



FINANCE COMMITTEE
80th session
Rome, 29 September 2016

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F.C. (80) 7
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REPORT

(prepared by the UNIDROIT Secretariat)

1. The 80th session of the Finance Committee was held at the seat of UNIDROIT in Rome on 29 September 2016 and commenced at 10:10am.

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

2. The *Secretary-General of UNIDROIT*, Mr José Angelo Estrella Faria, opened the session and welcomed the members of the Committee (for a complete list of participants, see Annex).

Item No. 2 on the agenda: Appointment of the Chairman of the Finance Committee (F.C. (80) 1)

3. The *Secretary-General* noted that the Committee needed to appoint a new Chair and thanked the outgoing Chair, Ms Amelie Duranton, a representative of France. In line with UNIDROIT's established practice of appointing as Chair of the Finance Committee the most senior member of the Committee on the basis of the date of accreditation to the Government of Italy, he stated that the longest serving member of the Committee was Mr Benito Jiménez, a representative of Mexico. The *Secretary-General* then asked the Committee whether it wished to appoint Mr Jiménez as the new Chair of the Committee.

4. *The Committee agreed to this proposal, and Mr Jiménez chaired the session.*

Item No. 3 on the agenda: Adoption of the agenda (F.C. (80) 1)

5. The *Chair* proposed adoption of the draft agenda to the Committee. *The agenda was adopted as proposed in document F.C. (80) 1.*

Item No. 4 on the agenda: Final modifications to the Budget and Accounts for the 2015 financial year (F.C. (80) 2 rev. and Accounts 2015)

6. The *Chair* drew the Committee's attention to the final modifications to the Budget and Accounts for the 2015 financial year. He then invited the Secretary-General to present the document.

7. The *Secretary-General* thanked the Chair and noted that the Accounts had been examined on a preliminary basis by the Finance Committee at its 79th session (Rome, 17 March 2016) and had also been circulated to member States. He pointed out that, as indicated in the table in paragraph 6, the 2015 financial year had been closed with a positive balance of roughly €67,000. He further pointed out that the Finance Committee had already taken note of that surplus and had authorised the Secretariat, in accordance with Article 38(4)(a) of the UNIDROIT Regulations, to use it for hosting the series of special events linked to UNIDROIT's 90th anniversary.

8. *Seeing no requests for the floor, the Chair concluded that the Committee recommended that the General Assembly approve the final modifications to the Budget and Accounts for the 2015 financial year.*

Item No. 5 on the agenda: Adjustments to the Budget for the 2016 financial year (F.C. (80) 3)

9. The *Chair* moved the Committee to the next item on the agenda and gave the floor to the Secretary-General to present the document.

10. The *Secretary-General* explained that the document had the nature of a financial progress report and showed how the Secretariat's resources had been spent during the year by chapter of the Budget. He further explained how the document was created, noting that it reflected the status of expenditures at the time of publication in early September and included both disbursements already made by that time and the estimated disbursements to be made through the end of the year. He noted that, in doing so, the estimated disbursements could be calibrated against the expected level of receipts. This was important because any shortfall in receipts could be anticipated, and it would be too risky to rely alone on UNIDROIT's Working Capital Fund, which could in any event only cover only two months of ordinary expenditure. He then explained how the estimated expenditures for the remainder of the year had been adjusted, pointing out that the estimated shortfall in receipts of roughly €35,000 shown in the table on page 3 was matched by the estimated decrease in expenditure of roughly €35,000 shown in the table on page 4. In briefly describing the adjustments in expenditures which were further detailed in the explanatory notes, he stated that certain representation costs had been higher, as a result of the events linked to the 90th anniversary celebration, and that such costs had been covered by the surplus from the prior year. He then stated that, with respect to lower expenditures, savings had resulted from the decision to hold two meetings in 2017 instead of at the end of the year and from the staff's social security arrangements, the costs of which were estimated on the assumption that the entire staff would be enrolled in the Italian social security system, whereas some staff members were enrolled in less costly alternative systems. In concluding, he pointed out that those latter savings demonstrated the importance of the informal working group's ongoing review of the compensation and social security packaged offered to UNIDROIT staff.

11. *Seeing no requests for the floor, the Chair concluded that the Committee recommended that the General Assembly approve the adjustments to the Budget and Accounts for the 2016 financial year.*

Item No. 6 on the agenda: Information on the extra-budgetary contributions received in 2016 and on their allocation to the activities and projects of the Institute (F.C. (80) 4)

12. The *Chair* introduced the next item on the agenda and gave the floor to the Secretary-General to present the document.

