



EN

FINANCE COMMITTEE
91st session
Remote session, 25 March 2021

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REPORT

(prepared by the UNIDROIT Secretariat)

1. The 91st session of the Finance Committee was held via Zoom on 25 March 2021.

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

2. The *Chair* opened the session and welcomed all the Members of the Committee (for a complete list of participants, please see Annex). He invited the Secretary-General to take the floor and share introductory remarks.

3. The *Secretary-General* welcomed all the Members of the Committee, congratulating them for having recently been appointed for a three-year term commencing on 1 January 2021 and thanking them for agreeing to serve on the Committee. He was pleased to report that the Institute found itself in a healthy state financially despite the very serious challenges presented in 2020 due to the global pandemic. He highlighted that the Institute had ended 2020 with a surplus of nearly € 380,000.00 which constituted a very useful buffer. He further noted the imminent arrival of a Junior Professional Officer from China for one or two years, as well as a shorter-term secondment from the Government of Hong Kong, and a new Bank of Italy-UNIDROIT Chair, which was primarily financed by the Bank of Italy and would allow for an expert to come to Rome and work on the Institute's projects for a year. He noted that the Secretariat was bolstering its staff by seeking extrabudgetary sources rather than increasing the budget.

4. The *Chair* congratulated the Secretary-General and the Secretariat on the new China-funded JPO and the various secondments as this demonstrated that UNIDROIT was in excellent shape and continued to attract talent and expertise in the area of private law harmonisation.

Item No. 2 on the agenda: Adoption of the agenda [\(F.C. \(91\) 1\)](#)

5. The *Chair* proposed the adoption of the agenda and opened the floor for comments.

6. The *Representative of the United States of America* noted that he wished to raise the issue of ethics in the context of intergovernmental organisations under Item No. 6 on the agenda.

7. *The Chair noted the adoption of the agenda as proposed in document F.C. (91) 1 with the addition of the point raised by the Representative of the United States of America under Item No. 6.*

Item No. 3 on the agenda: Draft Budget for 2022 – First estimates [\(F.C. \(91\) 2 rev.\)](#)

8. The *Chair* drew the Committee's attention to document F.C. (91) 2 and invited the Secretary-General to present the document.

9. The *Secretary-General* recalled the process for developing the budget: first a document was prepared with first estimates, which would be amended according to any comments from the Finance Committee members; it would then be submitted for approval by the Governing Council; subsequently, it would be circulated to the Member States for their comments on the budget, to then be shared with the Finance Committee at the Fall meeting for comments and approval before then being sent to the General Assembly for final approval. He noted that the draft budget for 2022 had been prepared on the assumption that the global pandemic would be under control by 2022, however, this would ultimately depend upon how the situation would continue to evolve.

10. The *Secretary-General* noted that, regarding receipts, the Secretariat proposed a total amount of € 2,335,000.00 for the year 2022, which reflected a slight decrease compared to the one that had been authorised under the 2021 Budget due to the fact that an extraordinary payment of arrears by the Government of Belgium had been budgeted for in 2021. He further noted the stated amount in receipts from Member State contributions had been given without any modifications made due to requests for temporary suspension of the application of the Contributions Chart, pointing out that receipts would likely be lower should Member States such as Brazil and Argentina request and again obtain from the General Assembly an additional temporary one-year suspension of the Contributions Chart. The *Secretary-General* encouraged all Member States to meet their obligations in terms of paying their arrears. Regarding income earned from the sale of publications, he noted the new fourth edition of the Aircraft Protocol Official Commentary by Sir Roy Goode might contribute to an uptick in sales. Finally, regarding the extraordinary income linked to the reimbursement by the Government of the United States of America of federal, state and municipal taxes payable by a US citizen appointed to the UNIDROIT Secretariat, he noted no payments were expected to be received in this regard in 2022 due to the Legal Officer's departure in 2019.

