EN

FINANCE COMMITTEE
83rd session
Rome, 21 September 2017

UNIDROIT 2017
F.C. (83) 9
Original: English/French
September 2017

REPORT
(prepared by the UNIDROIT Secretariat)

1. The 83rd session of the Finance Committee was held at the seat of UNIDROIT in Rome on 21 September 2017 and commenced at 10:10 am.

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

2. The *Chair of the Finance Committee*, Mr Benito Jiménez, a representative of Mexico, opened the session and welcomed the members of the Committee (for a complete list of participants, see Annex 1).

3. The *Secretary-General a.i.*, Ms Anna Veneziano, also welcomed the members of the Committee, recognising in particular those for which it was their first meeting. She noted that the former Secretary-General, Mr José Angelo Estrella Faria, had left UNIDROIT at the end of July and returned to his post at the United Nations Commission on International Trade Law and that many of the issues to be discussed later in the session – including the Contributions Chart, the review of the compensation and social security scheme offered to UNIDROIT staff, and Iraq's request to resume full participation in the Institute – were ones to which he had attached great importance. Even though those issues might not have been resolved as he had wished by the time of his departure, those issues were nevertheless ready for resolution.

Item No. 2 on the agenda: Adoption of the agenda (F.C. (83) 1 rev.)

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

5. The *Secretary-General a.i.* proposed that the Committee discuss, as matters falling under the item for any other business, the composition of the Finance Committee and possible meeting dates for the Committee's next session.

6. *The agenda was adopted as proposed in document F.C. (83) 1 rev.*

Item No. 3 on the agenda: Final modifications to the Budget and Accounts for the 2016 financial year (F.C. (83) 2 and Accounts 2016)

7. The *Chair* drew the Committee's attention to the document regarding final modifications to the Budget and Accounts for the 2016 financial year and invited the Secretary-General a.i. to present that document.

8. The *Secretary-General a.i.* thanked the Chair and noted that the Accounts had been examined at the Finance Committee's 81st session (Rome, 6 April 2017) and circulated to member States, for which no comments were received. As set out in paragraph 2 and the chart in paragraph 6, the 2016 financial year was closed with a negative balance of 2.150,31 €. This was not the result of excess spending by the Secretariat – as shown in the chart in paragraph 5, which reflected significant savings in multiple categories – but the result of the anticipated shortfall in the contributions of member States, as shown in the receipts chart at paragraph 4.

9. *Seeing no requests for the floor, the Chair concluded that the Finance Committee recommended that the General Assembly approve the final modifications to the Budget and Accounts for the 2016 financial year.*

Item No. 4 on the agenda: Adjustments to the Budget for the 2017 financial year (F.C. (83) 3)

10. The *Chair* moved the Committee to the next item on the agenda and gave the floor to the Secretary-General a.i. to present the document.

11. The *Secretary-General a.i.* explained that this document was always presented in the autumn. It had the nature of a financial progress report and showed how the Secretariat's resources were spent during the year by chapter of the Budget. In particular, it reflected the status of expenditures at the time of its publication in August and included both disbursements already made by that time and the estimated disbursements to be made through the end of the year. In this way, the estimated disbursements could be calibrated against the expected level of receipts. This was important because a shortfall in receipts had been anticipated, and it would be too risky to rely alone on UNIDROIT's Working Capital Fund, which could in any event cover only two months of ordinary expenditure. With respect to receipts, however, there had been two positive developments. First, since the document's publication in August, significant contributions had been received, which improved UNIDROIT's financial situation. In particular, the balance of member State contributions, shown in the chart on receipts on page 3 as -404,333.00€, had improved to -101.827,00€. Second, UNIDROIT had negotiated in 2016 a five-year licencing agreement with Aviareto, the International Registry under the Aircraft Protocol, by which UNIDROIT provided an electronic version of the third edition of the Aircraft Protocol Official Commentary by Sir Roy Goode to Aviareto to make available to users of the International Registry. Under the licencing agreement, Aviareto was to make five annual payments of USD20.000 to the Secretariat, the first of which had been made earlier in 2017 and was to be reflected, together with the updated receipts figures, in the documents to be presented to the General Assembly. With respect to expenditures, in referring to the chart on expenditures on page 4 and to the explanatory notes on page 5, she pointed out that higher than anticipated interpretation costs, which included interpreters, equipment and related costs, had been incurred in connection with meetings for priority projects, one of which had resulted successfully in the adoption of an instrument – the Legislative Guide on Intermediated Securities – by the UNIDROIT Governing Council at its 96th session (Rome, 10-12 May 2017).

