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60th session
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Report

(prepared by the UNIDROIT Secretariat)

<i>Summary</i>	<i>Report on the proceedings of the 60th session of the Finance Committee</i>
<i>Action to be taken</i>	<i>For the information of members of the Finance Committee</i>
<i>Related documents</i>	<i>AG/Comm. Finances (60) 2, AG/Comm. Finances (60) 3, AG/Comm. Finances (60) 4, AG/Comm. Finances (60) 5, AG/Comm. Finances (60) 6, AG/Comm. Finances (60) 7, Accounts 2004</i>

1. The 60th session of the Finance Committee was held at the seat of UNIDROIT in Rome on 6 October 2005. The session started at 10.10 a.m. and ended at 12.30 p.m. A list of participants is appended to this report.

2. *The Secretary-General* welcomed participants (a list of whom is reproduced in Appendix I hereto). He thanked the representative of Argentina for his presence at the meeting, which he was attending as an observer. The Secretary-General indicated that in view of the fact that *Mr Luis CUESTA (Spain)*, former Chairman of the Finance Committee, had been recalled to Spain, the Finance Committee had to elect a new Chairman.

3. *The representative of Canada* proposed that *Mr Josef RENGGLI (Switzerland)*, be elected Chairman. *The representative of France* seconded this proposal. Mr Renggli accepted the nomination and consequently took the Chair.

Item No. 1 on the draft Agenda: Adoption of the agenda (AG/Comm. Finances (60) 1)

4. The draft agenda was adopted as proposed. It is reproduced in Appendix II hereto.

Item No. 2 on the Agenda: Final modifications to the Budget, and approval of the Accounts for the 2004 financial year (AG/Comm. Finances (60) 2 and Accounts 2004)

5. Introducing this item on the agenda, *the Deputy Secretary-General a.i.* recalled that the Budget for the 2004 financial year, as approved by the General Assembly at its 57th session in 2003, had provided for actual expenditure of € 1,883,850 to be met by receipts of € 1,833,850 and an estimated surplus from 2003 of € 50,000. The 2004 Budget had also provided for receipts and expenditure in the special accounts to balance at € 15,000.

6. The Accounts for 2004 showed actual receipts, excluding the surplus from 2003, as totalling € 1,769,716.51 and actual expenditure as totalling € 1,768,620.01, yielding a surplus for the year 2004 as a whole of € 1,096.50. This meant that, with the surplus of € 23,757.58 from the 2003 financial year, the surplus standing to the Institute's credit at the close of the 2004 financial year amounted to € 24,854.08.

7. He observed that, if it had been possible to close the 2004 financial year with € 13,659.08 to the Institute's credit, this had been thanks only to the year-long pursuit of a rigorous policy of containing expenditure, once it had been clear that there would again be a number of member States not settling their contributions on time. The welcome improvement in receipts in respect of the sale of the Institute's publications, together with the settlement of the substantial amount that the Italian Government owed by way of arrears, had enabled the Secretariat to meet the basic expenditure required for the implementation of the Work Programme, even if it had been necessary to put some meetings back to 2005.

8. Among the savings forced upon the Secretariat had been the postponing to 2005 of a session of governmental experts, with the corresponding reduction in the bill for simultaneous interpretation.

9. The savings of 2% realised in respect of staff salaries and the savings of 8% realised in respect of the social security charges for staff were the result of a delay in filling the new secretarial position, the financial implications of which were, therefore, put off to 2005.

10. The savings on maintenance costs, and in particular on electricity and heating, were essentially the result of the modernisation work carried out on the relevant infrastructure. These savings had, however, in the meantime been offset by the increased costs resulting from the rise in the price of oil. The savings were also linked to the fact that the bills for some of the periods of the Institute's highest consumption of electricity and heating during 2004 had only been issued in 2005.

11. *The representative of the United Kingdom* thanked the Secretariat for the document. She requested that the effects of the Budget on the future plans of the Institute, especially those outlined in the Strategic Plan, be assessed. She also indicated that her Government would welcome the documents being written simply, in laymen's terms, and that the differences between forecast and actual expenditure be clearly indicated.

12. *The Secretary-General* assured the representative of the United Kingdom that every effort would in future be made to use simple language.

13. No further comments being forthcoming, *the Chairman* concluded that the Committee had approved the Accounts for the 2004 financial year.

14. *It was so agreed.*

Item No. 3 on the Agenda: Adjustments to the Budget for the 2005 financial year (AG/Comm. Finances (60) 3)

15. The Chairman noted that no adjustments to the Budget for the 2005 financial year had been proposed by the Secretariat.

16. *It was so noted.*

Item No. 4 on the Agenda: Arrears in contributions of member States (AG/Comm. Finances (60) 4)

17. Reporting on the situation of arrears in contributions of member States, *the Deputy Secretary-General a.i.* informed the Committee that there had been a marked improvement, which in no small measure was to be attributed to the indefatigable efforts deployed by the Secretariat in this connection and to the effects of the sanctions passed by the General Assembly at its 58th session in 2004 in respect of member States having accumulated more than three years' arrears.

