1. The 93rd session of the Finance Committee was held in person in Rome and via videoconference on 25 May 2022.

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 the Annex below). He thanked the Secretariat for their hard work in preparing a complete set of transparent and detailed documents. He invited the Secretary-General to take the floor and share introductory remarks.

3. The Secretary-General welcomed all the Members of the Committee and extended an especially warm welcome to the new Representatives of Indonesia and Italy who were joining for the first time.

Item No. 1 on the agenda: Adoption of the agenda (F.C. (93) 1)

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

5. The Chair noted the adoption of the agenda as proposed in document F.C. (93) 1.

Item No. 2 on the agenda: Draft Budget for 2023 – First estimates (F.C. (93) 2)

6. The Chair drew the Committee’s attention to document F.C. (93) 2 and invited the Secretary-General to present the document.

7. The Secretary-General recalled that these estimates were to be revised, as appropriate, in light of the Finance Committee’s comments, and subsequently submitted to the Governing Council for approval at its 101st session to be held in Rome on 8-10 June 2022. On the basis of these first estimates, the Council would establish the draft Budget for 2023, to be communicated to the Member States, for their review and comments. Thereafter, the draft Budget, together with any comments received, would be submitted to the Finance Committee for consideration at its 94th session in Rome, likely to be held in October 2022. The Committee would, at that time, formulate its opinion on the draft Budget before its submission to the General Assembly for review and adoption at its 81st session, to be held in Rome in late November or early December 2022.

8. Regarding the receipts, the Secretary-General noted that the level of contributions from Member States in 2023 was forecast to be the same as the previous year, with a slight increase
expected in receipts from the sale of publications thanks in part to the publication of the 5th edition of the Official Commentary to the Aircraft Protocol. He noted the 2023 Budget took into consideration the requests made in previous years by Argentina and Brazil to seek an extension of the temporary one-year suspension of the application of the new Contributions Chart so they can benefit from a lower level of contributions under the previous Contributions Chart. He further expressed appreciation to Ireland and Portugal for generously agreeing to retain a higher level of contributions despite the new Contributions Chart placing them in a lower category.

9. The Secretary-General then elaborated on the expenditures, remarking there had been slight increases with regard to a number of articles under Chapter 1 – Meeting and travel costs. He noted that the increase to Art. 4 (Committees of Experts) reflected the fact that the Institute would be running an unprecedented number of high priority projects simultaneously, and the increase to Art. 5 (Official journeys and promotion of activities) was in response to the resumption of international travel and the President’s official journeys. With regard to expenditures relating to staffing costs (Chapter 2 – Salaries and allowances, and Chapter 3 – Social security charges) he noted that the Institute would seek to contain these costs by pursuing a policy of cost-effective replacement of those staff members who were due to leave or retire from the Organisation.

10. The Representatives of Canada, Germany, Italy, Indonesia, Spain, and the United States of America thanked the Secretary-General for his presentation of the Draft Budget for 2023 and expressed their appreciation for the high level of transparency and emphasised the importance of promoting UNIDROIT’s work.

11. The Representative of the United States of America queried how the Secretariat prioritised travel given the constraints of the Institute’s budget. The Secretary-General clarified that a number of factors were duly considered such as the priority of the projects and the chances of achieving the best possible outcomes for the successful implementation of the Institute’s instruments. He further noted that the Secretariat sought to accept invitations from Member States to host events – thus creating further cost savings – and prioritised travel which combined project work with implementation work to minimise costs to the Institute’s budget.

12. The Representative of Brazil noted that it was very likely that Brazil would make a formal request for an additional year of suspension of the application of the Contributions Chart to revert to the previous Contributions Chart’s lower rate of contribution. He queried whether this would be dependent on Ireland and Portugal’s confirmation to maintain their previous higher levels of contribution for an additional year.

13. The Chair and the Secretary-General clarified that it would be independent, further noting that any special requests regarding the level of annual contributions would be taken as comments prior to the Autumn meeting of the Finance Committee.

14. The Representative of Brazil also raised a query regarding how the Institute would deal with rising energy costs linked with the crisis in Eastern Europe. The Secretary-General noted this matter would be addressed as needed and that the Secretariat would keep the Finance Committee apprised of any increases.

15. The Chair encouraged the Member States to adopt, insofar as possible, the rates for contributions as indicated in the latest Chart.

Item No. 3 on the agenda: First review of the Accounts of the financial year 2021 (F.C. (93) 3)

17. The Chair drew the Committee’s attention to document F.C. (93) 3 and invited the Secretary-General to present it.

18. The Secretary-General presented document F.C. (93) 3 and noted the loss of EUR 57,192.75 under the statement of Accounts for the 2021 financial year. He explained this was due to the fact that the Institute’s financial year closed at the end of February, and shortly thereafter, a payment had been made by Denmark, which would be accounted for in 2022 rather than 2021. Had Denmark’s payment arrived only a week earlier, the accounts would not have reflected a loss.