12. The *Chair* inquired whether the document would be updated before it was transmitted to the General Assembly.

13. The *Secretary-General a.i.* replied that the figures for receipts would indeed be updated, whereas it might not be necessary to update the figures for expenditures.

14. *Seeing no requests for the floor, the Chair concluded that the Finance Committee recommended that the General Assembly approve the adjustments to the Budget and Accounts for the 2017 financial year.*

Item No. 5 on the agenda: Information on the extra-budgetary contributions received in 2017 and on their allocation to the activities and projects of the Institute (F.C. (83) 4)

15. The *Chair* introduced the next item on the agenda and gave the floor to the Secretary-General a.i. to present the document.

16. The *Secretary-General a.i.* explained that extra-budgetary contributions were not applied to the Secretariat's legislative activities, but were instead used for non-legislative activities, including promotion of UNIDROIT's instruments and the Research Scholarship Programme. Among the contributors, she recognised the generous contribution of the Government of China for the Scholarship programme and the contributions of various Italian law firms, with thanks to the President of the Institute, Mr Alberto Mazzoni, for his efforts in this regard as these funds were used to support the Scholarship Programme, purchase books and journals for the Library and to organise promotional events. She noted that the funds listed under the Library in the chart, in particular, would be used in large part to fund the Library's digitisation project. She also noted that, on request by the MAC Protocol Committee of Governmental Experts, the Secretariat had supported the preparation of an economic analysis of the MAC Protocol by outside experts and that the majority of the cost of that work would be provided by the MAC Working Group through an extra-budgetary contribution. She concluded by stating that the document was meant to show, in a transparent manner, how UNIDROIT was managing these voluntary contributions.

17. The *representative of Canada* noted with appreciation the Secretariat's work in obtaining these extra-budgetary funds and expressed support for these efforts.

18. The *Chair* expressed appreciation to China for its generous contribution to the Research Scholarship Programme.

19. *Seeing no further requests for the floor, the Chair acknowledged that the Finance Committee took note of the information on extra-budgetary contributions received by UNIDROIT in 2017 and requested that such information also be submitted to the General Assembly at its 76th session.*

Item No. 6 on the agenda: Arrears in contributions of member States (F.C. (83) 5)

20. The *Chair* introduced the next item on the agenda and gave the floor to the Secretary-General a.i. to present the document.

21. The *Secretary-General a.i.* noted that the document reflected arrears in contributions with respect to financial years which had already been closed, specifically for 2016 and years prior. For contributions for 2017, member States had until the end of February 2018 to make such contributions because the Accounts for the 2017 financial year would be closed at that time. The status of arrears was unfortunately still high, but had improved since early August due to recently received payments. Member States in arrears were encouraged to make any outstanding contributions, which if done soon after the Committee's session would allow for the document to be revised before transmission to the General Assembly for its 76th session (Rome, 7 December 2017).

22. The *Chair* thanked the Secretary-General a.i. for her remarks and invited the Secretariat to continue its efforts to ensure that member States made their annual contributions on time. *Seeing no requests for the floor, the Chair concluded that the Finance Committee had taken note of the status of arrears in contributions of member States.*

Item No. 7 on the agenda: Draft Budget 2018 and observations submitted by member States (F.C. (83) 6)

23. The *Chair* introduced the next item on the agenda regarding the draft Budget for the 2018 financial year and gave the floor to the Secretary-General a.i.

24. The *Secretary-General a.i.* stated, at the outset, that the draft Budget was a zero nominal growth one. She recalled that the former Secretary-General had cautioned that maintaining zero nominal growth would not be something that could go on forever if the Institute was to be sustainable and successful, but no requests for supplementary contributions were anticipated. She then noted that, as indicated in explanatory notes 2 and 4 to the chart on expenditures on pages 6 and 7, the final figures might be different, depending on whether the General Assembly adopted the proposed compensation and social security reforms for UNIDROIT staff, which would be discussed under Item No. 9. As indicated in those notes, however, such reforms would not affect the overall budget as adjustments could be made within chapters to account for those reforms.

25. The *representative of Canada* noted that the draft Budget took into consideration the possible adoption of the proposed compensation and social security reforms and that any increased costs that might result from those reforms could be absorbed within the Budget. She stated that Canada fully supported those proposed reforms.

26. *Seeing no further requests for the floor, the Chair concluded that the Finance Committee recommended that the General Assembly adopt the draft Budget for the 2018 financial year.*

Item No. 8 on the agenda: Classification of member States in the UNIDROIT Contributions Chart (F.C. (81) 3 rev. and F.C. (82) 2)

27. The *Chair* introduced the next item on the agenda regarding the classification of member States in the UNIDROIT Contributions Chart, recalling that this item had been discussed at length at recent sessions. He then invited the Secretary-General a.i. to present the item and related documents.