18. The major contributions to the improvement of the situation had been made by the Governments that had the greatest number of years' arrears, namely the Governments of Venezuela and Nigeria. Between November 2004 and May 2005 the Government of Venezuela had settled all its four years' arrears (2001 – 2004). In July 2005 the Government of Nigeria had settled all its six years' arrears (1999 – 2004). As a result, the overall figure representing arrears had gone down successively from € 354,164.29 in April 2005, to € 311,289.74 in June 2005 and to € 246,425.82 in October 2005.

19. He informed the Finance Committee that the Government of Serbia and Montenegro had officially announced that it would be settling its arrears for 2003 and 2004 by the end of October 2005. The Government of Colombia had settled the major part of its arrears for 2002 and had indicated that it would be settling its arrears for 2003 and 2004, as well as the remaining part of its arrears for 2002, by 25 October 2005.

20. To date, it had not been necessary to impose the sanctions agreed by the General Assembly on any member State. This situation could however change, in so far as one member State, Bolivia, had accumulated three years' arrears and was, therefore, on the verge of laying itself open to the imposition of the first level of sanctions as of 1 January 2006. Given the importance that the Institute attached to keeping member States and the scope for flexibility in implementing the sanctions left to the Secretariat by the General Assembly, the Secretariat had met with the *Chargé d'affaires* of Bolivia in Italy with a view to proposing to his Authorities a programmed settlement of their arrears. He had reported to his Authorities.

21. The arrears owed by the Governments of Brazil, Israel and Uruguay gave cause for concern, as, without any improvement in their situation by the end of the current financial year, all three would automatically lose the right to vote in the General Assembly, under the basic sanction existing in the Statute of the Institute. The Secretary-General's visit to Brazil in April 2005 seemed, though, to give hope for settlement of the two years' arrears currently owed by that Government before the end of the year.

22. The situation regarding the Government of Uruguay's arrears was complicated by the fact that the Ambassador of Uruguay in Italy, with whom the Secretariat had been in direct contact on this subject, had recently been recalled following the change of Government.

23. The situation with the Government of Israel was almost analogous to that of the Government of Nigeria, in the sense that there was no longer any UNIDROIT desk in the Israeli Government ministry responsible for its participation in the Institute. Contacts therefore had to be re-established from scratch.

24. Finally, the Deputy Secretary-General a.i. indicated that the rate of settlement of member States' contributions for the current financial year broadly accorded with that recorded in previous years. Thus, of the assessed contributions of member States for the 2005 financial year, amounting to € 1,890,960, € 1,574,448.20's worth had been settled. This corresponded to 83.26% of the amount due from all member States for the current financial year. The amount still outstanding in respect of 2005 came to € 316,547.86.

25. *The Chairman and the representatives of the United States of America, France and Canada* congratulated the Secretariat for its efforts to resolve the situation of the arrears in payment of member States' contributions to the Budget of the Institute.

26. *The representative of the United States of America* stated that 12% of still outstanding arrears represented a significant improvement as compared with the situation at the same time in 2004. Given the need to cover the salary of the permanent Deputy Secretary-General, he urged the Secretariat to continue efforts to recoup arrears. If the Secretariat was not successful in this, or if the sums recovered were not sufficient to cover the required increase, he indicated that the Secretariat should identify additional steps that might be taken to recoup arrears.

27. *The representative of France* felt that the situation remained worrying, and observed that the sum still to be recovered covered the cost of insurance for the staff. He recognised that it was difficult to convince States to pay their dues, but urged the Secretariat to use its imagination to try to convince them.

28. *The representative of Canada* reminded the Secretariat of a suggestion he had made at a previous meeting, namely that member States be requested to assist the Secretariat in recouping arrears. He stated that the Canadian Government would be happy to approach Israel, but in order to be able to do so it needed guidance from the Secretariat.

29. *The Secretary-General* expressed the gratitude of the Secretariat for the Canadian offer, which he indicated would be taken up. As regarded Israel, attempts had been made to come to terms with the problem with the assistance of persons who had been involved in the work of the Institute, but this took time and was difficult. As regarded Chile, he had met with the Ambassador of the country in Italy and had received assurances that the Government would settle its arrears. As regarded Brazil, he had received assurances that the arrears for 2003 and 2004 would be settled by November 2005.

30. Summarising the discussion, *the Chairman* stated that the Committee congratulated the Secretariat for its efforts to recoup arrears in contributions due by member States, that the Committee remained concerned about the remaining arrears, that it expressed appreciation for the Canadian offer and noted the request of the United States of America for new proposals from the Secretariat on what could be done to reduce arrears further, should this prove necessary.

