FINANCE COMMITTEE  
87th session  
Rome, 10 October 2019

REPORT  
(prepared by the UNIDROIT Secretariat)

1. The 87th session of the Finance Committee was held at the seat of UNIDROIT in Rome on 10 October 2019.

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

2. The Secretary-General opened the session and welcomed all the Members of the Committee. He noted that several new persons had been appointed to the Committee. He welcomed the new Members of the Committee: Mr Luis Anaya, Representative of Mexico; Ms Michaela Gastiger, Representative of Germany; and Ms Xu Lingling, Representative of the People’s Republic of China (for a complete list of participants, see Annex).

3. The Secretary-General expressed his sincere gratitude and appreciation to Mr Benito Jiménez, Representative of Mexico, who had served as the Chair of the Finance Committee since its 80th Session (Rome, 29 September 2016). The Secretary-General also expressed his gratitude to Mr Olaf Adam Reif, Representative of Germany for many years; and Mr Li Dongchao, Representative of the People’s Republic of China, who had both previously served on the Committee.

Item No. 2 on the agenda: Appointment of the Chair of the Finance Committee (F.C. (87) 1)

4. The Secretary-General noted that the Committee needed to appoint a new Chair, while reaffirming his expression of gratitude to the outgoing Chair, Mr Benito Jiménez. In line with UNIDROIT’s established practice of appointing as Chair the most senior member of the Committee on the basis of the date of accreditation to the Government of Italy, he noted that the longest-serving member of the Committee was Mr Rafael Osorio, Representative of Spain. The Secretary-General then asked the Committee whether it wished to appoint Mr Osorio as the new Chair of the Committee.

5. The Representative of Italy supported the appointment of Mr Osorio as the Chair of the Committee and expressed his sincere appreciation and gratitude to the outgoing Chair, Mr Benito Jiménez, requesting the new Representative of Mexico to convey his best regards to Mr Jiménez. Additionally, he introduced Mr Luca Pascali, who would be taking his place in representing Italy at the Committee from now on.

6. The Representative of Canada and the Representative of Germany both expressed their appreciation and gratitude to the outgoing Chair, Mr Benito Jiménez, and supported the appointment of Mr Osorio as the new Chair.
7. The Committee appointed Mr Rafael Osorio, Representative of Spain, as the Chair.

Item No. 3 on the agenda: Adoption of the agenda (F.C. (87) 1)

8. The newly elected Chair thanked the Committee for its confidence. He also expressed his sincere gratitude and appreciation to the outgoing Chair, Mr Benito Jiménez, and commended the work which the Committee had done under his guidance. He noted the small, yet efficient nature of UNIDROIT as an institution, and lauded its ambition and work over the past years. He noted the intention of the Secretariat to increase its work capacity by proposing a much more ambitious Work Programme for the 2020-2022 triennium as compared to previous years, as well as the great work it was expected to undertake at the upcoming Diplomatic Conference for the adoption of the MAC Protocol to the Cape Town Convention. Of all the characteristics which UNIDROIT possessed as an Institution, the Chair noted that accountability was one of its finest. As such, it was the responsibility of the Committee to ensure that this accountability continued, as it only strengthened the work of UNIDROIT.

9. The Chair proposed the adoption of the agenda and opened the floor for comments. The agenda was adopted as proposed in document F.C. (87) 1.

Item No. 4 on the agenda: Final modifications to the Budget and Accounts for the 2018 financial year (F.C. (87) 2 and Accounts 2018)

10. The Chair drew the Committee’s attention to document F.C. (87) 2 and invited the Secretary-General to present the document.

11. The Secretary-General recalled that the document was based on the first review of the Accounts of the 2018 financial year (F.C. (86) 4), which had been examined at the Committee’s 86th session (Rome, 4 April 2019) and then circulated to Member States for review. The Secretariat received one comment from the People’s Republic of China which related to the existence of a redundant item in Chapter 1, Article 5 referring to the extra-budgetary contribution from the People’s Republic of China. It was proposed to remove the item from this chapter so that it is instead reflected as an extra-budgetary contribution.

