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**FINANCE COMMITTEE**  
**97<sup>th</sup> session**  
**Rome/remote, 24 April 2024**

UNIDROIT 2024  
F.C. (97) 5  
Original: English  
May 2024

## **REPORT**

(prepared by the UNIDROIT Secretariat)

1. The 97<sup>th</sup> session of the Finance Committee was held in person in Rome and via videoconference on 24 April 2024.

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

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

3. The *Secretary-General* welcomed the Members of the Committee, noting that this was the first time the Finance Committee had met in its new composition as determined by the General Assembly, which, at its 83<sup>rd</sup> session, had reappointed the previous Members of the Finance Committee with the exception of the Russian Federation.

### **Item No. 2 on the agenda: Adoption of the agenda ([F.C. \(97\) 1](#))**

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

5. *The agenda was adopted as proposed in document F.C. (97) 1 (see [Annexe II](#)).*

### **Item No. 3 on the agenda: First review of the Accounts of the financial year 2023 ([F.C. \(97\) 2](#))**

6. The *Chair* drew the Committee's attention to item no. 3 on the agenda and invited the Secretary-General to present it.

7. The *Secretary-General* referred to document F.C. (97) 2 concerning the Accounts for the financial year 2023. He indicated that the Accounts – which had already been reviewed by the Auditor – presented the solid financial status of the Institute, with a credit balance in 2023 of € 115,046.33. This, together with the existing buffer of € 276,074.08, led to a total buffer of € 391,120.41.

8. The main reasons for the credit balance were to be attributed to the fact that the Institute had managed to contain the expenditure in 2023 and that several Member States had paid their arrears, which had decreased significantly compared to previous years. The *Secretary-General* noted that an element of motivation to settle arrears applicable to all Member States in general concerned voting rights for the elections of the Governing Council which had taken place in December 2023. Further, the Secretary-General thanked the Government of Iran for having paid its long-standing

arrears and expressed gratitude to all other Member States that had paid their outstanding contributions in the course of 2023.

9. Expenditure had however been slightly higher than anticipated due to an increase in utility bills, number of staff and activities of the Institute, entailing higher expenditure for office equipment and labour costs. The Secretary-General welcomed any requests for further explanations or additional information on any part of the document under consideration.

10. The *Chair* thanked the Secretary-General for his explanations and opened the floor for comments. Speaking as *the representative of Japan*, he expressed his appreciation for the reduction in arrears.

11. The *representative of Brazil* thanked the Secretary-General for his presentation and welcomed the surplus in 2023. Expressing understanding for the reasons for the higher expenditure and appreciation for the Institute's efforts in optimising the allocation of resources, she indicated that the Government of Brazil had adopted measures to ensure the timely payment of its international obligations.

12. The *Secretary-General* expressed his gratitude to the Government of Brazil, noting the importance of its membership. He was pleased that ties with the legal community in Brazil had been further strengthened and referred to ongoing exchanges on the relevance of the Protocol to the Cape Town Convention on matters specific to Mining, Agricultural and Construction Equipment ("MAC Protocol") for Brazil.

13. *The Finance Committee took note of the information in the document regarding the first review of the Accounts for the 2023 financial year.*

**Item No. 4 on the agenda:                      Draft Budget for 2025 – First estimates ([F.C. \(97\) 3](#))**

14. The *Chair* drew the Committee's attention to document F.C. (97) 3 concerning the Draft Budget for 2025 and invited the Secretary-General to present it.

15. The *Secretary-General* explained that document F.C. (97) 3 contained the first estimates for the Institute's receipts and expenditure in 2025, for a preliminary opinion by the Finance Committee. The Draft Budget for 2025 would then be submitted to the Governing Council, which was the body responsible for drawing up the budget in accordance with the Institute's Statute. The Draft Budget would subsequently be sent to Member States for comments, to be considered again during the next meeting of the Finance Committee in the autumn of 2024. Afterwards, it would be submitted to the General Assembly for approval at its 84<sup>th</sup> session in December 2024.

16. The Secretary-General noted that, compared to the Budget for 2024, the Secretariat had decreased the anticipated expenditure with respect to Chapter 1, Article 4 (Committees of Experts) and Article 5 (Official journeys and promotion of activities) due to the estimated costs under other Chapters. While the Secretariat would have preferred to retain the same level of expenditure for these budget lines as in the Budget for 2024, it was expected that the slightly lower foreseen expenditure for Committees of Experts was feasible since some ongoing legislative projects were being finalised. The decrease in budget for official journeys however was unfortunate since travelling was crucial to facilitate the promotion and implementation of UNIDROIT's instruments across jurisdictions. While the travel expenses of UNIDROIT representatives were often covered by the inviting government or institution, this was not always the case. The Secretary-General anticipated that the Secretariat could be forced to resort to the Institute's buffer if additional funding for official travel or for projects if necessary, in which case the Finance Committee would be duly informed during its next meeting.

