSON	(Senior Officer)

APPENDIX II

CHART OF THE ANNUAL CONTRIBUTIONS TO UNIDROIT

Category	State	No of units	Budget 2013		Budget 2014		Difference
			Unit value	Contribution	Unit value	Contribution	
I	Canada	50	€ 2,450	€ 122,500	€ 2,530	€ 126,500	€ 4,000
	China	50	€ 2,450	€ 122,500	€ 2,530	€ 126,500	€ 4,000
	France	50	€ 2,450	€ 122,500	€ 2,530	€ 126,500	€ 4,000
	Germany	50	€ 2,450	€ 122,500	€ 2,530	€ 126,500	€ 4,000
	Italy	-	-	€ 100,000	€ 2,530	€ 126,500	€ 26,500
	Japan	50	€ 2,450	€ 122,500	€ 2,530	€ 126,500	€ 4,000
	United Kingdom	50	€ 2,450	€ 122,500	€ 2,530	€ 126,500	€ 4,000
	United States	50	€ 2,450	€ 122,500	€ 2,530	€ 126,500	€ 4,000
II	Republic of Korea	22	€ 2,450	€ 53,900	€ 2,530	€ 55,660	€ 1,760
	Russian Federation	22	€ 2,450	€ 53,900	€ 2,530	€ 55,660	€ 1,760
	Spain	22	€ 2,450	€ 53,900	€ 2,530	€ 55,660	€ 1,760
III	Australia	18	€ 2,450	€ 44,100	€ 2,530	€ 45,540	€ 1,440
	Belgium	18	€ 2,450	€ 44,100	€ 2,530	€ 45,540	€ 1,440
	Brazil	18	€ 2,450	€ 44,100	€ 2,530	€ 45,540	€ 1,440
	Netherlands	18	€ 2,450	€ 44,100	€ 2,530	€ 45,540	€ 1,440
	Sweden	18	€ 2,450	€ 44,100	€ 2,530	€ 45,540	€ 1,440
	Switzerland	18	€ 2,450	€ 44,100	€ 2,530	€ 45,540	€ 1,440
IV	Mexico	13	€ 2,450	€ 31,850	€ 2,530	€ 32,890	€ 1,040
V	Austria	11	€ 2,450	€ 26,950	€ 2,530	€ 27,830	€ 880
	Denmark	11	€ 2,450	€ 26,950	€ 2,530	€ 27,830	€ 880
	Finland	11	€ 2,450	€ 26,950	€ 2,530	€ 27,830	€ 880
	Greece	11	€ 2,450	€ 26,950	€ 2,530	€ 27,830	€ 880
	Norway	11	€ 2,450	€ 26,950	€ 2,530	€ 27,830	€ 880
	Poland	11	€ 2,450	€ 26,950	€ 2,530	€ 27,830	€ 880
	Saudi Arabia	11	€ 2,450	€ 26,950	€ 2,530	€ 27,830	€ 880
VI	India	9	€ 2,450	€ 22,050	€ 2,530	€ 22,770	€ 720
	Ireland	9	€ 2,450	€ 22,050	€ 2,530	€ 22,770	€ 720
	Portugal	9	€ 2,450	€ 22,050	€ 2,530	€ 22,770	€ 720
	South Africa	9	€ 2,450	€ 22,050	€ 2,530	€ 22,770	€ 720
	Turkey	9	€ 2,450	€ 22,050	€ 2,530	€ 22,770	€ 720
VII	Argentina	8	€ 2,450	€ 19,600	€ 2,530	€ 20,240	€ 640
	Chile	8	€ 2,450	€ 19,600	€ 2,530	€ 20,240	€ 640
	Colombia	8	€ 2,450	€ 19,600	€ 2,530	€ 20,240	€ 640
	Czech Republic	8	€ 2,450	€ 19,600	€ 2,530	€ 20,240	€ 640
	Hungary	8	€ 2,450	€ 19,600	€ 2,530	€ 20,240	€ 640
	Indonesia	8	€ 2,450	€ 19,600	€ 2,530	€ 20,240	€ 640
	Iran	8	€ 2,450	€ 19,600	€ 2,530	€ 20,240	€ 640
	Israel	8	€ 2,450	€ 19,600	€ 2,530	€ 20,240	€ 640
	Romania	8	€ 2,450	€ 19,600	€ 2,530	€ 20,240	€ 640
	Slovakia	8	€ 2,450	€ 19,600	€ 2,530	€ 20,240	€ 640
	Venezuela	8	€ 2,450	€ 19,600	€ 2,530	€ 20,240	€ 640

Category	State	No of units	Budget 2013		Budget 2014		Difference
			Unit value	Contribution	Unit value	Contribution	
VIII	Bulgaria	5	€ 2,450	€ 12,250	€ 2,530	€ 12,650	€ 400
	Croatia	5	€ 2,450	€ 12,250	€ 2,530	€ 12,650	€ 400
	Cyprus	5	€ 2,450	€ 12,250	€ 2,530	€ 12,650	€ 400
	Egypt	5	€ 2,450	€ 12,250	€ 2,530	€ 12,650	€ 400
	Estonia	5	€ 2,450	€ 12,250	€ 2,530	€ 12,650	€ 400
	Latvia	5	€ 2,450	€ 12,250	€ 2,530	€ 12,650	€ 400
	Lithuania	5	€ 2,450	€ 12,250	€ 2,530	€ 12,650	€ 400
	Luxembourg	5	€ 2,450	€ 12,250	€ 2,530	€ 12,650	€ 400
	Malta	5	€ 2,450	€ 12,250	€ 2,530	€ 12,650	€ 400
	Nigeria	5	€ 2,450	€ 12,250	€ 2,530	€ 12,650	€ 400
	Pakistan	5	€ 2,450	€ 12,250	€ 2,530	€ 12,650	€ 400
	Paraguay	5	€ 2,450	€ 12,250	€ 2,530	€ 12,650	€ 400
	Serbia	5	€ 2,450	€ 12,250	€ 2,530	€ 12,650	€ 400
	Slovenia	5	€ 2,450	€ 12,250	€ 2,530	€ 12,650	€ 400
	Tunisia	5	€ 2,450	€ 12,250	€ 2,530	€ 12,650	€ 400
	Uruguay	5	€ 2,450	€ 12,250	€ 2,530	€ 12,650	€ 400
	Special	Holy See	1	€ 2,450	€ 2,450	€ 2,530	€ 2,530
San Marino		1	€ 2,450	€ 2,450	€ 2,530	€ 2,530	€ 80