11. Regarding expenditure, the *Secretary-General* noted that the Secretariat's working assumption was that 2022 would see a return to business as usual (pre-pandemic) with the Institute receiving many more experts and its officers travelling more frequently, necessitating a return to previous levels of expenditure with respect to Chapter 1 – Meeting and travel costs. With specific reference to Article 4 (Committees of Experts), and perhaps also Article 5 (Official journeys and promotion of activities), he noted that the projected budget lines could indeed be underestimating the actual expenditure needed due to the fact that the Institute had no less than six projects under the new Work Programme (2020-2022) fully underway and running simultaneously. In light of the Institute's mandate being the drafting of legislative texts by experts, he noted that the Secretariat might seek the Finance Committee's authorisation at the Fall meeting to use a part of the surplus to that end. With respect to Article 6 (Interpreters), he noted that the Secretariat had forecast a decrease of € 10,000.00 for this line of expenditure to reflect the lower level of actual expenditure seen in the course of 2020.

12. The *Secretary-General* noted that, with respect to Chapter 2 – Salaries and allowances and Chapter 3 – Social security charges, increases of, respectively, € 26,129.00 and of € 19,578.00 had been projected in order to reflect the automatic within-grade increases in line with the UN salary scale. He noted that the budget lines for salaries and social security had been lowered in 2017, and the full impact of these reductions had not been felt due to a number of changes in staffing throughout 2016-2019. Notably, there had been very significant savings realised in the period during which there was no *Secretary-General*, allowing the impact of increases in salary levels and social security due to promotions and within-grade increases to go unnoticed. However, once the staffing levels went back to a full complement in December 2019, those budget lines also needed to rise, explaining why 2020 and 2021 was the year in which the full impact of having the full complement of staff was being felt. He noted that the increases were a direct consequence of the General Assembly's decision to adopt the UN salary scale, which entailed an automatic within-grade increase every year or every two years, beyond the discretion of the *Secretary-General* or the Finance Committee. He noted that this new compensation system would entail growing costs for the Institute

every year in terms of salary and social security and would need to be addressed either by lowering the expenditures related to staff (i.e., by not replacing retiring or departing personnel) or by increasing the receipts by securing the adhesion of new Member States and seeking other sources of extrabudgetary income. He noted that these projected increases under salary and social security expenditures also explained a number of the proposed reductions elsewhere in the budget. Finally, the Secretary-General noted that, thanks to the Institute's surplus, these cost increases could be absorbed, but it was preferable to use that buffer for the Institute's core functions of legislative drafting rather than staff compensation.

13. The *Representative of the United States of America* thanked the Secretary-General for his leadership and the Secretariat for preparing the documents. He thanked the Secretariat for proposing yet another budget with zero nominal growth and welcomed their efforts in seeking extrabudgetary contributions to help further the Institute's activities. He indicated that the Finance Committee members stood ready to assist the Secretariat in their efforts to encourage Member States to pay their contributions, including any arrears.

14. The *Representative of Germany* thanked the Secretary-General for the detailed presentation of the documents and for continuing to do excellent work despite the difficult circumstances.

15. The *Representative of Japan* thanked the Secretary-General for his presentation of the first estimates for the draft budget for 2022. He welcomed the zero-nominal growth budget and thanked the Secretariat for maintaining a fiscally sound approach.

16. The *Representative of Spain* joined other Finance Committee members in thanking the Secretary-General and the Secretariat for their work on the documents. Regarding the projected increases under salary and social security expenditures due to the introduction of the UN salary scale, he queried whether it would be possible to obtain a projection of the expected growth in the coming years, to be presented at one of the upcoming meetings of the Finance Committee, in order to have a visualisation of the impact on the budget of the Institute in the future.