17. Furthermore, the Secretary-General indicated that the forecast increase in the expenditure under Chapter 2, Article 1 (Salaries of Categories D, P and GS staff and consultants) of approximately 2% was explained by the design of the salary system, as already explained in previous sessions of the Finance Committee.

18. The Secretary-General anticipated that the centenary of UNIDROIT in 2026 might lead to upward adjustments in the Draft Budget for 2025. Furthermore, he indicated that the Secretariat planned to contact Member States to ask for an additional, extraordinary contribution to facilitate the activities for the centenary. He explained that the Secretariat was designing a range of activities of substance, including an analysis of the success of UNIDROIT's instruments in different areas and possible future steps. Moreover, work was already being carried out to produce the UNIDROIT archive, with the financial and in-kind support of the Government of Italy, to which the Secretary-General expressed his gratitude, as well as for the funding it had provided to renovate and restore the building where the Seat of the Institute is located. He expressed the hope that other Member States would be willing to contribute to the anticipated activities and events for UNIDROIT's centenary.

19. The *Chair* thanked the Secretary-General for his comprehensive explanations and opened the floor for comments.

20. The *representative of Germany* wished to emphasise the Government of Germany's appreciation for the Secretariat's prudent budget management and the savings that had been made. She noted that the expenditure in 2025 was expected to be lower than in 2024 and expressed gratitude and support for these efforts.

21. The *representative of the United States* thanked the Secretary-General for his comprehensive report. She commended UNIDROIT on its transparency and responsible budgeting, and especially the fact that it continued to maintain a surplus for such number of years. She indicated that she had planned to ask for explanations about the envisaged decrease in expenditure for the budget lines Committees of Experts and Official journeys and promotion of activities, but the Secretary-General had already provided the answers. She was pleased to hear that planning for the celebration of UNIDROIT's 100<sup>th</sup> anniversary was already underway and looked forward to supporting it.

22. The *representative of Canada* joined the representatives of Germany and the United States in expressing appreciation to the Secretary-General and the Secretariat for the comprehensive and transparent documents. She thanked the Secretary-General for the explanations regarding the envisaged decrease of approximately € 40,000 in the Draft Budget for 2025 as compared to the Budget for 2024. She wondered whether it would not have been simpler to retain the same budget level, also considering what was expected in future years (e.g., the centenary). She recognised that several projects were expected to be finalised but noted that it might be challenging to predict the exact timing for such finalisation. She wondered whether keeping the budget at the same level as in 2024 might not assist the functioning of UNIDROIT.

23. The *Secretary-General* thanked the representative of Canada for her kind intervention. He explained that the anticipated lower expenditure in the Draft Budget was based on the expected lower receipts in 2025 compared to 2024. Though receipts might have increased with the settlement of long-standing arrears by some member states, it was considered unlikely to happen again in 2025, thus warranting a prudent approach in preparing the Draft Budget for 2025. Nevertheless, as part of the activities for the centenary, the Secretariat intended to draw up a plan to restructure the debt of Member States with long-standing arrears. This might have included, subject to the Finance Committee's future approval as an extraordinary measure, the write-down of debts, provided that countries resumed steady payment.

24. The *representative of Brazil* joined others who had thanked the Secretariat for its transparency. She commended the Secretary-General for the prudent approach followed in preparing the Draft Budget for 2025.

25. The *representative of Japan* expressed appreciation for UNIDROIT's continued efforts to contain its budget, and its transparency. He agreed with the Draft Budget for 2025 as had been presented. He asked the Secretary-General to share any further information regarding the plan to ask Member States for an additional contribution in advance.

26. The *Finance Committee* took note of the information in the document regarding the first estimates for the Draft Budget for 2025.

**Item No. 5 on the agenda: Update on the social security package applicable to UNIDROIT staff (F.C. (97) 4)**

27. The *Chair* drew the Committee's attention to document F.C. (97) 4 and invited Legal Officer Ms Thijssen to present that document.

28. *UNIDROIT Legal Officer Ms Thijssen* explained that document F.C. (97) 4 provided the Finance Committee with an update on: (i) the health insurance package offered to UNIDROIT staff, and (ii) the pension scheme. With regard to health insurance, she recalled that UNIDROIT used to have an insurance policy with AXA but had changed its insurance provider on 1 October 2023, when a new health insurance plan from Cigna had taken effect. She informed the Finance Committee that the staff members were satisfied with Cigna, which was deemed more user-friendly and effective. Therefore, it was proposed to (tacitly) renew the Cigna policies for another 12-month period.