13. The *Secretary-General* explained that extra-budgetary contributions were not applied to the legislative activities of the Secretariat, but were instead used for non-legislative activities, including promotion of UNIDROIT's instruments and the Research Scholarship Programme. Among the contributors, he noted three uniform law foundations – the UNIDROIT Foundation (The Netherlands), the Foundation for International Law (United Kingdom), and the American Foundation for International Uniform Law (United States of America) – which raised funds through the sale of publications and the organisation of conferences and then donated those funds to UNIDROIT. He then pointed out that the contribution by an Association of German Banks, the majority of which had earlier been used to support research relating to the Principles on the Operation of Close-Out Netting Provisions, was also used to fund a capital markets fellowship. He then discussed the contribution by the Transnational Law and Business University, which was used to fund scholarships for researchers from eastern Asia, and the grant received from the International Fund for Agricultural Development and the Food and Agriculture Organization of the United Nations, which was used to promote the UNIDROIT – FAO – IFAD Legal Guide on Contract Farming. He also recognised the contributions of various Italian law firms and thanked the President of the Institute, Mr Alberto Mazzone, for his efforts in this regard as these funds were used to support the Scholarship Programme, purchase books and journals for the Library, and to organise promotional events. In concluding, he pointed out that the document was meant to show, in a transparent manner, how UNIDROIT was managing these voluntary contributions.

14. *Seeing no requests for the floor, the Chair acknowledged that the Finance Committee took note of the information on extra-budgetary contributions received by UNIDROIT in 2016 and requested that such information also be submitted to the General Assembly at its 75th session.*

Item No. 7 on the agenda: Arrears in contributions of member States (F.C. (80) 5)

15. The *Chair* introduced the next item on the agenda, recognising that document F.C. (80) 5 was a very informative one regarding the status of arrears. He then gave the floor to the Secretary-General to present the document.

16. The *Secretary-General* noted that the document reflected arrears in contributions with respect to financial years which had already been closed, specifically for 2015 and years prior. For contributions for 2016, he stated that member States had until the end of February 2017 to make such contributions as it was at that time that the Accounts for the 2016 financial year would be closed. Noting that the status of arrears was not very different from that of last year, he stated that it had improved in certain respects, pointing out that Romania had paid all of its arrears, Brazil had paid its arrears for the 2014 financial year, and Pakistan had paid its arrears specifically for the 2015 financial year. He also noted that Iran was now only two years behind on its payments and that he expected that Nigeria would pay its arrears as it had in the past, in particular by doing so after it had accumulated three to four years of arrears and then paying them all at once.

17. The *Chair* thanked the Secretary-General for his remarks and invited the Secretariat to continue its efforts to ensure that member States made their annual contributions on time. *Seeing no requests for the floor, the Chair concluded that the Finance Committee had taken note of the status of arrears in contributions of member States.*

Item No. 8 on the agenda: Draft Budget 2017 and observations submitted by member States (F.C. (80) 6)

18. The *Chair* introduced the next item on the agenda regarding the draft Budget for the 2017 financial year and gave the floor to the Secretary-General.

19. The *Secretary-General* stated, at the outset, that the draft Budget was a zero nominal growth one. He then stated that, as UNIDROIT had its seat in the Eurozone where inflation rates were very low, maintaining zero nominal growth was not too difficult, but cautioned that it could be more difficult if those rates began to rise. He emphasised that no requests for supplementary contributions were anticipated and that the differences in the draft Budget, as compared to the current year's Budget, arose from the retirement of a part-time member of the Secretariat's staff. As a result of that retirement, it was decided to shift part of the resources under the salaries and allowances chapter to the meeting and travel costs chapter so as to increase the sum provided for meetings by committees of experts. This shift would give the necessary flexibility to accommodate all of the expert meetings that were envisioned for 2017 without the need for supplementary funding and would still allow for the Secretariat to hire additional short-term research assistants as needed by particular projects under the new Work Programme for the 2017-2019 triennium.

20. The *representative of Japan* thanked the Secretary-General for the precise explanation and for the careful management of UNIDROIT's resources as set forth in the draft Budget. She noted that the draft Budget was a reasonable one and expressed gratitude to the entire staff of the Secretariat.

21. *Seeing no further requests for the floor, the Chair concluded that the Finance Committee recommended that the General Assembly adopt the draft Budget for the 2017 financial year.*

Item No. 9 on the agenda: Any other business

22. The *Chair*, seeing no requests for the floor regarding any other business, stated that there would be a meeting of the informal working group on the compensation and social security package offered to UNIDROIT's staff immediately following the Committee's session. He then thanked the representatives for their efficient work and concluded the 80th session at 10:40am.

ANNEX**List of participants**

Ms Konstanze GEIGER	(Austria)
Mr Vinicius Cardoso BARBOSA SILVA	(Brazil)
Ms Claudia HINZER	(Canada)
Mr YI Qiuchen	(People's Republic of China)
Mr Olaf Adam REIF	(Germany)
Mr Madan Mohan SETHI	(India)
Mr Nicola ORLANDO	(Italy)
Ms Yukiko CONSTANTINESCU	(Japan)
Mr Benito JIMENEZ	(Mexico)
Mr Vlad MUSTACIOSU	(Romania)
Mr Rafael Osorio DE REBELLÓN VILLAR	(Spain)
Mr Marcus ROTHEN	(Switzerland)
Mr Robert MEARKLE	(United States of America)

UNIDROIT Secretariat

Mr José Angelo ESTRELLA FARIA	(Secretary-General)
Ms Anna VENEZIANO	(Deputy Secretary-General)
Mr Neale BERGMAN	(Legal Officer)