31. *It was so agreed.*

Item No. 5 on the Agenda: Implementation of the Strategic Plan, in particular under the draft Work Programme for the triennium 2006/2008 as drawn up by the Governing Council at its 84th session, held in Rome from 18 to 20 April 2005 (AG/Comm. Finances (60) 5)

32. Introducing this item on the Agenda, *the Secretary-General* stated that the document presented was an attempt to merge reflections on the finances of the organisation with an assessment of the extent to which resources would be available for the implementation of the Work Programme in the coming three-year period. The document was seen in the context of the proposed Budget for 2006 and was a test to sound out how the Governments represented on the Finance Committee would take position, with a view to enabling the Secretariat to submit the document to the General Assembly and Governing Council.

33. The situation was in flux. The Strategic Plan was the product of the Brainstorming session held jointly by the Governing Council and representatives of member States. In the future, the document would benefit from the input of all parties involved: the General Assembly, the Finance Committee and the Governing Council. Extra time would be invested in a continuous updating of the document. The messages in the document were contained in the Introduction and the Conclusion. The first message was that there was reason to believe that UNIDROIT mattered. In fact, there were a great number of signals from both the private sector with stakes in UNIDROIT's work and Governments and international Organisations that confirmed that impression.

34. The situation was at the same time, however, of some concern. He recalled that in a recent session of the Sub-committee of the Finance Committee he had raised the issue that 90% of the Budget went to cover the salaries of staff and social security payments, and that only 10% was actually devoted to the work of the organisation. Although this was apparently the general situation in many public administrations, he found it difficult to see how the objectives of the Strategic Plan could be reached in these circumstances. In particular Objective 11, to promote UNIDROIT instruments, and Objective 7, to broaden the organisation's representation in Africa, the Middle East and Asia, were difficult to realise in a situation in which the sum allocated in the Budget had remained the same over a number of years. Objectives 6, 8, 9 and 10 would continue to need significant increases over the coming years if the key objectives defined by the Governing Council continued to be pursued as priorities.

35. The assessment of the progress made ranged from satisfactory to totally unsatisfactory. Progress made on Objectives 8, 9 and 10, which aimed at the establishing of electronic documentation management, the updating of the electronic equipment of the Institute and the retaining of an in-house IT expert, was plainly unsatisfactory. Objective 7 depended, as indicated, on the resources available. At a meeting in Ireland he had met certain Chief Justices of African States, and the question they had asked was why UNIDROIT was not present in their countries, why it was unknown. Continuous lobbying would be necessary, and continuous lobbying required substantial financial resources.

36. Another question related to the utilising of private funding for the activities of the Organisation. There were both positive and negative aspects to private funding. On the positive side was the fact that the willingness on the part of the private sector to finance the activities was reliable evidence of how the work was appreciated. Apart from telephone and post, the economically most important project, that on Transnational Capital Markets, was 100% financed by private donors. The officer working on this project was paid by the German banks, but it was uncertain whether they would continue to pay also for 2006. As regarded the project on the preparation of a Model Law on Leasing, one of the correspondents of the Institute, Mr Ronald DeKoven, had found a way to second a young lawyer of his law firm to the Institute for 12 months.

Also in this case, the young lawyer's salary would be covered 100% by private donations. The question was whether this was desirable, considering the inter-governmental nature of the Institute.

37. The link between the Work Programme 2006 – 2008 and available staff was considered in paragraphs 44 – 51 of the document. He pointed out that the 2006 – 2008 Work Programme would to all intents and purposes be carried out by the same number of people as the 1999 – 2002 Work Programme. The situation had not changed. Paragraph 45 listed the members of staff that had been made available by outside secondment. As he had pointed out, there was however no guarantee that one of the officials would be available also from 2006 onward. All in all, he was more pessimistic about the situation than he had been three years previously.

38. As regarded the appointment of a new Deputy Secretary-General, the Secretary-General turned to the question of whether or not it was responsible to accept the donation of the Government of the United Kingdom for the holding of an open competition for the post of Deputy Secretary-General even if there was no guarantee that the appointment would extend beyond one year. In April the Sub-committee of the Finance Committee had raised the question of what quality candidatures could be expected considering the limitations. The fears that the candidatures might not be of high quality had however been allayed by the fact that twenty-four applications had been received, some very high powered, including some from other international organisations. The Sub-committee of the Permanent Committee would meet on 14 and 15 October 2005 to interview the eight short-listed candidates, who would be required to submit to both written and oral tests.

39. *The representative of Italy* complimented the Secretariat for the document and recalled the discussions that had taken place in the Sub-committee of the Finance Committee on the importance of having a link between the Work Programme and the financial resources available. He urged that efforts be made to speed up work on the projects. He wondered whether the present rhythm of work was linked only to the resources available, or whether it also depended on the work methods, in which case perhaps these could be modified. He shared the Secretary-General's view of the importance of opening to developing countries. He was pleased to inform the members of the Finance Committee that together with the Secretary-General he had obtained a small contribution, as a result of which a co-operation with the *Istituto universitario di Studi europei* in Turin had been set up. The programme prepared for 2006 would enable participants to spend three months in Turin and three months in Rome, at the Institute.