17. The *Secretary-General* thanked the Representatives of the United States, Germany, and Japan for their words of support and encouragement. He concurred with the proposal made by the Representative of Spain and indicated that the Secretariat would prepare a proposal with a projection of expenditure on salaries and social security over the next five years or so, including information on the evolution of staffing levels based on retirement age, with a view to ensuring the sustainability of the Institute's finances.

18. The *Representative of Italy* thanked the Secretary-General for the detailed presentation and comprehensive document. He joined the other Finance Committee members in thanking the Secretariat for its work on these documents and for adopting a prudent and cautious approach to the Institute's finances. The *Representative of France* joined the Representative of Italy in thanking the Secretary-General for the excellent management of each Member State's contributions.

19. *The Committee took note of the information in the document regarding the first estimates for the Draft Budget for 2022.*

Item No. 4 on the agenda: **First review of the Accounts of the financial year 2020**
[\(F.C. \(91\) 3\)](#)

20. The *Chair* drew the Committee's attention to document F.C. (91) 3 and invited the Secretary-General to present it.

21. The *Secretary-General* explained that UNIDROIT had closed its financial year at the end of February, as has been its practise in past years, and this explains why the document had been circulated at the beginning of March and not one month in advance like the other documents. He noted that UNIDROIT had a surplus of roughly € 45,000.00 for the 2020 financial year. Regarding the impact of the global pandemic on the Institute's activities in 2020, he noted that while there had been some significant savings in relation to the limits on official travel and experts' meetings in Rome, the pandemic had also entailed additional expenditures, in particular in the areas of safety measures for staff and visitors to the Institute, and information technology (the latter due to the shift towards online and hybrid meetings), of which the Finance Committee had been informed in previous meetings. In particular, he noted that the investments in IT would be useful for the Institute beyond the pandemic and well into the future, given that a number of the expert meetings would continue to be held virtually, especially for intersessional work. Regarding the redesign of the UNIDROIT website, he noted that the process was ongoing and that the € 15,000.00 which had previously been set aside for this purpose had not been spent in 2020 and would instead be spent in 2021.

22. The *Secretary-General* noted that the reason for the surplus in 2020 not being larger was primarily due to the fact that ordinary receipts had been roughly € 137,000.00 less than anticipated, which was largely due to a shortfall in the contributions of Member States. He noted that this shortfall did not appear to be cause for alarm, given that a number of the Member States which had not paid in 2020 were countries that normally did not have arrears, and that the delays could be attributed to bureaucratic errors that would be corrected in the course of 2021. He again encouraged all Member States to pay any outstanding contributions, while also expressing thanks to those States that had made payments since the Committee's Fall session.

23. The *Chair* congratulated the Secretariat for turning the crisis into an opportunity to increase the efficiency of UNIDROIT's working methods and the information technology at its disposal and expressed confidence that the investment would continue to pay dividends well into the future.

24. The *Representative of Indonesia* thanked the *Secretary-General* for the update and the preparation of the documents. She noted that there had been issues with the processing of Indonesia's contribution payment but that it would hopefully be resolved quickly, and she reiterated the full support of Indonesia for the important work of the Institute.

25. The *Representative of Canada* thanked the *Secretary-General* for his clear and transparent explanations of the documents. She also expressed appreciation to the Secretariat for their engagement and flexibility in adapting to the challenges faced during the pandemic.

26. The *Secretary-General* thanked the *Representative of Indonesia* for the update and thanked the *Representative of Canada* for the words of support.

27. *The Committee took note of the information in the document on the first review of the Accounts for the 2020 financial year.*

Item No. 5 on the agenda: Update on the new compensation and social security package offered to UNIDROIT staff [\(F.C. \(91\) 4\)](#)

28. The *Chair* drew the Committee's attention to document F.C. (91) 4 and invited the *Secretary-General* to present that document.