28. The *Secretary-General a.i.* noted that the agenda (document F.C. (83) 1 rev.) contained – in the annotation for the Item – an overview of the Committee's consideration of the classification of member States in the Contributions Chart. At its session in July, the Finance Committee had considered the Contributions Chart following the existing methodology – set out in document F.C. (81) 3 rev. – and the requested alternative proposal that had been prepared by the Secretariat – set out in document F.C. (82) 2) – which largely followed the existing methodology but included a new Category II to address the current gap between existing Categories I and II and a new Category X to break the current range of contributions in existing Category VIII into two. For ease of reference, the Contributions Chart's existing methodology and the proposed revised methodology were summarised in the Appendix included with the Agenda (and reproduced in Annex 2 to this document). Following deliberations at the last session, the Committee agreed that: (a) consideration of the proposed structural revisions to the Contributions Chart should only result in changes in contributions, if any, in 2019; (b) it should accordingly be recommended to the General Assembly that the current Contributions Chart remain in place in 2018, so that member States' contributions would remain the same in 2018 as they were in 2017; and (c) implementation of the next Contributions Chart – whether following the existing methodology or adopting the proposed revisions – would be on the basis of the UN scale of assessments for 2019-2021, which was to be issued in 2018. In addition, pursuant to the Committee's request, the Secretariat had circulated the proposed revisions to the Contributions Chart to member States for review and comment, though no comments had been received. In concluding, the Secretary-General a.i. stated that the question for the

Committee's consideration was whether to maintain the current methodology for the classification of member States; to adopt the proposed revised methodology, which included the new categories; or to delay this decision until the following year.

29. The *representative of the United States of America* expressed that the United States could support the proposed revised methodology for the classification of member States. With respect to that proposal, she inquired whether it would result in any net change in receipts, as compared to the current methodology.

30. The *representative of Spain* expressed some concerns about the proposed revised methodology. In particular, he inquired why, if a new Category had been added between the existing Categories I and II, the same level of contributions was kept for Category III, suggesting that that level of contributions should decrease. He then inquired whether it would be possible to insert a new Category I for the top UN contributors, specifically those above 7% or 8% in the UN scale of assessments. He expressed a preference for continuing either to use the current methodology in establishing the new Contributions Chart or to discuss further how that methodology should be revised in order to better address the various concerns.

31. The *representative of Canada* fully supported the proposed revised methodology for the Contributions Chart, noting that it would add two new Categories to address the wide gap between Categories I and II and to reduce the burden on smaller economies. She further noted that it would provide for more gradual and progressive movements on the Chart.

32. The *representative of China* stated that China had no objection to using the proposed revised methodology.

33. The *representative of Japan* supported what had been said by the representative of Canada, noting that the two new Categories in the proposed revised methodology would equalise the contributions of the various Categories.

34. The *representative of France* also supported what had been said by the representative of Canada and stated that France did not have any objections to using the proposed revised methodology.

35. The *representative of Switzerland* supported the statements by the representatives of Canada, China, Japan and France in favour of the proposed revised methodology.

36. The *Chair* inquired whether the representative of Spain could clarify the methodology to which he was referring – either the current methodology as set out in document F.C. (81) 3 rev. or the proposed revised methodology as set out in document F.C. (82) 2 – in proposing the creation of a new Category I for top UN contributors.

37. The *representative of Spain* replied that his proposal was with respect to the current methodology, but noted that the perfect way to split the categories would be to use the UN scale of assessments as closely as possible, which would be fairer. For member States that contributed 8% or other percentages higher than that to the UN budget, it would also be fairer for them to be placed in a new Category I with a higher level of contribution.

38. The *Secretary-General a.i.* stated that the Secretariat was trying to reach two results with the proposed revised methodology, which had been requested by the Committee at its 81st session (Rome, 6 April 2017). First, the requested revisions were not to be revolutionary and involve the creation of a completely new system. Second, the current structure was to be adapted to correct gaps in the Contributions Chart under existing Categories, in particular between Categories I and II

and between the lower Categories, the latter of which was important for enhancing the attractiveness of membership in UNIDROIT to States with smaller economies.

39. The *Chair* recalled that the former Secretary-General, Mr Estrella Faria, had noted that UNIDROIT's methodology had been more closely aligned with the UN scale of assessments in the past and that that methodology had not worked very well, thus prompting the evolution towards the current methodology.

