

MARCH / MARS 2019

(E)



**DRAFT BUDGET AND EXPLANATORY NOTES  
FOR FINANCIAL YEAR 1 JULY 2019 – 30 JUNE 2020 (FY 65)**

*submitted on 20 March 2019*

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**PROJET DE BUDGET ET D'EXPOSÉ DES MOTIFS  
POUR L'EXERCICE FINANCIER DU PREMIER JUILLET 2019 AU 30 JUIN 2020 (EF 65)**

*présenté le 20 mars 2019*

*Document drawn up for the attention  
of the meeting of the Council of Diplomatic Representatives on 28 May 2019*

*Document établi en vue  
de la réunion du Conseil des Représentants diplomatiques du 28 mai 2019*

**Hague Conference on Private International Law – Conférence de La Haye de droit international privé**  
[secretariat@hcch.net](mailto:secretariat@hcch.net) | [www.hcch.net](http://www.hcch.net)

Regional Office for Asia and the Pacific (ROAP) - Bureau régional pour l'Asie et le Pacifique (BRAP)  
Regional Office for Latin America and the Caribbean (ROLAC) - Bureau régional pour l'Amérique latine et les Caraïbes (BRALC)

**HCCH  
DRAFT BUDGET**

		Budget Financial Year LXIV 1 July 2018-30 June 2019	Budget Financial Year LXV 1 July 2019-30 June 2020
<b>I EXPENSES</b>			
<b>A OPERATION OF THE PERMANENT BUREAU</b>			
Art 1	Personnel		
1a	Salaries and allowances	2.421.250,00	2.432.000,00
1b	Social benefits and insurances	150.000,00	165.000,00
1c	Home leave	15.000,00	11.500,00
1d	Fund relocation	10.000,00	-
1e	Fund staff rules (HR matters not covered in other Articles)	-	7.500,00
1f	ISRP administration	6.500,00	6.500,00
1g	External support (operational / legal)	<u>119.900,00</u>	<u>110.500,00</u>
		2.722.650,00	2.733.000,00
Art 2	Office space and operation		
2a	Rent	165.465,00	168.800,00
2b	Service	45.100,00	46.050,00
2c	Insurance	10.400,00	10.650,00
2d	Cleaning	35.800,00	36.550,00
2e	Office supplies	10.000,00	11.000,00
2f	Postage / telecommunication	10.860,00	11.500,00
2g	Fund maintenance / equipment	<u>17.000,00</u>	<u>-</u>
		294.625,00	284.550,00
Art 3	IT		
3a	Support / maintenance	46.000,00	46.000,00
3b	Software licenses / hardware	47.500,00	45.000,00
3c	Internet / website(s)	19.000,00	16.000,00
3d	Fund IT / equipment	<u>10.000,00</u>	<u>6.352,00</u>
		122.500,00	113.352,00
Art 4	Copying, printing, and publications		
4a	Lease / production supplies	76.860,00	78.500,00
4b	External design, lay-out	6.500,00	1.500,00
4c	Fund recueil	<u>3.600,00</u>	<u>-</u>
		86.960,00	80.000,00
Art 5	Library		
5a	Subscriptions	14.000,00	14.000,00
5b	Purchases	<u>6.500,00</u>	<u>6.500,00</u>
		20.500,00	20.500,00
Art 6	External translators	43.500,00	43.500,00
Art 7	PB missions	78.000,00	78.000,00
Art 8	Financial operation		
6a	Bank fees	3.600,00	3.600,00
6b	Audit fees	<u>45.500,00</u>	<u>45.500,00</u>
		49.100,00	49.100,00
Art 9	Representation (incl. for international meetings)	20.000,00	18.000,00
Art 10	Overhead reimbursements iSupport	(60.000,00)	(15.000,00)
Art 11	Unforeseen	3.500,00	3.500,00
	<b>SUBTOTAL</b>	<b>3.381.335,00</b>	<b>3.408.502,00</b>

<b>B MEETINGS</b>		<b>Budget Financial Year LXIV</b> <b>1 July 2018-30 June 2019</b>	<b>Budget Financial Year LXV</b> <b>1 July 2019-30 June 2020</b>
Art 12	Off-site meetings (Hague Academy)		
	<i>CGAP / CDR</i>		
12a	Rent (incl. interpretation equipment, booths, workspace for personnel, small meeting room)	27.200,00	27.200,00
12b	Interpretation (English and French)	18.000,00	17.000,00
12c	Additional personnel / moving	15.050,00	16.950,00
		60.250,00	61.150,00
	<i>Special Commissions and other meetings</i>		
12d	Rent (incl. interpretation equipment, booths, workspace for personnel, small meeting room)	10.000,00	14.400,00
12e	Interpretation (English and French)	3.350,00	11.000,00
12f	Additional personnel / moving	4.200,00	11.900,00
		17.550,00	37.300,00
	<i>subtotal</i>	77.800,00	98.450,00
Art 13	On-site meetings (PB) - additional personnel	12.650,00	7.500,00
Art 14	Other costs relating to HCCH meetings		
14a	Supplies, refreshments and facilitation costs	16.000,00	16.000,00
14b	Travel consultants and external experts	7.500,00	5.000,00
		23.500,00	21.000,00
	<b>SUBTOTAL</b>	<b>113.950,00</b>	<b>126.950,00</b>