12. The Secretary-General noted that the accounts showed a surplus of €365,920.54, resulting from the positive balance of €83,510.15 carried over from the 2017 financial year, plus the positive balance in 2018 of €282,410.39. Additionally, the credit balance in the Working Capital Fund at the close of the 2018 financial year was €369,227.51. The cumulative surplus was the result of several factors, including, among other: (i) the settlement of a large amount of arrears on the part of Nigeria in 2018, for which its Government was duly thanked by the Secretary-General; (ii) savings in different chapters of expenditure, including under Chapter 1, Articles 4, 5 and 6 relating to Committees of Experts, Official journeys of representatives and staff, and Interpreters respectively, as a result of the utilisation of videoconferencing and technology to cut down costs, as well as the fact that most of the Institute’s ongoing projects were in their final stages, and hence did not require the convening of committees of experts, or interpreters for such meetings; (iii) further, substantial savings were also made under Chapter 2, Article 1 relating to Salaries, during the period when Professor Anna Veneziano served as Secretary-General a.i. of the Institute, since the Institute did not have to pay a Secretary-General’s salary.

13. The Committee agreed to transmit a positive opinion on this matter to the General Assembly for its 78th session (Rome, 12 December 2019).
Item No. 5 on the agenda: Adjustments to the Budget for the 2019 financial year

(F.C. (87) 3)

14. The Chair drew the Committee’s attention to document F.C. (87) 3 and invited the Secretary-General to present the document.

15. The Secretary-General explained that the document showed how the Secretariat had spent its resources up until the beginning of September when the document was finalised and circulated for the session. Additionally, the document indicated adjustments to the 2019 budget which the Secretariat recommended based on expected expenditure and receipts. These indications were based on the Accounts available for the previous financial year, the partial accounts available for 2019, and any other modifications necessary due to exceptional circumstances.

16. The Secretary-General noted that, similarly to previous years, the Secretariat anticipated a shortfall in ordinary receipts of €136,161.30. The Secretariat had no intention of relying upon its Working Capital Fund to cover this shortfall, as the financial position of the Institute was excellent overall.

17. The Secretary-General recalled that, in accordance with Article 38(4) of the Regulations, it is his prerogative to make proposals to the Committee to allocate the surplus accumulated toward specific categories of expenditure. However, he expressed his intention not to make any such proposals for 2019 as the need for additional funding was not foreseen. As such, it was the intention of the Secretariat to set off, as much as possible, any shortfall in receipts in 2019 or any unforeseen expenditure in 2019 with a reduction of expenditure under various chapters and seeking out sources of external funding where relevant. In any case, and with a view to avoiding these shortfalls in receipts, Member States were encouraged to make their payments in a timely manner.

18. In explaining this, the Secretary-General drew the attention of the Committee to page 5 of document F.C. (87) 3 relating to expenditure. This showed savings of €144,032.46, which was a sum greater than the shortfall foreseen for 2019 due to the accrued arrears in contributions, resulting in a positive balance for the year. The reduction in budgeted expenditure was a result of: (i) the use of substantial extra-budgetary contributions to cover expenditures under Chapter 1, Article 5 (savings of €15,100.00) relating to Official journey of representatives and staff; (ii) the generosity of several Member States who had agreed to cover the costs of attendance for their own Governing Council Members (savings of €7,522.17); and (iii) savings of €79,553.65 were also made under Chapter 1, Article 4 (Committees of Experts) due both to the use of extra-budgetary contributions and to the aforementioned smaller number of meetings held.

19. The Secretary-General noted that a new Article 8 had been added to Chapter 1 to account for expenditure to be incurred for the organisation of the upcoming Diplomatic Conference for the MAC Protocol in South Africa, which was expected to amount to €68,773.93. While the cost of the venue of the Conference was to be paid for by the South African government, all other expenses such as the cost of travel for the Secretariat, interpretation, and several other items would be covered by UNIDROIT. The Secretariat nevertheless envisaged substantial savings of €37,221.93 under Chapter 1.