40. The *Secretary-General a.i.* stated that, if the Committee wished to recommend that proposed revised methodology to the General Assembly for consideration and adoption, additional information could be provided in the documentation for that session, including with respect to the history of UNIDROIT's Contributions Chart. In this way, that documentation could be reviewed by member States, a full discussion could be held at the General Assembly's session and ultimately a decision could be reached.

41. The *Chair* recalled that Mexico had previously not been in favour of the proposed revised methodology but noted that, following internal consultations, Mexico was now prepared to support that methodology.

42. The *representative of Spain* indicated that Spain could go along with the recommendation of the proposed revised methodology to the General Assembly for consideration and adoption. He stated that he would appreciate if the Secretariat could provide, as mentioned by the Secretary-General a.i., information regarding the previous use of the UN scale of assessments in the documentation for General Assembly's session, including any explanations to show that such use did not work in the past.

43. The *Secretary-General a.i*. recalled the initial inquiry by the representative of the United States of America regarding the net change in receipts anticipated if the current methodology was to be used and if the proposed revised methodology was to be used. She said that it was difficult to assess that net change now because that change would depend on the UN scale of assessments for 2019-2021, which was to be issued in 2018.

44. *Mr Neale Bergman* (Legal Officer, UNIDROIT Secretariat) recalled that he had generated the net change, for purposes of estimation, on the basis of the UN scale of assessments for 2016-2018. As a result of movements within the various categories, both the current methodology and the proposed revised methodology generated a modest increase in receipts, with the increase under the current methodology being higher. He emphasised that those changes were just estimates, as the future Contributions Chart would make use of the UN scale of assessments for 2019-2021.

45. The *Chair* pointed out that, even though there could be a modest increase in receipts, such an increase would not matter if member States did not pay their contributions in a timely manner. Non-payment of contributions could quickly wipe out such an increase.

46. *Seeing no further requests for the floor, the Chair concluded that the Finance Committee recommended to the General Assembly that (a) the current Contributions Chart should remain in place in 2018, so that member States' contributions would remain the same in 2018 as they were in 2017; and (b) the proposed revised methodology – as set out in document F.C. (82) 2 – should be considered for adoption, together with the additional information requested by the representative of Spain, for the classification of member States in the new Contributions Chart, which would make use of the UN scale of assessments for 2019-2021 and come into effect in 2019.*

Item No. 9 on the agenda: Review of the compensation and social security package offered to UNIDROIT staff (F.C. (83) 8, F.C. (81) 5 and F.C. (81) 6 rev.)

47. The *Chair* introduced the three documents for this item and noted the main issues to be discussed: (a) the transition to the UN salary scales that had been recommended to the General Assembly by the Finance Committee at its last session (Rome, 13 July 2017); (b) the proposed pension scheme prepared by the International Service for Remunerations and Pensions (ISRP); and (c) health and related insurance arrangements. He pointed out that, as requested by the Finance Committee, the Secretariat had circulated documents F.C. (81) 5 on the recommended transition to the UN salary scales and F.C. (81) 6 rev. on the proposed pension scheme to member States for comments and that comments had been received from the United States of America, which were attached to document F.C. (83) 8, and from Germany, which had been received the prior day and for which paper copies had been circulated.

48. The *Secretary-General a.i.* recalled that the compensation and social security review was an essential step towards ensuring the Institute's sustainability, by both enhancing staff mobility and seeking to remain an attractive workplace. These issues had long been discussed, and the shortcomings of the salary scales and pension arrangements were well known. Indeed, this review had begun in 2013, had been discussed at four informal working group meetings and multiple Finance Committee sessions, and had resulted in six expert reports, which themselves were costly to commission. At its last session, the Committee had agreed to recommend to the General Assembly the transition of staff to the UN salary scales and as a result, with the permission of the Chair and unless the Committee wished to revisit that recommendation, the only issue before the Committee was whether to recommend to the General Assembly adoption of the pension scheme, which would mandatorily apply to new staff and had not been fully discussed at the last meeting.

49. The *Chair* invited the representatives of the United States of America and Germany to present their respective comments that had been submitted.

50. The *representative of the United States of America* thanked the Secretariat for all of the work done to come up with viable alternatives to current compensation and pension arrangements. It was not that the United States opposed the transition to the UN salary scales, but there were some questions regarding how it would be implemented and how it would affect the Institute's overall budget. There was also an interest in favour of introducing performance evaluations as part of the process and, consistent with the written comments by Germany, having very clearly defined job descriptions aligned with the new UN salary scales. Lastly, she pointed out that the US comments had inquired whether there were any anticipated financial savings arising from the reduction in administrative burden that might result from the transition to the new scales.