<b>C PRESENT AND FUTURE PENSION LIABILITIES</b>		<b>Budget Financial Year LXIV</b> <b>1 July 2018-30 June 2019</b>	<b>Budget Financial Year LXV</b> <b>1 July 2019-30 June 2020</b>
	Paid by all Member States		
Art 15	Retirement or survivor's pensions	491.600,00	501.800,00
16	Pension Administration by the ISRP	15.000,00	15.000,00
	<b>SUBTOTAL</b>	<b>506.600,00</b>	<b>516.800,00</b>
	<b>TOTAL EXPENSES</b>	<b>4.001.885,00</b>	<b>4.052.252,00</b>

<b>II REVENUES</b>			
Art 17	Contribution of the Member States	4.108.480,00	4.164.446,00
Art 18	Use of reserves	60.000,00	37.200,00
Art 19	Contribution of a Member Organisation	35.000,00	37.000,00
Art 20	Income derived from sales of publications	10.000,00	11.000,00
	<b>TOTAL REVENUES</b>	<b>4.213.480,00</b>	<b>4.249.646,00</b>

**III VOLUNTARY CONTRIBUTIONS (V.C.)**

Art 21a	Voluntary Contributions from Members	<i>p.m.</i>	<i>p.m.</i>
Art 21b	Voluntary Contributions from non-Members	<i>p.m.</i>	<i>p.m.</i>
<b>TOTAL V.C.</b>		-	-

**TOTAL BUDGET****4.213.480,00****4.249.646,00****IV ACCRUED UNFUNDED PENSION LIABILITIES**

Art 22	Paid, in addition to their contribution to the Budget, by all States that were Member on or prior to 1 July 2010 and which have not yet paid off their full share in these liabilities	211.595,00	197.394,00
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**EXPLANATION OF CONTRIBUTIONS TO BE PAID BY THE MEMBER STATES**

The calculation for the contributions of the Member States is based on the number of units assigned to each Member State under the system of the Universal Postal Union (as amended at the 23rd meeting of the Council of Diplomatic Representatives on 1 November 1977).

The total contribution to be paid by the Member States amounts to € 4,164,446 (see Art. 17).

**Annex I** lists the total contributing share of each State that was a Member on or prior to 1 July 2010 and that has *not* yet paid off its full share in the accrued unfunded pension liabilities (Art. 22): € 2,420,863 to be divided by 347.5 units = € 6,966.51 per unit.

**Annex II** lists the total contributing share of each State that was a Member on or prior to 1 July 2010 and that *has* paid off its share in the accrued unfunded pension liabilities *or* that became a Member after 1 July 2010 (and thus does not have to pay for accrued unfunded pension liabilities at all): € 1,743,583 to be divided by 272.5 units = € 6,398.47 per unit.

The increase per unit is **1.65% or € 113.17 per unit** compared to the previous Financial Year 2018-2019 (FY LXIV).

**Total contributing share of each State  
that was a Member on or prior to 1 July 2010 and that has  
not yet paid off its full share in the accrued unfunded pension liabilities**