40. *The representative of Canada* thanked the Secretary-General for the document, which he stated would help him make a case for UNIDROIT. He suggested that member States could react on the basis of this document and help determine the priorities of the organisation. It was a starting point for discussion. He agreed that the document should be a continuing document, and suggested that the model of the Hague Conference on Private International Law might be worth looking at. There, the Strategic Plan was reviewed every year as priorities were met and others identified. He indicated that there was a Canadian paper which identified criteria for the evaluation of projects. He asked for the next document to go further by explaining why progress was satisfactory or unsatisfactory. The present document illustrated the results of the legal co-operation activities at length, but the same should be done also for the legislative activities, for example by indicating how the actual results deviated from the projected and expected results. If a high priority project did not advance as expected, then that would be unsatisfactory, whereas if a low priority subject did not move, then perhaps it was not so unsatisfactory. As regarded the specific projects, the preliminary draft Protocol to the Cape Town Convention on International Interests in Mobile Equipment on matters specific to Space Assets was not progressing as hoped. What, he asked, was the interest of industry in this project? If it was not high, then perhaps it was not unsatisfactory that the project was not moving. Furthermore, as regarded the project on

Multimodal Transport, he wondered what the relationship was with the United Nations Commission on International Trade Law (UNCITRAL) project on transport law. He wondered why the Model Franchise Disclosure Law did not have priority.

41. As concerned the financial contribution of industry, the representative of Canada stated that the organisation should be working to attract the contribution of the private sector. He suggested that it was an indicator of the interest of the work of the organisation.

42. *The representative of the United Kingdom* indicated support for the views expressed by the representative of Canada. It was important for the Strategic Plan and the Work Programme to be discussed together. It was necessary to prioritise work more, to have cost/benefit analyses. She agreed that it should be spelt out why a project had higher priority than the others. In the document currently there was no discussion of how the decision on the priority or otherwise of a project had been taken. As regarded the new items on the Work Programme, she wondered what effect they would have on the current Work Programme, especially on projects that were not making sufficient progress. She wondered whether a costing of the new projects on the Work Programme 2006 – 2008 would be done.

43. With reference to the suggestion by the representative of Italy that work be speeded up, *the Secretary-General* considered how this might be achieved. He indicated that the time necessary for work on the different subjects had already been considerably reduced. An option was not to have reports on provisional meetings, but that might cause irritation in the capitals of member States. To a certain extent this question was linked to that of available funds. The holding of meetings at the Food and Agriculture Organization of the United Nations (FAO), for example, absorbed large sums. Even if, thanks to the intervention of the Italian Authorities, the FAO no longer charged for the renting of the premises, the overhead costs that the Institute was charged had increased and currently covered roughly the same sum as the renting had done previously. As regarded the evaluation criteria for the assessment of the progress being made referred to by the representative of Canada, he agreed that it was necessary to refine the assessment methods currently adopted and to be more explicit. Progress on the preliminary draft Space Protocol was unsatisfactory because the project was a difficult one. The industry advisory group (the Space Working Group (SWG)) was needed as Governments needed their input. The SWG had after the last session indicated that it would need greater funding if it were to respond adequately to all the assignments entrusted to it by the Committee of governmental experts. The members of the SWG were private practitioners and it was difficult for them to approach prospective donors who were also their clients. This had therefore to be left to the Secretariat. The only one in the Secretariat who had the contacts necessary to be able to do this was the Principal Research Officer who had taken on the duties of Deputy Secretary-General a.i. As long as 80% of Mr Stanford's time was occupied by the duties of Deputy Secretary-General there was no hope of obtaining the funding necessary.

44. As regarded multimodal transport, this project had no priority. It was on the Work Programme because of the strong interest in transport of one of the members of the Council. It was on the Work Programme with the proviso that close contact be kept with UNCITRAL and the private sector organisations to monitor their activities. There was thus no risk of wastage of resources.

45. As regarded the Model Franchise Disclosure Law, it had to be said that model laws were difficult to monitor, as the promoting organisation would not know if they had been used. This was normally not communicated to the organisation. It had not been possible to give the Model Law any priority as there were no funds available for the required lobbying or for travel to illustrate the model law to interested Governments.