20. Regarding Chapter 2 (Salaries and allowances) and Chapter 3 (Social security charges), savings of €42,436.25, and €77,270.85 respectively were anticipated. Regarding Chapter 2, Article 1 on Salaries of Categories A, B and C staff and consultant, savings of €33,222.05 were anticipated as a result of one senior member of staff leaving the Secretariat in April 2019, and another one retiring at the end of May 2019. Regarding Chapter 2, Article 2 on Remuneration for occasional collaborators, the senior member of staff, who retired at the end of May 2019 had been retained as a collaborator for the remainder of the year (amounting to approximately €20,000 in fees).
Additionally, the yearly salary of a collaborator had been paid during 2019 and would continue to be paid out of funding received from the Cape Town Convention Academic Project (€24,000 in 2019). As such, savings of €15,266.31 were envisaged under this Article. Regarding Chapter 2, Article 3 on Tax reimbursement, a negative balance appeared of €6,052.11; it was noted that this would be resolved in 2020 as tax reimbursement was expected for the salary of an employee who was a US national and who had left the Secretariat in April 2019. Regarding Chapter 3, savings of €76,668.50 were made under Article 1 relating to Insurance against disablement, old age and sickness. This was also the result of the departure of one senior staff member of the Secretariat and the retirement of another.

21. The Secretary-General took the opportunity to introduce Mr Carlo Di Nicola to the Committee. Mr Di Nicola had replaced Mr Neale Bergman at the Secretariat and would be looking after the affairs of the Committee moving forward. Additionally, efforts were also underway to replace the senior staff member who had retired. As such, the Secretary-General reported that two individuals at the P2 and P3 levels had been selected after an extensive recruitment process and were expected to join the Secretariat towards the end of the year.

22. The Chair commended the Secretariat’s efforts in not using the Working Capital Fund, and in managing expenditures in a very austere manner.

23. The Representative of the United States of America thanked the Secretary-General for his explanation of the adjustments to the budget for 2019. She expressed her appreciation regarding the cautious and rigorous approach which the Secretariat had taken towards managing the resources available to the Institute. She commended the extraordinary work which the Secretariat had been undertaking and recalled recent meetings between the Secretary-General and a representative from Washington D.C., as well as with the Ambassador of the United States of America from the US Mission to the UN Agencies in Rome. Additionally, she congratulated the Chair of the Committee for his appointment and also introduced Ms Alina Tashjian, who was accompanying her at the present meeting.

24. The Committee reviewed the proposed adjustments to the Budget for the financial year 2019, as set out in Appendix I of document F.C. (87) 3, and recommended their approval by the General Assembly, at its 78th session (Rome, 12 December 2019).

25. The Chair drew the Committee’s attention to document F.C. (87) 4 and invited the Secretary-General to present it.

26. The Secretary-General noted that in order for the Institute to realise its full potential, it was important to capture funding from beyond regular contributions from Member States. Extra-budgetary contributions had been difficult to obtain in the past, however, 2019 had been a relatively successful year. The Secretary-General added that while the Secretariat was accountable for these extra-budgetary contributions to those who made them, in order to maximise transparency, the Secretariat had always reported these contributions to the Committee and would continue to do so with all necessary detail.

27. Regarding these contributions, firstly, the Cape Town Convention Academic Project (CTCAP) had contributed €47,000 which were spent on Cape Town Convention related matters. This included €24,000 towards retaining a legal consultant, €3,000 towards the publication of the MAC Protocol Economic Assessment, €10,000 towards funding for academic experts for their consideration of the
MAC Protocol drafting, and €10,000 towards official travel to raise awareness in emerging markets for the MAC Protocol in 2019. Additionally, the Secretary-General reported that an agreement had been reached with the CTCAP for recurring contributions of €55,000 annually for the next three years, as well as some additional monies (circa €30,000) in 2019 which would be freed up as a result of the CTCAP administration being moved from the University of Oxford to UNIDROIT. Moving forward, the CTCAP would be a joint project between the Aviation Working Group, the University of Cambridge and UNIDROIT. The additional money to be received from the CTCAP over the next three years would be utilised in retaining the legal consultant, rebuilding the website of the CTCAP, as well as assisting with the organisation of the UNIDROIT Foundation projects relating to Economic Assessment of International Commercial Law Reform, and Best Practices of Electronic Registry Design.

28. Secondly, in relation to the joint Project to draft a Legal Guide for Agricultural Land Investment Contracts, the Secretary-General reported that UNIDROIT had received a “micro-grant” of 70,000.00 USD from the International Fund for Agricultural Development (IFAD) for its finalisation, including, among other items, the funding of expenses of local experts for a number of regional consultation events to ensure the broadest possible dissemination of the Draft Guide and a robust consultation process for prospective stakeholders. The Secretary-General thanked IFAD for its contribution, and recalled the strong and enduring collaboration between both institutions.