51. The *representative of Germany* observed that there might be some imperfections in the proposed reforms. As to salaries, he thanked the representative of the United States for her support and stated that job descriptions were necessary and would make posts at UNIDROIT more transparent for new applicants and more clearly defined for staff. The proposed transition to the UN salary scales, which did not contain all of the benefits provided under the UN system, might have hidden costs which could arise in the future if those benefits were provided at a later time. As to the proposed pension system, that system had to be fully funded, and it was important to ensure that the discount rate was 2.55% or lower and that the aggregate cost method was used in order to take into account current interest rates on the world market and to determine properly the costs of the system respectively. Regarding the estimated costs in particular, he inquired whether it would be possible to request a more precise estimate from ISRP as costs could occur before a pension was even payable, and there might be other costs that had not been considered yet. ISRP should clarify the costs that it would claim for administration of the pension system and, in this regard, he asked

whether any additional fees beyond contributions were currently paid to the Italian social security system. With only 17 contributors, he then asked whether the funds could be significant enough to generate returns and proposed that the funds be bundled together with those of other organisations. Lastly, he inquired what was meant by the reference to mutual funds in ISRP's report and whether current staff members might be able to change into the new system and, if so, how those costs would be covered.

52. The *representative of France* expressed gratitude to the Secretariat for the work that had been done for the review. As to salaries, he recognised that this issue had long been discussed but, taking a step back, France had some queries about the need for the transition to the UN salary scales, in particular with respect to recruitment and litigation risks. He asked for further explanation and justification on the reasons for the proposed reform.

53. The *representative of Spain* noted that Spain had similar concerns to those of France, Germany and, to an extent, the United States. In particular, there was concern that the proposed reforms could impact the assessment of member States' contributions. For example, as UNIDROIT staff might be transitioned to the UN salary scales without all of the benefits provided by the UN system, it was possible that such staff could request those benefits, such housing or education benefits, which would be more costly. Similarly, if a private pension system were to be used, that system might also lead to an increase of member States' contributions. Specific assurances were requested that these reforms would not impact future member States' contributions.

54. The *representative of Canada* stated that, in response to the comments of Germany, France and Spain regarding the salary scales, using the UN salary scale did not mean that all UN benefits had to be used as those were two separate questions. Performance evaluations were also a separate question. As to the proposed pension scheme, she recalled that the Committee had generally backed that scheme and that the discussion seemed to be going back on decisions that had been made.

55. The *representative of France* stated that the proposed pension system, which was based on the Third Pension Scheme (TPS) in place at the Council of Europe, seemed to be the most appropriate solution. He inquired if the health and life insurance coverage under the Italian social security system would continue to be valid under the proposed pension scheme. He then pointed out that the retirement age in place at UNIDROIT – which was generally set at 60 years – should be aligned to that of the new system, which called for a retirement age of 65 years. Lastly, he sought assurances from the Secretary-General a.i. that the new system would not be more costly than the current system and could enable savings, as had been stated during the Committee's previous session.

56. The *Chair* noted that one of the reasons for which the transition to the UN salary scales had been proposed was to create a more competitive package to attract future applicants. He then inquired whether adopting those scales, without all of the benefits provided under the UN system, might actually make that package less competitive and less attractive.

57. The *Secretary-General a.i.*, with respect to salaries, noted that the Finance Committee had reached consensus at its previous session on a positive recommendation to the General Assembly for the proposed transition to the UN salary scales. She suggested that, given that recommendation and the comments and questions that had been received, responses could be provided to those comments and questions in the documentation for the General Assembly's next session, which would consider the recommendation. She then offered some initial responses on those comments and questions. First, performance evaluations were a different issue, and the Secretariat already had a performance evaluation system in place, under which she was entrusted with reviewing staff. Second, regarding the rationale for the transition to the UN salary scales, various reasons were presented in the documentation, but the most important ones were to improve the transparency and fairness of UNIDROIT's compensation system. She then asked if the Chair would invite Mr Bergman to provide any responses that he might have to the questions and comments.