46. Referring to the comments made by the representative of Italy regarding the timing of the completion of UNIDROIT projects, *the Deputy Secretary-General a.i.* submitted that the amount of time needed to complete such projects should necessarily be seen as a function of the unique artisan-like working methods employed by the Institute: whereas other Organisations, like UNCITRAL, for instance, tended to proceed directly to the intergovernmental stage, UNIDROIT normally worked out a first draft within small working groups of experts, drawn from the worlds of law and practice, sitting in their personal capacity. This was what made UNIDROIT such an appropriate forum when it came to projects at the cutting edge of international commercial practice. UNIDROIT had, over the years, established a considerable network of expertise in creating legal frameworks for new commercial techniques. Some of these projects were, as a result, able to move ahead more swiftly: this was notably the case of the model law on leasing that the Institute had just begun preparing. The strong support that it was being given on this project by the International Finance Corporation, anxious to be able to use the end-product of the Institute's work in the countries of its operations at the earliest possible opportunity, taken together with the unique range of international expertise it was able to call upon through its past work in this field, meant that it was able to envisage completing work on this project in record time, hopefully by Autumn 2006. Other projects, on the other hand, such as that for the preparation of a draft Space Protocol, needed more time, not only because of the huge technical challenges involved - in effect, making the principles of asset-based financing generally available for commercial space activities *for the first time* - but also by virtue of the key role that the representatives of the international commercial aerospace and financial communities assembled in the Space Working Group were called upon to play in the intergovernmental negotiations, currently underway. Not only had Governments demonstrated their heavy reliance on the technical expertise of the Space Working Group - as evidenced by the significant assignments entrusted to the latter at the last session of the Committee of governmental experts - but, albeit with a few exceptions, they had also to date signally failed to provide the Secretariat with the information on the all-important public service issue requested of them by the Committee at its last session and to engage in the work of the Sub-committee on the international registration system set up by the Committee at their specific request. At the same time, the Space Working Group, whilst it was continuing to attract important new support - and he signalled his recent success in getting the Royal Bank of Scotland on board - was still concerned to ensure that it spoke for a representative cross-section of the international commercial aerospace and financial communities in relation to the intergovernmental negotiations - and this when the space industry was itself going through very difficult times - before committing itself to participation in the following round of those negotiations. What was at stake, though, was enormous - nothing less than the huge quantum leap in the living conditions of the people in the poorest parts of the world that space-based services had the undoubted potential to provide - and it was, therefore, essential that member Governments should in no way be seen to lessen their commitment to this process, just because it was so difficult.

47. *The Chairman*, summarising the consensus that had emerged in the course of the discussion, stated that the Committee had appreciated the document, and that it had indicated that the revised version should bear in mind the proposals made in the discussion of the Committee.

48. *It was so agreed.*

Item No. 6 on the Agenda: Approval of the draft Budget for 2006 and fixing of the contributions of member States for that financial year (AG/Comm. Finances (60) 6)

49. Introducing this item on the Agenda, *the Deputy Secretary-General a.i.* stated that the draft Budget for the 2005 financial year had been the subject of the traditional broad consultation, first among the Sub-committee of the Finance Committee and latterly amongst all member States.

50. As was UNIDROIT practice, a first set of estimates of receipts and expenditure had been prepared by the Secretariat for preliminary consideration by the Sub-committee of the Finance Committee at its 103rd session, held in April 2005. On the basis of the Sub-committee's preliminary opinion, the Secretariat had then prepared a draft Budget for consideration by the Governing Council at its 84th session, held later that month. Given the introduction by the Governing Council of new factors into the equation, this draft had then been resubmitted for consideration by the Sub-committee at its 104th session, held in June 2005. The draft Budget for 2006 as it came out of that session had then been transmitted to the Governments of all member States for comment by 30 September. The only comments that had been received to date by the Secretariat had been those of the Government of Poland.

51. The major issue that still needed to be resolved in the context of the draft Budget for 2006 concerned the finding of the funding necessary to appoint a new Deputy Secretary-General. He recalled that the previous Deputy Secretary-General had retired on 30 September 2004 and that, following a decision taken by the Permanent Committee in April 2004, he had been exercising the functions of Deputy Secretary-General a.i. since that time.

52. When the draft Budget had been discussed by the Sub-committee in April 2005, it had been on the basis of a Secretariat proposal founded on the assumption that the Governing Council would fill the post of Deputy Secretary-General from within the ranks of the Secretariat.

53. However, at its subsequent session, the Governing Council had reiterated its attachment to the post being filled on the basis of an open competition, open in the sense of being open to both candidates from within the ranks of the Secretariat and candidates from without. The United Kingdom member of the Council, reflecting this sentiment, had announced his Government's decision to make a special extra-budgetary donation of some £ 50,000 (corresponding to approximately € 74,000) earmarked for the purpose of such an open competition. The Governing Council had decided that this donation should be accepted and applied to the purpose for which it had been made.

54. Given the financial implications of this donation on the Institute's Budget, and in particular for the financial years following the 2006 financial year, the question had been referred back to the Sub-committee for further consideration. At its 104th session, the Sub-committee had recognised the risks inherent in going ahead with an open competition on the basis of a one-off extra-budgetary contribution and without any commitment, on the part of those member States attending that session, to accept the increase in member States' contributions that would be necessary to ensure the continuation of the contract of employment of the successful candidate beyond 31 December 2006.

55. On the other hand, the Sub-committee had indicated that it had no objection to the Secretariat going ahead with the holding of the open competition and making use of the United Kingdom's Government's donation for that purpose.