29. Thirdly, The Secretary-General reported that UNIDROIT had recently been awarded the 2019 United Rule of Law Appeal (UROLA) Prize of the Washington, D.C. based International Law Institute worth 10,000.00 USD. This would be utilised to establish a pilot project for the preparation of a country-specific Legal Guide on Contract Farming, which would be adapted to the particular context of the jurisdiction.

30. Fourthly, in relation to Scholarships, the Institute was very grateful to have again received the generous annual voluntary contribution of the Government of the People’s Republic of China (€20,000.00). Additionally, the Institute had received a substantial sum from the royalties for the sales of the Official Commentaries to the Cape Town Convention and its Protocols, written by Sir Roy Goode. This was the result of the publication of the fourth edition of the Commentary in 2019. As such, in accordance with the express will of Sir Roy, the monies received through this channel would be used to set up the “Sir Roy Goode Grant”, the main purpose of which would be to support highly accomplished academics conducting research for periods of at least six months on topics related to the work programme of UNIDROIT.

31. The Chair congratulated the Institute for successfully raising a significant amount of money to further the work of UNIDROIT, and for receiving prizes for its high-quality work. Additionally, he especially commended the collaboration with other Rome-based UN Agencies.

32. The Committee took note of the information on extra-budgetary contributions received by UNIDROIT in 2019.

Item No. 7 on the agenda: Arrears in contributions of Member States (F.C. (87) 5)

33. The Chair drew the Committee’s attention to document F.C. (87) 5 and invited the Secretary-General to present that document.

34. The Secretary-General noted the document provided an update on the arrears in contributions of Member States. He recalled that Member States could make their contributions for the 2019 financial year until February 2020, at which point the accounts would be closed. Unfortunately, the document showed that the level of arrears was still high, as the total amount had risen to €386,749.40 in 2019. On a more positive note, The Secretary-General further noted that
Paraguay had settled its arrears for 2017, and that Belgium had clarified that the arrears from 2018 were the result of a misunderstanding and that the matter would be settled in 2020.

35. The Secretary-General drew the attention of the Committee to the status of Venezuela, which had been in arrears for a number of years. Venezuela no longer retained their right to vote and had not provided any indication to the Secretariat of any intention to clear their dues. Bearing in mind the acute political and economic uncertainties in Venezuela, the Committee was asked to consider whether it would favour a proposal to the General Assembly for moving Venezuela to the category of Inactive States. This procedural measure would allow for Venezuela’s annual contributions (€20,240.00) to no longer be included as part of the budget, thereby allowing the Secretariat to prepare more accurate budgetary projections. If the Committee were favourable to this, before proceeding, the Secretariat would again renew its efforts to contact Venezuela and seek its views on the matter.

36. The Representative of Germany noted the importance of the work of UNIDROIT and encouraged all States in arrears to address these expeditiously. She requested the Secretary-General to make renewed efforts to request payments from these States before the General Assembly.

37. The Representative of the United States of America sought clarification from the Secretariat on how an Inactive State could regain its status as an Active State. The Deputy Secretary-General noted that there existed no express regulation delineating this process. However, there had been precedents in the past, where a State had been moved to the category of Inactive, and then reinstated upon clearing their dues. The Secretary-General added that the reinstatement to Active State status would depend upon payment of arrears, and the scale of reinstatement would depend upon the sum paid, whereby if all of the dues were cleared, the State would regain full Active status, whereas if only a part of the dues were cleared, it would need to be assessed whether or not the State would regain its voting rights. It was clarified that this was purely a procedural measure in order to improve the budgeting process.

38. The Representative of Canada noted that this discussion could potentially take an undesirable – and involuntary – character once brought in front of the General Assembly. Additionally, it was noted that there were two other States in a similar situation.

39. The Chair summarised the discussion, noting that, as there was no decision foreseen under this agenda item in the documents under consideration, the Committee would not be taking a decision on this item. The proposal relating to Venezuela could be raised, if deemed appropriate, at the General Assembly at its 78th session (Rome, 12 December 2019), which could thereafter request the Committee to consider the matter at its next session in April 2020.

40. The Chair thanked the Secretary-General for his remarks and requested the Secretariat to continue to seek payment of all contributions in a timely manner. Seeing no further requests for the floor, the Chair concluded that the Committee had taken note of the status of arrears in contributions of Member States.