19. The Secretary-General highlighted that the amount of expenditure had been lower in 2021, which was partially due to the savings of nearly EUR 11,000.00 against the sums initially envisaged for the holding of the Governing Council’s 100th Session celebrations, and to the substantial savings of over EUR 25,000.00 realised with regard to the Committees of Experts. On the other hand, expenditures had been higher than initially anticipated in relation to salaries (Chapter 2, Art. 1) and social security charges (Chapter 3, Art. 1). Regarding the increase in maintenance costs, this was mainly attributable to the newly launched and totally revamped UNIDROIT website (Chapter 5, Art. 5).

20. The Representative of the United States of America thanked the Secretary-General for his presentation and praised the Secretariat for its high degree of transparency and accountability and expressed appreciation for demonstrating fiscal restraint by not spending the savings realised due to the COVID-19 pandemic.

21. The Representatives of Germany, Switzerland, Spain, Italy, and China all supported this position and expressed their appreciation for the high level of transparency and accountability.

22. The Representative of China raised a query regarding the printing of the Institute’s publications as to whether savings were expected to continue given the growing importance of online publications. The Secretary-General explained that printed copies would continue to be produced, particularly the ELI/UNIDROIT Model European Rules of Civil Procedure from 2020, the Best Practices in the Field of Electronic Registry Design and Operation from 2021 (paid for by the UNIDROIT Foundation), the Tripartite Legal Guide to Uniform Legal Instruments in the Area of International Commercial Contracts (paid for by UNCITRAL), and the UNIDROIT/IFAD Legal Guide on Agricultural Land Investment Contracts (ALIC) (paid for by the grant from IFAD).

23. The Chair thanked the Secretary-General for these additional explanations.

24. The Finance Committee took note of the information in the document regarding the first review of the Accounts for the 2021 financial year.

Item No. 4 on the agenda: Update on the new compensation and social security package offered to UNIDROIT staff (F.C. (93) 4)

25. The Chair drew the Committee’s attention to document F.C. (93) 4, which he invited the Secretary-General to present.

26. The Secretary-General noted that the latest CAF report contained a number of points which were worth bringing to the attention of the Committee. In particular, he drew the Committee’s attention to important changes in the International Service for Remunerations and Pensions (ISRP)’s estimation of the administration costs for UNIDROIT’s Pension Reserve Fund (PRF). Whereas the estimation provided by the ISRP in 2019 had totalled EUR 25,251, the revised estimation in 2022 totalled EUR 40,036, which, according to the ISRP, was attributable to increases across the various
component fees (ISRP Administration Fees, UNIDROIT’s Contribution to CAF’s Secretariat, Custodian Bank, Performance Reporting). In particular, the Custodian Bank fees for the current custodian bank (SGSS) was expected to increase from EUR 800 per annum to EUR 25,000.

27. The Secretary-General further noted that as a direct consequence of this increase in administration costs, should the PRF be immediately invested in the markets, the fixed costs of investing the PRF would be higher than the estimated return on investment (ROI). As a result of the foregoing, the ISRP noted in its most recent report that the previously cited minimum threshold for the PRF to be invested in the markets according to a Strategic Asset Allocation plan had been revised from EUR 500,000 to above EUR 900,000. The implication of this was that the expected date to activate the SAA plan and commence investment of the PRF in the markets would need to be delayed.

28. The Secretary-General noted that, together with the ISRP, the Secretariat was actively looking for alternatives to lower the fees. A number of possible avenues had been identified by the ISRP, including (i) looking for another custodian bank which would charge a lower fee, (ii) potentially foregoing the need for a custodian bank by bringing that work in-house within the ISRP, and (iii) joining the assets of several smaller funds into one fund so that the fees can be spread out more evenly.

29. Regarding the last point, he also noted that the Institute had been approached by two other intergovernmental organisations to discuss the possibility of their joining the UNIDROIT PRF. These organisations were the International Iberian Nanotechnology Laboratory (INL), and the International Development Law Organization (IDLO). In the case of both the INL and IDLO, they had approached the ISRP indicating their interest in adhering to an existing pension reserve fund and were invited to contact UNIDROIT. The Secretariat had requested additional information from the ISRP to ascertain: (1) whether there were any precedents of multiple intergovernmental organisations joining their pensions together or otherwise collaborating to reduce administrative overheads associated with the management and administration of a pension reserve fund; and (2) what, barring the existence of any relevant precedent, the requirements might be from an administrative and governance perspective to establish such a structure.