56. As agreed by the Sub-committee, the Secretariat had subsequently checked with members of the Governing Council to see whether, in the light of the views expressed by the Sub-committee, it might wish to reconsider its decision to authorise the holding of the open competition. Those members of the Council who had replied had taken the view that there was no need to reverse the Council's decision on this point.

57. The funding proposed for the filling of the post of Deputy Secretary-General in 2006 was an amalgam of the donation made by the United Kingdom Government and an appropriation of € 57,000 under the draft Budget for 2006. This reflected the fact that the amount of € 57,000

provided for in the draft Budget would only be enough to permit the taking on of a Deputy Secretary-General from within the ranks of the Secretariat, with the sum in question being made up of € 9,000 to cover the difference in salary of the person advanced to the position of Deputy Secretary-General and € 48,000 to permit the taking on of a new Category A1, step 1 officer to take over those functions that the member of staff advanced to the position of Deputy Secretary-General would as a result no longer be able to carry out. This amount was the amount provided for in the original budgetary estimates laid before the Sub-committee in April, before the Governing Council session. The difference between this amount and the amount that had been calculated as being necessary to permit the recruiting of a Deputy Secretary-General from without the ranks of the Secretariat was made up by the extra-budgetary donation from the Government of the United Kingdom. In effect, the Secretariat had calculated that, should a Deputy Secretary-General be recruited from outside, the draft Budget would need replenishing, over and above the aforementioned sum of € 57,000, by a sum varying from € 42,342 - should the successful candidate be unmarried and resident in Italy - to € 69,200 - for a successful candidate who was married and non-resident with two children.

58. As regarded the overall structure of the draft Budget for 2006, the Deputy Secretary-General a.i. indicated that this followed the basic structure of the Budget for 2005, with one innovation, namely the annotation of each chapter and article of the draft Budget, in line with the request addressed to the Secretariat by the Finance Committee.

59. The first article in respect of which the Secretariat proposed an increase was that relating to the salaries of Categories A, B and C staff (Chapter 2, Article 1). The Secretariat was proposing an increase of € 57,000 under this article, either to permit the taking on of a Deputy Secretary-General from within the ranks of the Secretariat combined with the taking on of a new junior officer, or as part of the amount needed, with the British Government's extra-budgetary donation, to permit the taking on of a Deputy Secretary-General from outside.

60. The first saving that the Secretariat would expect to be in a position to make under the draft Budget for 2006 concerned compensatory payments for retired members of staff (Chapter 4). With the ongoing reduction in the number of members of staff entitled to such payments, the Secretariat expected a saving of € 500 to be made under this Chapter. This saving would, however, be eaten up by the increase that the Secretariat anticipated being required in respect of the Secretariat's use of the telephone and fax (Chapter 6, Article 2). This € 500 increase reflected the Institute's ever greater involvement in the organisation of conferences and seminars around the world, where the Institute's work was all too little known.

61. An increase of € 1,000 in expenditure was anticipated for postage (Chapter 6, Article 3). This reflected the increase in postage rates introduced in Italy, whether directly, through the raising of such rates, or indirectly, through the removal of reduced rates, such as that previously reserved for printed matter.

62. On the other hand, the Secretariat had estimated that it would be able to make a saving of € 3,000 on expenditure in respect of interpretation. This saving resulted from the increasing number of meetings that the Institute was able to hold in English only, thanks to the greatly appreciated co-operation of French-speaking member States.

63. Another saving concerned the heating bills (Chapter 7, Article 2). It had been estimated that the reduction in the heating bills resulting from the cleaning out of the Institute's central heating system should be of the order of € 1,000.

64. On the other hand, the Secretariat believed that it was necessary to provide for additional expenditure of € 3,000 on office equipment (Chapter 7, Article 5). There was a need for a sustained investment in office equipment in the years ahead if the improvements in document management, administration of the archive and communications with member Governments outlined in the Strategic Plan were to be achieved. The additional yearly expenditure under this heading for the forthcoming triennium had been estimated as between € 4,000 and € 5,000.

65. In consideration of the above, the Secretariat anticipated actual expenditure in 2006 rising to € 2,026,850, involving a percentage increase of 2.42% over that provided for in the Budget for 2005 (€ 1,978,850). The Secretariat was only too aware of the oft-repeated insistence of member Governments that it observe the principle of zero budgetary growth in nominal terms and it assured the Finance Committee that it had made every effort possible to contain expenditure, in particular seeking, as far as possible, to offset proposed increases by corresponding savings elsewhere. The fact that the Secretariat had managed to contain the effects of a projected increase in actual expenditure of 2.42% to a proposed increase in the contributions of member States other than Italy of 1.25% had to do essentially with the additional miscellaneous receipts that the Institute expected to receive in 2006, in particular, by way of the sale of publications.