Item No. 8 on the agenda: Draft Budget 2020 and observations submitted by Member States (F.C. (87) 6)

41. The Chair drew the Committee’s attention to document F.C. (87) 6 and invited the Secretary-General to present that document.

42. The Secretary-General noted that the budget under consideration was the same as the one discussed by the Committee at its 86th session (Rome, 4 April 2019), and thereafter presented to the Governing Council at its 98th session (Rome, 8-10 May 2019), where it was approved without
comments. The budget was open for comments from Member States until 26 August 2019, with only one set of comments being received from Mexico.

43. In general, the draft Budget presented a very small increase due to an estimated increase in receipts from Member State contributions, but otherwise maintained the trend for zero growth budgets. Overall, the Secretariat had proposed a total expenditure of €2,342,500.00 for the year 2020. This total reflected an increase compared to the expenditure authorised under the 2019 Budget of €53,130 (or roughly 2.4%) which was solely attributable to the estimated increase in receipts from contributions of Member States in the new UNIDROIT Contributions Chart (see F.C. (87) 8), following the decision of the General Assembly at its 76th session (Rome, 7 December 2017).

44. The Secretary-General stressed that the increase in budget did not reflect any actual effort by the Secretariat to increase the budget, but rather was merely the result of the direct implementation of the decision of the General Assembly at its 76th session (Rome, 7 December 2017) to equate the Contributions with the updated UN scale of assessments. The comment received from Mexico related to this matter and had noted the 2.4% increase in the budget. Nevertheless, as emphasised, the increase was only the result of a procedural step rather than an actual increase in the budget. There is, hence, no possibility of a lower nominal increase in the budget, unless the Secretariat had been expected not to implement the decision of the General Assembly.

45. Regarding receipts, no change was envisaged save for the Contributions of Member States as a result of the application of the new Contributions Chart. With regard to expenditure, the Secretariat proposed several changes to account for the increase in receipts, including the following: Chapter 1, Article 2 (Auditor) – where an increase of €500 was envisaged as a result of higher anticipated costs in hiring a new auditor; Chapter 1, Article 4 (Committees of Experts) – where the Secretariat envisaged an increase of €19,500, bringing the total back to levels which were common before 2019 as a result of the start of the 2020-2022 triennium Work Programme which included several new projects and differed substantively from the projects portfolio of the Institute in 2019; Chapter 1, Article 5 (Official journeys and promotion of activities) – wherein an increase of €5,130 was envisaged in order to support further promotion of UNIDROIT’s current activities and instruments, including the promotion of the MAC Protocol in 2020 in the wake of the Diplomatic Conference.

46. As a result of the adoption of the 2020-2022 Work Programme, which would have the Institute potentially working on 5 projects simultaneously, and the special need to promote the MAC Protocol immediately after the Diplomatic Conference, the Secretary-General sought the approval of the Committee, pursuant to Article 38(4) of the Regulations, to allocate parts of the surplus, as deemed appropriate, for the convening of expert meetings for the new projects, and for Official journeys and promotion for the MAC Protocol.

47. Regarding expenditure under Chapter 2, no change was envisaged. Nevertheless, as a result of a restructuring of the Secretariat, with the addition of two new legal officers to replace a senior member who had recently retired, the Secretary-General sought the permission of the Committee to allocate parts of the surplus, if required, to cater for costs relating to the new staff members.

48. The Secretary-General reaffirmed that with regard to the flexibility requested pursuant to Article 38(4) of the Regulations for utilising the surplus for expenses under Chapter 1, Articles 4 and 5, as well as expenses under Chapters 2 and 3, the total maximum amount envisaged to be spent in this regard would not exceed more than thirty to forty thousand Euros, whereas the surplus presently stood close to four hundred thousand Euros.

49. The Representative of Mexico thanked the Secretary-General for welcoming him to the Committee and congratulated the Chair on his appointment. He reiterated the Mexican position regarding the budget, and that it would appreciate retaining a zero-growth budget, as in the past.
50. The Representative of Japan thanked the Secretariat for its work and commended the Secretary-General for his prudent and austere management of the Institute. Additionally, she took note with appreciation of the extra-budgetary contributions which the Institute had managed to receive and expressed support for the budget which had been presented.