29. The *Secretary-General* noted that the new compensation and security package had been fully implemented and that therefore there was little to report on the developments since the last session. The ISRP Committee for the Administration of Funds had provided the Secretariat with a Report on

the status of the contributions of employees into the new pension scheme (attached to the document). At this stage, the funds were being held in a current account pending transfer, once they had reached €500,000, to the regular fund. At this stage there was little to Report and the Finance Committee was requested to take note of the updated Report of the CAF. Staff members were being added to the new scheme as they joined the Secretariat, with more expected to join in the future.

30. *The Committee took note of the updates with regard to the implementation of the new compensation and social security package offered to UNIDROIT staff.*

Item No. 6 on the agenda: Any other business

31. The *Chair* invited the Representative of the United States of America to take the floor.

32. The *Representative of the United States of America* noted he wished to raise the issue of ethics in the context of intergovernmental organisations, stating that this was a priority for the United States. He noted that the U.S. Mission in Rome was required to provide annual reports to Congress on all multilateral organisations to which it provided funding. He acknowledged that UNIDROIT was not a massive organisation with a large staff and a dedicated HR department, while nevertheless noting that the Finance Committee members constituted a valuable resource in terms of expertise and knowledge of relevant practices found in other international organisations, including smaller ones. He noted there were a number of initiatives in the area of ethics which could be implemented easily and without significant cost, such as the adoption of a mission statement regarding the importance of ethics and fighting harassment or protecting whistle-blowers, or annual training sessions, or external hotlines, noting the potential benefits of such measures in terms of efficiency.

33. The *Chair* thanked the Representative of the United States for this reminder of the importance of ethics in the context of international organisations, noting there were options for smaller organisations to take steps forward in this regard. Speaking as the *Representative of Spain*, he expressed support for the United States' comments, and invited other members to share their comments or suggestions to allow the Finance Committee to discuss the topic in greater detail.

34. The *Secretary-General* thanked the Representative of the United States for his remarks and added that the Secretariat fully concurred. He noted the Secretariat's budget was limited but they were open to suggestions and support from the Finance Committee's members. He noted that, thanks to the small scale of the Institute, the Secretariat's approach had been characterised by flexibility in terms of how the staff members carried out their work, further noting that should any issues arise, those could be addressed by an independent, external administrative tribunal.

35. The *Chair* concluded that this matter could be taken up at the next meeting of the Finance Committee at which point a number of zero cost or low-cost measures similar to those adopted at other small international organisations could be considered.

36. The *Chair*, noted this would be his last Finance Committee meeting given that his term in Rome was coming to an end. He thanked all of the Finance Committee members for their participation, and the Secretary-General and the Secretariat for their excellent work in preparing the documents and answering all of the Finance Committee's questions.

37. The *Representative of Switzerland* noted she would also be leaving Rome, and this would be her last meeting. She expressed thanks to the Finance Committee members and to the Secretariat for their excellent work in preparing the documents and providing clear information.

38. The *Secretary-General* thanked the Chair for his excellent chairmanship and contributions to the work of the Finance Committee. He also expressed thanks to the Representative of Switzerland

for her contributions to the Finance Committee's work. Regarding the next meeting of the Finance Committee, he tentatively proposed early or mid-October, either 7 or 14 October 2021, subject to confirmation at a later stage.

39. There being no further items to be discussed, the *Chair* closed the session.

ANNEX**LIST OF PARTICIPANTS**

Mr Eduardo BRIGIDI DE MELLO	(Brazil)
Ms Manon DOSTIE	(Canada)
Ms XU Lingling	(People's Republic of China)
Ms Stéphanie FELIX	(France)
Ms Michaela GASTIGER	(Germany)
Ms Agnes Rosari DEWI	(Indonesia)
Mr Luca PASCALI	(Italy)
Mr Masamichi YAMASHITA	(Japan)
Mr Rafael OSORIO	(Spain)
Ms Lorenza FÄSSLER	(Switzerland)
Mr Samuel ROTHENBERG	(United States of America)
Mr Ian THOMPSON	(United Kingdom)

UNIDROIT Secretariat

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