30. The Secretary-General finally noted that the General Assembly had decided on the ISRP as a replacement for the previous solution which was the Italian national pensions system. He noted that the ISRP system was used by a number of other international organisations, including the OECD, NATO, and the Hague Conference on Private International Law (HCCH). The Secretary-General welcomed views from the Member States, in particular, any views the Members may have regarding the possibility of joining UNIDROIT’s pension fund with other intergovernmental organisations for administrative purposes.

31. The Representative of the United States of America expressed readiness to provide an initial review of the system, including its impact on staff and potential budget implications of moving towards investment of the PRF in line with the SAA.

32. The Representative of Canada expressed surprise at the increase in the administrative fees along with her appreciation for the efforts to find possible solutions. She noted that she would take action to collect feedback regarding the potential proposal to combine pension reserve funds.

33. The Representative of Brazil raised a query regarding the expected timeline for the setting up of the proposed system. A member of the Secretariat explained that the organisation’s funds were expected to reach EUR 900,000 in two years’ time, at which point they would be invested in the markets according to the SAA.
34. The Representative of Italy suggested looking at any relevant precedents concerning the setting up joint pension funds of other international organisations, including the United Nations. A member of the Secretariat explained that the Secretariat was looking at various options together with the ISRP. Regarding the UN Joint Staff Pension Fund, he noted that this option had previously been examined by the Finance Committee but had ultimately been ruled out as being too costly for Member States.

35. The Representative of Indonesia queried whether the Members of the Finance Committee would receive the additional information from the ISRP. A member of the Secretariat confirmed that any further information received from the ISRP would be shared with the Members of the Committee.

36. The Representative of Germany took note of this update and highlighted the importance of seeking to minimize costs. She further queried how Member States could help with regard to the challenges identified by the Secretary-General.

37. The Secretary-General acknowledged the concern expressed regarding the performance of ISRP and confirmed that the ISRP had been directly made aware of these concerns. He noted that this matter was ultimately of greater direct concern to the personnel of the Institute than to the Member States.

38. A member of the Secretariat explained that the Secretariat was looking to identify the advantages and disadvantages of the various potential solutions to lower the fees, noting that it was not yet urgent as the organisation’s PRF was only expected to reach the threshold of EUR 900,000 in two years’ time.

39. The Chair summarised the discussion on this Item. He noted the Secretary-General’s presentation and encouraged the Members of the Finance Committee to gather further information to share with the Committee. He also noted that the Secretariat, together with the ISRP, would further explore the proposals from IDLO and the INL to gather more data to share with the Finance Committee.

40. The Finance Committee took note of the information in the document regarding the update on the new compensation and social security package offered to UNIDROIT staff.

Item No. 5 on the agenda: Update concerning long-term sustainability of compensation structure (F.C. (93) 5)

41. The Chair drew the Committee’s attention to document F.C. (93) 5, which he invited the Secretary-General to present.

42. The Secretary-General explained the framework for the calculation of salaries and social security charges to the Members of the Finance Committee, briefed the Committee on the current situation and provided forecasts for the mid to long term, along with various potential approaches to ensuring the long-term sustainability of the Institute’s finances.

43. The Finance Committee took note of the information in the presentation concerning the long-term sustainability of the compensation structure.

Item No. 6 on the agenda: Any other business

44. The Chair opened the floor for further interventions.
45. The Representative of the United States of America raised a query regarding the status of the whistle-blower and anti-retaliation policy. The Secretary-General confirmed that the policy had been approved by the Governing Council and the General Assembly and was operational. He noted that the section regarding sanctions would be further reviewed as part of a longer-term project to revise the Institute’s regulations.

46. The Secretary-General thanked the Representative of Germany for her dedicated service to the Finance Committee and wished her all the best for her next assignment. He once again extended a warm welcome to the new Representatives of Indonesia and Italy.

47. There being no further items to be discussed, the Chair thanked all participants to the meeting and closed the session.
LIST OF PARTICIPANTS

Mr Rafael GORLA (Brazil)
Ms Manon DOSTIE (Canada)
(remotely)
Mr XIONG Junyan (People’s Republic of China)
Ms HU Rui
Ms Michaela GASTIGER (Germany)
Ms Eva da Silva (remotely)
Mr Purna Cita NUGRAHA (Indonesia)
Mr Costantino TARDUCCI (Italy)
Mr Masamichi YAMASHITA (Japan)
(remotely)
Mr Moisés MORERA MARTÍN (Spain)
Mr Niklaus MEIER (Switzerland)
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Ms Elisabetta MAGGI (United Kingdom)
Mr Ian THOMPSON (remotely)
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