51. The Representative of Switzerland supported the Secretary-General’s request with regard to flexibility in relation to spending the surplus for expenditure under Chapter 1, Articles 4 and 5, as well as expenses under Chapters 2 and 3, especially taking into account the importance of promoting the MAC Protocol immediately following the Diplomatic Conference.

52. The Representative of Indonesia supported the budget presented by the Secretary-General and noted the importance of optimising costs related to travel, and interpretation.

53. The Representative of Canada expressed support for the budget. She noted that the increase in budget was mathematical and a direct result of the application of the new Contributions Chart. She also noted that several of the States being moved into higher categories had been in arrears for several years. As such, she emphasised the importance of giving consideration to this potential shortfall with regard to standard expenditure, as well as with regard to the flexibility which the Secretary-General had requested relating to the surplus.

54. The Chair, in his capacity as the Representative of Spain, concurred with the Representative of Canada. Expressing support for the budget, he reaffirmed the mathematical nature of the budget increase, while at the same time emphasising the importance of giving consideration to the potential shortfalls which the application of the new Contributions Chart could result in. As such, he encouraged the Secretariat to continue to exercise prudence in its management of the budget.

55. The Secretary-General thanked the Members of the Committee for their support and confirmed that the Secretariat would continue to exercise prudence in its management of expenses. Regarding the increase in budget, the Secretary-General again noted that the increase was purely a result of the application of the new Contributions Chart, which had been mandated by the General Assembly. As such, the increases reflected for States with arrears was also a direct result of the application of the new Chart. The Secretariat was hopeful that some countries which had been reclassified into lower categories would waive their right to a decrease in contributions and continue to pay their higher annual contributions. The Secretariat had already received confirmation from the Government of Ireland in this regard. Nevertheless, the increase in budget was not large, and hence, in the case where some shortfalls did arise, the Secretariat would not be in a difficult position, especially keeping in mind the surplus available. The Secretary-General encouraged the Member States to make timely payments, noting especially the small overall budget of the Institute. The Secretariat would consider modifications to the budget to align with the receipts under the new Contributions Chart in 2020, if deemed necessary.

56. The Committee expressed a favourable opinion on the draft Budget for 2020 as set out in Document F.C. (87) 6 and requested a positive opinion to be transmitted to the General Assembly at its 78th session (12 December 2019). The Committee also expressed approval with regard to the Secretary-General’s proposal for flexibility, pursuant to Article 38(4) of the Regulations, for utilising the surplus of the Institute for expenses under Chapter 1, Articles 4 and 5, as well as expenses under Chapters 2 and 3.
57. The Chair drew the Committee’s attention to document F.C. (87) 7 and invited the Secretary-General to present that document.

58. The Secretary-General noted that document F.C. (87) 7 referred to three separate areas: compensation; social security; and broader administrative matters. With regard to compensation, as noted to the Committee at its 86th session (Rome, 4 April 2019), and to the Governing Council at its 98th session (Rome, 8-10 May 2019), the Secretariat, with the assistance of an expert consultant on compensation matters, had implemented the transition to the UN salary scales localised for Rome. At the Committee’s 86th session (Rome, 4 April 2019), the Representative of Germany had requested a methodology with regard to the process used by the Secretariat in producing its comparison charts with the UN System. This methodology was now available in document F.C. (87) 7.

59. With regard to social security, the Secretary-General informed the Committee that the transition to the new system had been completed. At the time of the FC session, only four members of the staff were part of the new pension scheme, as many staff members who had been with the Institute for several years had chosen to retain their existing plans. Presently, as of the day of circulation of this report, a fifth employee has been added to the scheme. The new social security system would be mandatory for new staff members, and as such, the total number of staff members within the system would move up to six or seven by the end of 2019. Regarding the cost of administration of the pension scheme, the Secretariat had held discussions with ISRP to find an economical and secure solution for fund administration, in particular, during the transitional period until more UNIDROIT staff were covered by the new scheme. ISRP’s original proposal was quoted at a minimum of €23,000 in terms of annual fees. In light of UNIDROIT’s unique position in terms of number of staff and initial contributions, ISRP proposed terms that would ensure sustainability of the fund, based on conservative assumptions, as well as a lower rate of administration fees. At a first stage, ISRP had proposed to place the incoming contributions in a collections account, yielding a low return but bearing no financial risk (i.e. preservation of capital). In its second phase of implementation, when the fund reaches a threshold amount (estimated at approximately €500,000.00), expected to occur by Year 3 according to current projections, the assets would move towards a full Strategic Asset Allocation (SAA), implemented through selected mutual funds, and expected to return 5.05% per year (nominal) over the long term. In light of the limited reporting costs this sort of arrangement would entail, ISRP offered to waive those costs and retain only an annual fee reflecting 0.5% of the assets (minimum of €12,000), plus the fees owed to the Secretariat of the Committee for the Administration of Funds (equal to €6,461.60) for the first three years. In light of these important developments, the Secretariat had signed a Memorandum of Agreement with the ISRP, which included further details, effective as of 1 September 2019 (Annexe 1 to document F.C. (87) 7).