29. With regard to the pension scheme, Ms Thijssen referred to the Committee for the Administration of Funds' bi-annual report on UNIDROIT's pension fund. She recalled that the Finance Committee in 2022 had agreed to transfer a substantial part of the pension fund assets to another bank, in order to obtain a higher interest rate. She was pleased to inform the Committee that this strategy had been successful; since mid-2023, UNIDROIT had benefited from higher returns through the investment of funds in short-term deposits, which currently provided an interest rate of around 4%. Furthermore, she noted that the assets in the pension fund had increased to almost € 950,000 by the end of February 2024. This meant that the indicative threshold for investment of the assets in the financial markets (€ 900,000) had been reached. The Secretariat was preparing for such longer-term investment in cooperation with the International Service for Remunerations and Pensions (ISRP). To this end, several steps were being envisaged: (i) drawing up a cashflow analysis; (ii) assessing expected returns; (iii) establishing a Strategic Asset Allocation (SAA) plan; (iv) selecting, and negotiating with, asset managers of identified mutual funds; and (v) engaging a custodian and a performance consultant. The structural costs for investing the pension fund assets in the financial markets would consist in custodian bank fees of around € 20,000 per year and costs for the performance consultant of around € 7,000 per year. The Secretariat and ISRP would consider whether these structural costs would weigh up to the benefits of investing the pension fund assets in the financial markets. The one-off costs would consist in expenses to draw up the cashflow analysis and the SAA plan, of around € 10,000 each. The Secretariat was in contact with the ISRP to prepare for the investment in the most cost-effective manner. She anticipated that the Secretariat would present a detailed investment plan to the Finance Committee during its next meeting.

30. The *Chair* thanked Ms Thijssen for the update and opened the floor for comments.

31. The *representative of the United States* thanked the Secretariat for the thorough explanations. She expressed appreciation for UNIDROIT's diligent work to improve the social security package, which had allowed it to benefit from higher interest rates. She took note of the recent updates and looked forward to more information regarding the proposal for investment of the pension

fund assets. She was very pleased to hear that the staff continued to be satisfied with Cigna as health insurance provider and that the policies would be renewed for another 12-month period.

32. The *representative of Indonesia* thanked the Secretariat for the update on the social security package. He emphasised that the number one priority was the satisfaction of the UNIDROIT staff with the new health insurance. He recalled that the Secretariat had in the past provided the Finance Committee with a detailed overview of options, with pros and cons for each of them, which had been very useful. He suggested that the same approach was followed going forward. He indicated that this would be appreciated also for the proposal to restructure long-term debts of some Member States.

33. The *Secretary-General* indicated that the Secretariat intended to contact Member States with long-standing arrears to see whether they would be willing to consider restructuring options. The Secretariat would consult with the Finance Committee, either in the autumn of 2024 or in the spring of 2025, before adopting any decisions in this regard.

34. *The Committee took note of the updates with regard to the social security package applicable to UNIDROIT staff.*

**Item No. 6 on the agenda: Possible investment of Working Capital Fund assets**

35. The *Chair* drew the Committee's attention to the next item on the agenda and invited the Secretary-General to introduce it.

36. The *Secretary-General* explained that UNIDROIT had attempted to maximise the value of the Working Capital Fund (WCF) by investing the assets in treasury bonds in the past. This practice had stopped in 2010, given that the sovereign debt crisis in Europe had made it less attractive to invest in government bonds. The WCF assets had been kept in a bank account ever since, and the Secretariat now considered the time ripe to reinvest the WCF assets to obtain a return. Therefore, it was proposed to invest up to € 200,000 (out of the almost € 400,000 in the WCF) in Italian treasury bonds with a maturity of 3 to 6 months, which were liquid and currently offered a return of around 3-4%. He hoped that the Finance Committee would agree to this proposal.

37. The *Chair* thanked the Secretary-General for his explanations and opened the floor for comments, in the absence of which *the Committee agreed with the proposal regarding the investment of Working Capital Fund assets.*

**ANNEXE I****LIST OF PARTICIPANTS**

Ms Fernanda Maria SANTOS	Brazil
Ms Manon DOSTIE ( <i>Remotely</i> )	Canada
Ms Stéphanie FELIX	France
Ms Eva DA SILVA	Germany
Ms Marei MÜLLER	
Mr Purna Cita NUGRAHA	Indonesia
Mr Fabio GIUDICE	Italy
Mr Moein FOROUGHJI ( <i>Remotely</i> )	Iran
Mr Masamichi YAMASHITA ( <i>Chair</i> )	Japan
Mr Carlos TERCERO CASTRO	Spain
Mr Simon TZOURBAKIS	Switzerland
Ms Dionandrea SHORTS	United States of America
Ms Natalie BOLL	
Mr Ian THOMPSON ( <i>Remotely</i> )	United Kingdom

**UNIDROIT Secretariat**

Mr Ignacio TIRADO	Secretary-General
Ms Anna VENEZIANO	Deputy Secretary-General
Ms Myrte THIJSSSEN	Legal Officer

**ANNEXE II**

**ANNOTATED AGENDA**

1. Opening of the session
2. Adoption of the agenda (F.C. (97) 1)
3. First review of the Accounts of the financial year 2023 (F.C. (97) 2)
4. Draft Budget for 2025 – First estimates (F.C. (97) 3)
5. Update on the social security package applicable to UNIDROIT staff (F.C. (97) 4)
6. Possible investment of Working Capital Fund assets
7. Any other business