58. *Mr Bergman* replied to those questions and comments, subject to the opportunity to provide fuller responses to them – should the Finance Committee make a positive recommendation to the General Assembly – in the documentation to be provided for the General Assembly's next session. First, with respect to the budget impact of the transition to the UN salary scales, those impacts were addressed in explanatory notes 2 and 4 regarding salary and social security expenditures respectively under the draft Budget for 2018 at pages 6-7 of document F.C. (83) 6 and, in both instances, what had been forecast by the outside consultant on compensation was a minor increase which would not affect the overall budget, as adjustments could be made within chapters to account for it. Second, for financial savings resulting from the reduction in administrative burden, the consultant had expressed concerns – as quoted in paragraph 10 of document F.C. (81) 5 – regarding the rather complex and unclear approach that UNIDROIT had with respect to salary scales and the disparate systems that were in place. What resulted from that approach and its disparities was that it could not be administered only by UNIDROIT's Treasurer, as the Treasurer often had to raise issues with the Secretary-General and a Legal Officer and thus had to take up their time, which optimally would be spent on Work Programme activities. As a result, the financial savings would result from having a system which was transparent and clear and could be administered entirely by UNIDROIT's Treasurer. Third, regarding the possibility raised in the comments of the United States of America of only applying the UN salary scale to new staff, this possibility would not resolve the issue of the disparate systems in place for various staff and could increase the burden of administering them. Fourth, with respect to performance evaluations and job descriptions, the former had just been addressed by the Secretary-General a.i. and the latter had been addressed at previous sessions by the former Secretary-General, Mr Estrella Faria, who had seen the preparation of job descriptions as a next step once a clear and transparent salary system was in place. Fifth, with respect to the possibility of full alignment to an existing system, such as the UN or OECD system, the Secretariat had sought the compensation consultant's proposal based on the recommendations of the informal working group and the Finance Committee, which made clear that any reform should be as budget neutral as possible. Both the UN and OECD systems, however, would be more costly because of all of the benefits that they provided and, in any event, they would not necessarily lessen the administrative burden because of, for example, the UN system's use of rental subsidies which would then have to be calculated and paid by the Treasurer. Sixth, regarding whether staff could later seek to obtain those additional UN benefits – such as rental subsidies or education grants – that were not provided for under the recommended transition to the UN salary scales, those benefits could not be granted on an *ad hoc* basis because UNIDROIT's Regulations would have to be changed in order to allow for them, and such changes would have to go through the Finance Committee and General Assembly.

59. The *representative of Switzerland* stated that UNIDROIT was doing a great job and that it was important to trust the Secretary-General a.i., the staff of the Secretariat and the various experts in this process. In encouraging support for the proposed reforms, she emphasised that the review had been going on for many years and that it was necessary to not micromanage the process but to move forward.

60. The *Chair* emphasised that, for Mexico, the core principle was that the reforms be budget-neutral and recalled that this principle had been embraced by the informal working group.

61. The *Secretary-General a.i.* suggested that, in light of the comments made, the Committee could confirm its decision to make a positive recommendation to the General Assembly regarding the transition to the UN salary scales and that the Secretariat could provide further responses to those comments in the documentation for the General Assembly's session.

62. *Seeing no further requests for the floor with respect to the transition to the UN salary scales, the Chair confirmed that the Finance Committee recommended that that transition be considered for adoption by the General Assembly at its next session.*

63. The *Chair* drew the Committee's attention to the pension scheme proposed by ISRP and invited the Secretary-General a.i. to take the floor in this regard.

64. The *Secretary-General a.i.* recalled that the proposed pension scheme had received general backing at the Committee's last session and acknowledged the comments and questions received in writing and during the session. From the perspective of the Secretariat, those comments could also be provided to the General Assembly – together with fuller responses in the documentation for the General Assembly's next session – perhaps prepared in conjunction with ISRP, who were best suited to provide answers to some of the questions. Those comments, however, should not prevent a positive recommendation to the General Assembly, so that this important aspect of the review could be considered by the General Assembly for adoption. She then asked the Chair to invite Mr Bergman to provide some initial responses to the comments and questions received.

65. *Mr Bergman* offered initial responses, subject to getting in contact with ISRP and to providing fuller replies in the documentation for the General Assembly's session should the proposed pension scheme receive the Finance Committee's positive recommendation. First, with respect to the comments regarding the discount rate, he recalled that the Secretariat had asked ISRP to include the lower discount rate of 2.55% based on comments received earlier in the review and that, although that lower rate was ultimately included together with a higher one of 3.55%, ISRP had actually favoured using a higher rate for various reasons, including historical rates, improving economic indicators, and the fact that the pension scheme would come into effect gradually so that, by the time more staff would be covered, the rates would have improved significantly. Second, with respect to estimated costs, he drew the Committee's attention to Table 1 on page 11 of Appendix 1 of document F.C. (81) 6 rev., which showed the estimated actuarial cost of the proposed pension scheme in percentage of future salaries. For a discount rate of 3.55%, that cost was 26.5% of salaries and, for a discount rate of 2.55%, that cost was 32.6% of salaries. The Italian social security system, by contrast, cost 37% of salaries, so there was still room using either discount rate to obtain health insurance from a private provider as that would not be provided by the Italian social security system for staff covered by the proposed pension scheme. As a result, the new pension scheme would not result in a substantial increase in costs and would not affect the overall budget. Third, regarding how the rates of return would be obtained, the funds were to be pooled with those of other organisations and invested in mutual funds. Reference was then made to the chart on page 19 of Appendix 1, which showed various funds. Fourth, with respect to the retirement age, that age – as provided by the UNIDROIT Regulations – would have to be aligned with the respective pension systems. Lastly, he stated that, provided there was a positive recommendation, the Secretariat could propose the necessary revisions to those Regulations – as it would do with respect to the transition to the UN salary scales – for the General Assembly's consideration, so that the compensation and social security package, if adopted, would be ready for implementation.