60. Regarding health insurance the Secretariat had signed a new health insurance policy with AXA, which provided a quote for a higher level of coverage at a lower cost in comparison with the quote obtained from Allianz “Silver”. This entailed a total of €3,871.50 per year for General Service staff, and €4,210.69 for Professional Staff, keeping in mind extra costs for travel insurance.

61. The Secretary-General noted that regarding budgetary impact, the Secretariat did not anticipate that implementation of the new pension scheme and the health and related insurance arrangements would result in budgetary increases beyond those that would have occurred had the existing INPS-based scheme continued. He added that the new scheme would ultimately be cost saving for the Institute, as it would lead to savings due to the different split of cost sharing under the new scheme: whereas under the INPS-based scheme (Italian national system) it was roughly 25% (staff member) to 75% (UNIDROIT) for both pension and health insurance, the cost sharing under the new scheme was 45% (staff member) to 55% (UNIDROIT) for the pension component.
62. Regarding broader administrative matters, the Secretary-General noted that finalised job descriptions should be ready for the General Assembly meeting in December 2019. The process had been complicated due to the recent hiring of two additional individuals to join the Secretariat. Nevertheless, a preliminary version of the job descriptions had been informally made available to the Committee. The Secretary-General was also in the process of updating the Institute’s Regulations.

63. The Committee took note of the updates with regard to the implementation of the new compensation and social security package offered to UNIDROIT staff and next steps with respect to job descriptions and the UNIDROIT Regulations.

Item No. 10 on the agenda: Classification of Member States in the UNIDROIT Contributions Chart (F.C. (87) 8)

64. The Chair drew the Committee’s attention to document F.C. (87) 8 and invited the Secretary-General to present that document.

65. The Secretary-General drew the Committee’s attention to the process which had been used in updating the Institute’s Contributions Chart, as elaborated in document F.C. (87) 8. Consistent with the decisions taken by the Committee, and other organs of the Institute, the application of the new Contributions Chart would start in 2020. The process of preparing the chart involved calculating amounts for States based on the UN scale of assessments for 2019-2021.

66. The Secretary-General recalled that the Committee and the Governing Council had approved of the methodology used in preparing the new Contributions Chart, and explained that, based on a decision of the Committee at its 86th session (Rome, 4 April 2019), the Secretariat had bilaterally notified all States impacted by the changes. Following this notification, the Secretariat received two formal comments before the deadline had passed: one from the Embassy of Ireland, noting that Ireland would voluntarily maintain its 2019 number of units of contribution for the 2020 financial year and that Ireland wished to maintain that level of contribution for the entire Work Programme cycle, but that this would be confirmed on an annual basis; and another from the Embassy of Brazil, which expressed concerns regarding the increase of two steps in the contribution amounts, making reference to precedents when UNIDROIT had limited increases to one step at a time, as well as to situations when countries had requested a temporary suspension of the increased contribution.

67. Noting the two sets of comments received, the Secretariat had prepared an updated Contributions Chart for consideration by the Committee, which reflected Ireland’s position in maintaining its higher 2019 levels of contribution, and limiting Brazil’s increase from two levels to one. However, it was noted that on 27 September 2019 (i.e., after the documents for the FC session had been sent to participants), the Secretariat received a second Note Verbale from the Embassy of Brazil, expressing that they were not willing to accept any increase in its annual financial contribution to the Institute’s budget and it wished to remain in Category IV.

68. The Secretary-General reminded the Finance Committee members that the preparation and adoption of a new Contributions Chart was the result of decisions made by the governing organs of UNIDROIT, of which Brazil was a member, and in no way by the Secretariat, which was merely proposing the implementation of what had been agreed. The Secretary-General stressed the importance of Brazil to the Institute and hoped that a solution could be reached on this matter.