66. The Secretariat therefore:

- ◆ first, proposed to increase the statutory contributions of all member States other than Italy in 2006 by 1.25%;
- ◆ secondly, proposed to maintain the contribution of the Government of Italy at € 250,000;
- ◆ thirdly, estimated the surplus to be carried forward from the 2005 financial year as € 30,000;
- ◆ fourthly, estimated miscellaneous receipts for 2006 as bringing in € 78,945;
- ◆ fifthly, considered it reasonable to anticipate that one new Category VIII member State should accrue in 2006, bringing in a further € 11,525;
- ◆ sixthly and finally, expected to be able to count on an estimated € 6,000 under the special accounts.

67. Turning to the effects on individual member States, other than Italy, of the proposed increase in contributions of 1.25%, the unit of contribution would be increased from € 2,276, the figure employed in 2005, to € 2,305. Category by category the contributions would rise as follows:

Category	Contributions for 2005	Contributions for 2006
Category I	€ 113,800	€ 115,250
Category II	€ 50,072	€ 50,710
Category III	€ 40,968	€ 41,490
Category IV	€ 29,588	€ 29,965
Category V	€ 25,036	€ 25,355
Category VI	€ 20,484	€ 20,745
Category VII	€ 18,208	€ 18,440
Category VIII	€ 11,380	€ 11,525
Special category	€ 2,276	€ 2,305

68. As regarded the make-up of miscellaneous receipts, these were made up of € 5,000 by way of interest, € 16,500 by way of the contributions to overhead expenses to be made by the Office for Italy and San Marino of the International Labour Organization and the United Nations Industrial Development Organization in return for the use of certain services connected with parts of Palazzo Aldobrandini and € 57,445 by way of sales of publications. The expected increase in the contributions to overhead expenses resulted from the signing of an agreement between UNIDROIT and U.N.I.D.O. for the use by that organisation of part of Palazzo Aldobrandini for the carrying out of investment and technology promotion activities.

69. As stated, the only observations that the Secretariat had received on the draft Budget for 2006 had come from the Government of Poland, significantly in view of the opposition expressed by that State's representative at the last session of the General Assembly to approval of the increase in member States' contributions proposed under the draft Budget for the 2005 financial year. The Government of Poland had officially informed the Secretariat that, having only recently accepted upward reclassification in the UNIDROIT contributions chart to Category VI, it found it difficult to accept the proposed increase in its contribution for 2006.

70. This notwithstanding, the Deputy Secretary-General a.i. stressed that the Secretariat, in commending the draft Budget for 2006 to the Finance Committee, underlined the significant efforts that it represented to contain expenditure right across the board, and in particular the increasing success of the efforts being made by the Secretariat to find extra-budgetary means of support to assist the fulfilment of its statutory objectives, and in particular the implementation of its Work Programme.

71. *The Chairman* communicated that the representative of France accepted the draft Budget, even if he expressed concern as regarded the financing of the post of Deputy Secretary-General after 2006. France would therefore welcome more information on how it was intended that this post should be funded thereafter.

72. *The representative of Mexico* indicated that the expenses detailed in the draft Budget were justified and that her Government was therefore able to accept the proposed Budget. Mexico had no objections to the filling of the post of Deputy Secretary-General. She did however agree with the representative of France that the question of the funding of the post in coming years should be reviewed.

73. *The representative of Italy* recalled the discussions in the Sub-committee of the Finance Committee earlier in the year. While he was pleased to confirm the level of the Italian Government's contribution as communicated by the Deputy Secretary-General a.i., he stated that he had sounded out the Ministry of the Economy as regarded the possibility of Italy giving an extra-ordinary contribution for 2005. He was expecting a reply shortly.

74. *The representative of the United Kingdom* stated that she wanted placed on record the gratitude of her country for the work done by the Secretariat considering the difficult circumstances. She also expressed appreciation for the fact that the proposed increase had been kept to a minimum.

75. *The representative of the United States of America*, while expressing appreciation for the efforts already made, reiterated the commitment of his country to the principle of zero growth in nominal terms for all international organisations without exception and urged budgetary discipline. He recognised that this forced some difficult decisions. He noted that the actual spending for 2004 had been kept below projections and looked forward to the same being the case with expenditure for 2005. He recognised that the nomination of a permanent Deputy Secretary-General required

budgetary adjustments. For 2006 his country was prepared to accept the proposal, provided that hiring a Deputy Secretary-General would not require increases in future years.

76. *The representative of Canada* recalled that his country was also committed to the principle of zero growth in nominal terms. He encouraged prioritisation, and suggested that a contingency plan be prepared to cater for the possibility that the revenue projections were disrupted. He stated that he was not challenging the priorities indicated in document AG/Comm. Finances (60) 5: what was desirable was a more detailed explanation of why certain priorities had been decided, an increased cost/benefit analysis. As regarded the hiring of a Deputy Secretary-General, he indicated that the Canadian Government wanted to keep an open mind. If after 2006 it was found that the presence of the new Deputy Secretary-General was of significant benefit to the organisation, his Government would be prepared to consider an increase in its contribution to the UNIDROIT Budget to cover part of the costs in a broader perspective.

77. *The representative of Austria* indicated that her Government had no objections to the proposed Budget or to the slight increase in the contribution Austria was required to pay, on condition that future years would not see substantial increases.