66. The *representative of Germany* thanked the Secretariat for the responses and asked that open questions be clarified with ISRP.

67. The *Chair* stated that the proposed pension scheme should be as budget neutral as possible and fair for UNIDROIT's staff.

68. The *Secretary-General a.i.* stated that the proposed pension scheme was a reasonable solution as it had bridged two main concerns, in particular offering better pension benefits and portability in comparison to what was in place while at the same time being as budget neutral as possible. She then stated that further replies could be provided in the documentation for the General Assembly's session and, in this regard, she asked that any additional questions or comments be submitted in writing so that they could be shared with ISRP.

69. *Seeing no further requests for the floor with respect to the proposed pension scheme, the Chair concluded that the Finance Committee recommended that that scheme be considered for adoption by the General Assembly at its next session.*

70. The *Chair* then drew the Committee's attention to the issue of health and life insurance, for which there were quotations provided by Allianz and Cigna in Appendixes 2 and 3 of document F.C. (81) 6 rev. He then invited the Secretary-General a.i. to take the floor in this regard.

71. The *Secretary-General a.i.* stated that the Committee could opt to pick one of the quotations and recommend it to the General Assembly. Or, if the Committee preferred, it could leave this matter for consideration at the General Assembly's session, for which the Secretariat could provide responses to any questions in the documentation for that session. She then asked the Chair to invite Mr Bergman to provide further background with respect to the health and life insurance quotations.

72. *Mr Bergman* recalled that the Committee had only briefly considered the health and life insurance quotations at its last session and that there seemed to have been support emerging for the Allianz's "Silver" quotation, which was consistent with the UN health insurance plan and was less expensive than the Cigna plan. Further to the suggestion of the Secretary-General a.i., he stated that he could follow up with Allianz or Cigna regarding the quotations and then provide that information for the General Assembly's session.

73. The *Chair* recalled that there was some support for Allianz's "Silver" quotation, but that only a few members had actually taken the floor to express such support. In opening the floor for comments, he stated that it would be best for the Committee to pick a particular plan and make a recommendation to the General Assembly.

74. The *representative of Canada* expressed support for recommending Allianz's "Silver" quotation as it was less expensive and stated that the Committee should come to a decision in this regard.

75. *Seeing no further requests for the floor with respect to the health and life insurance quotations, the Chair concluded that the Finance Committee recommended that the Allianz "Silver" quotation be considered for adoption by the General Assembly at its next session.*

Item No. 10 on the agenda: Financial situation of inactive member States (F.C. (83) 7)

76. The *Chair* stated that this item concerned Iraq's request to resume its participation in the Institute and to begin paying its contributions again, subject to the cancellation of its arrears. He then invited the Secretary-General a.i. to present the document that had been prepared by the Secretariat in this regard.

77. The *Secretary-General a.i.* recalled that, at the Finance Committee's last session, the former Secretary-General had just received that same morning a letter formalising Iraq's request to resume it full participation in the Institute. That letter requested the cancellation of all amounts due to the Institute up through the year 2017 and resumption, from 2018, of payment of contributions under Category VIII of UNIDROIT's current Classification Chart (12,650 €) until the demise of the financial crisis in Iraq. Further to the Committee's request, the Secretariat had prepared document F.C. (83) 7 – which contained the letter at Annex 2 – to provide background information on that letter and previous cancellations of arrears. The two most recent instances of cancellation were those of Bolivia and Paraguay. Broadly, the former one was not positive, as Bolivia had failed to make its annual contributions just two years after the cancellation. The latter one was very positive as Paraguay had continued to meet its financial commitments to the Institute and was actively participating in the Institute's work. As reflected in the document, the former Secretary-General had supported Iraq's

request, stating that it should be viewed sympathetically in light of the difficulties faced by Iraq, the prospect of increased contributions going forward, and the strategic interest for UNIDROIT in expanding its membership in Asia in general and in the Middle East in particular.

