



FINANCE COMMITTEE
88th session
Remote session - March 2020

UNIDROIT 2020
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REPORT

(prepared by the UNIDROIT Secretariat)

1. The 88th session of the Finance Committee was originally called as a physical meeting, to be held at the seat of UNIDROIT on 19 March 2020. However, the outbreak of the Covid-19 virus, and consequent containment measures issued by the Italian government, led the Secretary-General to suggest a novel approach for the timely approval of the administrative documents.
2. Given the relative simplicity of the items on the agenda, on 9 March 2020, all Finance Committee members were requested to kindly submit in writing their approval and/or any comments they may have had with regard to the Finance Committee documents by Friday 13 March 2020, and to copy all members of the Finance Committee in doing so. This would allow members to receive everyone else's input, effectively replicating the information-sharing effect of an ordinary in-person meeting.
3. The Secretariat also offered to host a remote meeting on 19 March to discuss any comments that may have been submitted that warranted a discussion or an explanation.
4. The *representative of France* intervened to say that France approved all the items on the order of business and had no further comment other than to share words of appreciation for the precautions adopted by the Secretariat.
5. The *representative of China* responded that the documents were approved without further comment.
6. The *representative of Switzerland* replied with the approval of all the documents on the agenda without further comment.
7. The *representative of Canada* responded that Canada approved the documents as drafted and expressed its gratitude for the customary level of quality, clarity and thoroughness of the documents. She also expressed gratitude for the innovative approach the Secretariat had taken to overcome the challenges of the outbreak.
8. The *representative of Indonesia* replied that Indonesia approved the items on the agenda without further comment.
9. The *representative of Japan* also expressed approval of the items on the agenda and submitted the request that the Secretariat continue in its efforts for fiscal discipline.

10. The *representative of Spain* joined the other members in thanking the Secretariat for the clarity and quality of the documents submitted to the Committee, as well as for the austerity shown in the first draft of Budget 2021 (F.C. (88) 2), for instance, by reducing foreseen maintenance costs. Spain also moved in favour of the approval of the documents without any further comment.

11. The *representative of Italy* congratulated the Secretariat for having found alternative ways of exchanging views on the documents submitted to the Finance Committee, expressed the appreciation of Italy for UNIDROIT's meticulous work, and its approval of all agenda items without further comment.

12. The *representative of the United States of America* echoed the praise of other Member States for the helpful and clear background documents that had been circulated in advance. She also voiced her gratitude for UNIDROIT's continued approach to rigorous budgeting, and for providing the update on the operational posture the organization had adopted in light of the Covid-19 measures in Italy. With regard to the agenda items, the United States agreed with the three documents that had been circulated for review.

13. The representative of the United States went on to provide a few remarks to the Committee, which did not preclude agreement, but which could contribute to a fruitful discussion at the 89th session of the Finance Committee, to be held in the autumn.

14. Firstly, in regard to the 2019 Audited Accounts (F.C. (88) 3), she queried whether the use of some of the surplus funds to offset the Member State assessed contributions shortfall indicate a change in approach henceforth to mitigating arrears.

15. Secondly, concerning the proposed Draft Budget 2021 (F.C. (88) 2), she asked if the requests of Argentina, Brazil and Venezuela to not increase their assessed contributions had been taken into account with regard to the forecast receipts. In addition, she asked if an increase in the forecast amount of expenditure for the auditor had been considered in light of the limited outcome of the solicitation of interest for the selection of the auditor of 2019.

16. Thirdly, the representative of the United States suggested that an update on the status of the job descriptions, staff Regulations and the status of arrears be discussed at the Finance Committee's 89th session.

17. The *Secretary-General* responded with gratitude to the members who had replied to the Secretariat's request and emphasised that the documents were to be deemed mainly as interim reports, given that the initial spring session of the Finance Committee fulfilled an informative role. He also predicted that substantial variations in the documents were to be expected in light of the extraordinary events affecting the world and that the Finance Committee would receive further interim reports should the circumstances so warrant.

18. Addressing the points raised by the representative of the United States, the Secretary-General provided the following summary explanations which would be explored further in the autumn session of the Finance Committee.

19. Concerning the 2019 accounts and the use of surplus funds, the Secretary-General assured the members of the Finance Committee that the approximate amount of €365,000.00 after the 2017 and 2018 financial years had been included in a "retained earnings" account. In a system of financial accounting as used by UNIDROIT, this type of account was increased whenever there was a surplus and decreased when expenditure surpassed revenues. Since, by the very nature of the organization, no dividends may be distributed, any negative result in a given financial year was automatically compensated with the existing retained earnings buffer. What was reflected in the Accounts was

merely the result of a deficit during 2019, and by no means implied that those Member States which had accumulated further arrears did not need to settle accounts.

20. The Secretary-General went on to remind the Finance Committee that the Secretariat applied very strict austerity measures, and although it was compelled to keep the contributions of certain Member States that had not paid in several years on the Budget as contemplated revenue, it made an extraordinary effort to cut down expenditure – or, alternatively, to raise external revenues – in order to make up for the shortfall that was likely to arise every year. This had occurred in 2019 in a more severe fashion than expected, with an approximate deficit of €30,000.00 owing to the unforeseeable – given the precedents – failure to pay contributions by two Member States. Had the Secretariat known in advance, it would have, to the extent feasible, made even more cuts in expenditure. In any case, it was recalled that the Institute remains in very good financial shape, with a buffer in the “retained earnings” account which would be sufficient to compensate this type of loss for eleven additional consecutive years.

21. Concerning the 2021 Budget, the Secretariat had applied a principle of prudence and maintained the contribution of Brazil as it had been in 2020 (i.e., with the old category), owing to the fact that there had been no expression of intention by Brazil to change policy in the near future, although the Secretariat remained hopeful in this regard. The Secretary-General reminded the Committee that should Brazil wish to extend the suspension of their duty to comply with the new system of contributions, it would have to comply with the conditions set forth at the 78th session of the General Assembly. By contrast, Argentina had expressly stated at the 78th session of the General Assembly that they hoped that the suspension would only apply during 2020, so their amount for 2021 had been reflected as per the new classification system. As regards the Auditor, the new one had been appointed at the 78th session of the General Assembly with a mandate of five years, thus no variation had been contemplated for 2021.

22. As to the update on the job descriptions, Regulations and the state of arrears, the Secretary-General recalled that the job descriptions had been completed and approved by the General Assembly, with the only amendment of making language requirements optional for certain categories as suggested by Canada and supported by the United States of America. Work on the amendment of the Regulations was underway, and the Secretary-General remained hopeful that he would be in a position to present a draft for discussion at the 89th session of the Finance Committee, as well as an update on the status of arrears.

23. With nine expressions of approval, the Secretary-General deemed that a quorum had been reached and that the documents were to be deemed approved without further need for an explanatory videoconference and closed the session.

ANNEX**List of participants****List of participants**

Ms Anna KAPELLAS	(Canada)
Ms XU Lingling	(People's Republic of China)
Mr Pascal GAND	(France)
Mrs Santa Marelda SARAGIH	(Indonesia)
Mr Luca PASCALI	(Italy)
Ms Yuki TOKUO	(Japan)
Mr Rafael OSORIO	(Spain)
Ms Lorenza FÄSSLER	(Switzerland)
Ms Sandrine GOFFARD	(United States of America)

UNIDROIT Secretariat

Mr Ignacio TIRADO	(Secretary-General)
Mr Carlo DI NICOLA	(Senior Legal Officer)