78. As regarded the question of the appointment of a new Deputy Secretary-General, *the Secretary-General* pointed out that the shortfall in the Budget was due to the fact that for four years the previous Deputy Secretary-General had stayed on working full-time on a part-time salary. This had permitted the Institute to save some € 305,000. The Secretariat was now trying to remedy the situation. Turning to the question raised by the representative of Canada, if there were a shortfall and expectations were not met, the easiest solution would be to suspend work on a project on which progress was not being made at satisfactory speed. The question was then, however, why progress was not satisfactory. An example was the draft Protocol to the Cape Town Convention on Matters specific to Railway Rolling Stock, for which a Diplomatic Conference had been planned for February 2006, but the prospective host Government of the event had advised the Secretariat that only two weeks would be available for the event. The Secretariat had been waiting for a firm commitment for more than two months. He hoped that it would not be necessary to suspend any of the supporting activities, such as for example the Scholarships Programme or publications, which were essential for the promotion of the Institute, especially in some parts of the world. If activity had to be suspended, he would suggest to suspend it on one of the less dynamic legislative activities.

79. Drawing the conclusions of the discussion, *the Chairman* stated that the decision of the Finance Committee was to give a favourable opinion on the draft Budget for transmission to the General Assembly. The Committee recorded a certain scepticism regarding the possibility to finance the position of Deputy Secretary-General in the year 2007 and thereafter. The Committee had, however, no authority now to indicate what acceptable budgetary increases could be in the future.

80. *It was so agreed.*

Item No. 7 on the Agenda: Any other business (AG/Comm. Finances (60) 7)

81. The Committee took note of the contents of document AG/Comm. Finances (60) 7 which listed and explained the functions of the Deputy Secretary-General of UNIDROIT, with a view to the appointment of a new, full-time Deputy Secretary-General.

82. *The representative of Canada* wondered whether the continued analysis of the management implications of the Strategic Plan would be a duty of the Secretary-General or pass to the Deputy Secretary-General.

83. *The Secretary-General* stated that the two would be working together on the Strategic Plan and its realisation.

84. *The Deputy Secretary-General* a.i. reminded Finance Committee members that the composition of the Finance Committee was due for renewal at the 59th session of the General Assembly, due to be held in Rome on 1 December 2005. He recalled that it would be for the General Assembly on that occasion to decide on the composition of the Finance Committee for the three years commencing on 1 January 2006. The current membership of the Finance Committee was as follows: Austria, Canada, France, Germany, India, Islamic Republic of Iran, Italy, Japan, Mexico, Romania, Russian Federation, Spain, Switzerland, United Kingdom and United States of America. He invited those current members of the Finance Committee who did not wish to be considered for membership of the Committee in its new composition to inform the Secretariat by 6 November 2005 at the latest, so as to permit it, in the event of certain members deciding to stand down, to contact the Embassies of other member States in Italy with a view to ascertaining their possible interest in filling any places thus left vacant in time for a decision to be made on this matter at the forthcoming session of the General Assembly. He indicated that current members of the Finance Committee not communicating their wish to stand down by 6 November 2005 would be interpreted as accepting renewal of their membership for a further three-year period.

85. *It was so agreed.*

86. No further comments having been made, *the Chairman* closed the meeting.

APPENDIX I**LIST OF PARTICIPANTS****Members:**

Ms Ingrid PECH	(Austria)
Mr Kent VACHON	(Canada)
Mr Alexandre GIORGINI	(France)
Mr Gerd JOHANNES Ms Susanne ROMBERG	(Germany)
Mr Andrea MELONI Ms Valentina SAVASTANO	(Italy)
Mr Kazumi ENDO	(Japan)
Ms Ursula DOZAL	(Mexico)
Ms Natalia CHIZH	(Russian Federation)
Mr Josef RENGGLI (<i>Chairman</i>) Ms Meret BAUMANN	(Switzerland)
Ms Lynne MCGREGOR	(United Kingdom)
Mr Bruce BERTON	(United States of America)

Observer:

Mr Jorge Omar IREBA	(Argentina)
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APPENDIX II**AGENDA**

1. Adoption of the agenda (AG/Comm. Finances (60) 1)
2. Final modifications to the Budget, and approval of the Accounts for the 2004 financial year (AG/Comm. Finances (60) 2 and Accounts 2004)
3. Adjustments to the Budget for the 2005 financial year (AG/Comm. Finances (60) 3)
4. Arrears in contributions of member States (AG/Comm. Finances (60) 4)
5. Implementation of the Strategic Plan, in particular under the draft Work Programme for the triennium 2006/2008 as drawn up by the Governing Council at its 84th session, held in Rome from 18 to 20 April 2005 (AG/Comm. Finances (60) 5)
6. Approval of the draft Budget for 2006 and fixing of the contributions of member States for that financial year (AG/Comm. Finances (60) 6)
7. Any other business.