78. The *representative of the United States of America* stated that the United States generally did not support the concept of cancellation of arrears. In this particular instance, however, the justification that had been provided by the Secretariat would allow the United States to join consensus on this issue. She then inquired what was meant by the letter's reference to Iraq's contribution being kept in Category VIII of the Contributions Chart until the demise of the financial crisis suffered by Iraq and whether this reference meant that Iraq might pay arrears at a later time.

79. The *Chair* stated that he had a question about that particular phrase as well.

80. The *Secretary-General a.i.* stated that that phrase related to the question of where Iraq would be classified within the Contributions Chart.

81. The *Chair* confirmed in this regard that, based on Iraq's UN contribution rate, Iraq was properly classified in Category VIII of the Contributions Chart.

82. *Seeing no further requests for the floor, the Chair concluded that the Finance Committee recommended that Iraq's request be considered and approved by the General Assembly at its next session, with a view to Iraq resuming its participation in the Institute as of 2018.*

Item No. 11 on the agenda: Any other business

83. The *Chair* noted that two matters had already been identified for the item on any other business, in particular the composition of the Finance Committee and the possible dates for the Committee's next session.

84. The *Secretary-General a.i.* recalled that, with respect to the composition of the Finance Committee, the UNIDROIT Regulations did not set forth the composition and method of appointment of the Finance Committee. The practice of the General Assembly, however, had been to appoint a limited number of States so as not to burden the Committee's functions and to renew current members unless they did not wish to be renewed. Appointments were for a period of three years, so the next period would be for 2018-2020. Following the session, current members of the Finance Committee would be contacted to express whether or not they would wish to continue serving on the Committee, so that the composition could be confirmed by the General Assembly at its next session.

85. The *Chair* stated that no decision was needed during the session but that the Secretariat would be consulting with members soon.

86. The *Secretary-General a.i.* stated that, with respect to possible dates for the Committee's next session, the Secretariat would suggest Thursday, 8 March 2018 or Thursday, 15 March 2018. The particular date, however, would depend upon the availability of the Chair and the members.

87. The *Chair* noted that many of the representatives were also responsible for the UN agencies based in Rome, so it would be necessary to check those agencies' schedules before determining the particular date.

88. The *Secretary-General a.i.* stated that it was not necessary to pick a date during the session and thanked all of the Committee members for their participation.

89. The *Chair*, seeing no further request for the floor, thanked the Committee members and closed the meeting at 12:05 pm.

ANNEX 1

List of participants

Ms Konstanze GEIGER	(Austria)
Mr Vinicius Cardoso BARBOSA SILVA	(Brazil)
Ms Claudia HINZER	(Canada)
Mr LI Dongchao	(People's Republic of China)
Mr Pascal GAND	(France)
Mr Olaf REIF	(Germany)
Mr Riccardo CURSI	(Italy)
Mrs Yukiko CONSTANTINESCU	(Japan)
Mr Benito JIMENEZ	(Mexico)
Mr Vlad MUSTACIOSU	(Romania)
Mr Ibraghim KHABIBOV	(Russia)
Mr Rafael OSORIO	(Spain)
Ms Lorenza FÄSSLER	(Switzerland)
Ms Daleya UDDIN	(United States of America)

UNIDROIT Secretariat

Mrs Anna VENEZIANO	(Secretary General a.i.)
M. Neale BERGMAN	(Legal Officer)

ANNEX 2

Current methodology for the classification of member States in the UNIDROIT Contributions Chart

(as approved by the General Assembly at its 52nd session (Rome, 27 November 1998) and reaffirmed by the General Assembly at its 69th session (Rome, 1 December 2011))

Category	Units of contribution	Range of contribution to the UN budget
I	50	more than 3%
II	22	2% to 3%
III	18	1.00% to 2.00%
IV	13	0.960% to 0.999%
V	11	0.500% to 0.959%
VI	9	0.450% to 0.499%
VII	8	0.115% to 0.449%
VIII	5	0.005% to 0.114%
Special	1	0.0% to 0.004%

Proposed revised methodology for the classification of member States in the UNIDROIT Contributions Chart

(as requested by the Finance Committee at its 81st session (Rome, 6 April 2017) and considered at its 82nd session (Rome, 13 July 2017))

Category	Units of contribution	Range of contribution to the UN budget
I	50	more than 4%
II	36	2.5% to 3.99%
III	22	2% to 2.49%
IV	18	1.00% to 1.99%
V	13	0.960% to 0.999%
VI	11	0.500% to 0.959%
VII	9	0.450% to 0.499%
VIII	8	0.115% to 0.449%
IX	5	0.040% to 0.114%
X	4	0.005% to 0.039%
XI	1	0.0% to 0.004%