69. The Representative of Brazil expressed praise for the work of UNIDROIT historically, including its budgetary efficiency. He also commended the efforts made by the Secretariat in trying to reach a compromise solution on this matter. Nevertheless, the Brazilian position remained that they would not be willing to accept any increase in contributions. The Representative stressed that such was not
only the case for UNIDROIT alone, but was also similarly the case for Brazil’s participation in other intergovernmental organisations.

70. Following the statement of the Representative of Brazil, the Secretary-General noted to the Committee that, in light of Brazil’s position, the proposal within document F.C. (87) 8 was no longer valid, as it had been drafted based upon comments relating to a compromise solution which had been received before the deadline for comments, and which no longer stood true. As such, the Secretary-General welcomed the Committee’s input on the best way forward.

71. Representatives of several States sought clarification as to the way forward, noting that their capitals had considered the proposal presented in Document F.C. (87) 8. As such, the Secretary-General reiterated that the proposal in Document F.C. (87) 8 was not consistent with the position expressed by Brazil in its second Note Verbale, nor the comments made by the Representative of Brazil in the Committee itself. The Secretary-General informed the members of the Finance Committee that Brazil had not authorised the inclusion of its second Note Verbale in the set of documents for this session.

72. The Representative of Brazil noted he would revert to his capital to seek clarification on the way forward, whether that be a compromise, a suspension in contributions for a year, or an alternative proposal.

73. Representatives of several States noted that the proposal in Document F.C. (87) 8 did not have the support of Brazil, whereas the one approved in Document F.C. (86) 5 at the Committee’s 86th session (Rome, 4 April 2019) was approved by the whole Committee. On that basis, a number of members of the Committee expressed support for forwarding to the General Assembly the proposal approved in Document F.C. (86) 5 at the Committee’s 86th session (Rome, 4 April 2019) which was consistent with the General Assembly’s original decision to implement a revised Contributions Chart in line with the UN scale of assessments for 2019-2021) with the adjustment to the contribution for Ireland. The General Assembly may consider comments from States which notify it of an inability to adhere to the new Contributions Chart, and may try to find an appropriate compromise solution.

74. The Committee agreed to recommend to the General Assembly to adopt the Contributions Chart which it had approved at its 86th session (Rome, 4 April 2019), with an adjustment to the contribution for Ireland. The Committee invited the General Assembly to consider any formal comments submitted by States notifying their inability to adhere to the Contributions Chart approved at the Committee’s 86th session (Rome, 4 April 2019).

Item No. 11 on the agenda: Any other business

75. The Chair drew the Finance Committee’s attention to the final item on the agenda and opened the floor for comments and questions regarding any other business.

76. The Committee agreed, further to any changes, to set the date for its 88th Session as 2 April 2020.

77. The Deputy Secretary-General drew the Committee’s attention to an upcoming international briefing event to discuss the MAC Protocol to the Cape Town Convention at the UNIDROIT headquarters in Rome, to be held on 15 October 2019, and encouraged the States to send representatives to attend this briefing.

78. The Chair, seeing no further requests for the floor, thanked the Committee members and closed the meeting.
ANNEX

List of participants

Mr Eduardo BRIGIDI DE MELLO (Brazil)
Ms Anna KAPELLAS (Canada)
Ms XU Lingling (People’s Republic of China)
Mr Pascal GAND (France)
Ms Michaela GASTIGER (Germany)
Mr Maximilian BECK (Germany)
Mrs Santa Marelda SARAGIH (Indonesia)
Mr Riccardo CURSI (Italy)
Mr Luca PASCALI (Italy)
Ms Hitomi SATO (Japan)
Mr Luis ANAYA (Mexico)
Mr Rafael OSORIO (Spain)
Ms Lorenza FÄSSLER (Switzerland)
Ms Sandrine GOFFARD (United States of America)
Ms Alina TASHJIAN (United States of America)

UNIDROIT Secretariat

Mr Ignacio TIRADO (Secretary-General)
Ms Anna VENEZIANO (Deputy Secretary-General)
Mr Carlo DI NICOLA (Senior Legal Officer)
Mr Hamza HAMEED (Legal Consultant)