**Financial Year LXV (2019-2020)  
Under the system of the Universal Postal Union (1)**

<b>MEMBERS</b>	<b>units</b>	<b>accrued unfunded pension liabilities</b>	<b>contribution to the operational Budget</b>	<b>total contribution to be paid</b>
ALBANIA	1	568,04	6.398,47	6.966,51
ARGENTINA	3	1.704,12	19.195,41	20.899,53
AUSTRALIA	20	11.360,81	127.969,42	139.330,23
AUSTRIA	5	2.840,20	31.992,36	34.832,56
BELARUS	1	568,04	6.398,47	6.966,51
BOSNIA AND HERZEGOVINA	1	568,04	6.398,47	6.966,51
BRAZIL	20	11.360,81	127.969,42	139.330,23
BULGARIA	3	1.704,12	19.195,41	20.899,53
CHILE	3	1.704,12	19.195,41	20.899,53
CYPRUS	1	568,04	6.398,47	6.966,51
CZECH REPUBLIC	5	2.840,20	31.992,36	34.832,56
ECUADOR	1	568,04	6.398,47	6.966,51
EGYPT	5	2.840,20	31.992,36	34.832,56
ESTONIA	1	568,04	6.398,47	6.966,51
FRANCE	33	18.745,33	211.149,54	229.894,87
FYR OF MACEDONIA	1	568,04	6.398,47	6.966,51
GEORGIA	0,5	284,02	3.199,24	3.483,26
GREECE	3	1.704,12	19.195,41	20.899,53
HUNGARY	5	2.840,20	31.992,36	34.832,56
INDIA	20	11.360,81	127.969,42	139.330,23
ISRAEL	3	1.704,12	19.195,41	20.899,53
JAPAN	33	18.745,33	211.149,54	229.894,87
JORDAN	1	568,04	6.398,47	6.966,51
LATVIA	1	568,04	6.398,47	6.966,51
LUXEMBOURG	3	1.704,12	19.195,41	20.899,53
MALAYSIA	3	1.704,12	19.195,41	20.899,53
MONTENEGRO	1	568,04	6.398,47	6.966,51
MOROCCO	5	2.840,20	31.992,36	34.832,56
NEW ZEALAND	5	2.840,20	31.992,36	34.832,56
NORWAY	10	5.680,40	63.984,71	69.665,11
PERU	1	568,04	6.398,47	6.966,51
POLAND	5	2.840,20	31.992,36	34.832,56
REPUBLIC OF KOREA	15	8.520,60	95.977,07	104.497,67
RUSSIAN FEDERATION	15	8.520,60	95.977,07	104.497,67
SERBIA	1	568,04	6.398,47	6.966,51
SLOVENIA	1	568,04	6.398,47	6.966,51
SOUTH AFRICA	10	5.680,40	63.984,71	69.665,11
SPAIN	25	14.201,01	159.961,78	174.162,78
SURINAME	1	568,04	6.398,47	6.966,51
SWEDEN	15	8.520,60	95.977,07	104.497,67
SWITZERLAND	15	8.520,60	95.977,07	104.497,67
TURKEY	5	2.840,20	31.992,36	34.832,56
UKRAINE	5	2.840,20	31.992,36	34.832,56
UNITED STATES OF AMERICA	33	18.745,33	211.149,54	229.894,87
URUGUAY	3	1.704,12	19.195,41	20.899,53
		197.393,99	2.223.468,67	2.420.862,67
<i>rounding differences</i>		<i>0,01</i>	<i>0,33</i>	<i>0,33</i>
<b>Total taken into account for Financial Year LXV</b>	<b>347,5</b>	<b>197.394,00</b>	<b>2.223.469,00</b>	<b>2.420.863,00</b>

(1) As amended at the 23rd meeting of the Council of Diplomatic Representatives on 1 November 1977

**Total contributing share of each State  
that was a Member on or prior to 1 July 2010 and that *has*  
paid off its full share in the accrued unfunded pension liabilities or  
that became a Member after 1 July 2010**

**Financial Year LXV (2019-2020)  
Under the system of the Universal Postal Union (1)**

<b>MEMBERS</b>	<b>units</b>	<b>contribution to the operational Budget (= total contribution to be paid)</b>
ANDORRA	1	6.398,47
ARMENIA	1	6.398,47
AZERBAIJAN	1	6.398,47
BELGIUM	15	95.977,07
BURKINA FASO	0,5	3.199,24
CANADA	33	211.149,54
CHINA	25	159.961,78
COSTA RICA	1	6.398,47
CROATIA	1	6.398,47
DENMARK	10	63.984,71
FINLAND	10	63.984,71
GERMANY	33	211.149,54
ICELAND	1	6.398,47
IRELAND	5	31.992,36
ITALY	25	159.961,78
KAZAKHSTAN	1	6.398,47
LITHUANIA	1	6.398,47
MALTA	1	6.398,47
MAURITIUS	1	6.398,47
MEXICO	10	63.984,71
MOLDOVA	1	6.398,47
MONACO	1	6.398,47
NETHERLANDS	15	95.977,07
PANAMA	1	6.398,47
PARAGUAY	1	6.398,47
PHILIPPINES	1	6.398,47
PORTUGAL	5	31.992,36
ROMANIA	3	19.195,41
SAUDI ARABIA	20	127.969,42
SINGAPORE	1	6.398,47
SLOVAK REPUBLIC	3	19.195,41
SRI LANKA	3	19.195,41
TUNISIA	5	31.992,36
UNITED KINGDOM	33	211.149,54
VENEZUELA	1	6.398,47
VIET NAM	1	6.398,47
ZAMBIA	<u>1</u>	<u>6.398,47</u>
		1.743.583,35
<i>rounding differences</i>		<u>(0,35)</u>
<b>Total taken into account for Financial Year LXV</b>	<b>272,5</b>	<b>1.743.583,00</b>

(1) As amended at the 23rd meeting of the Council of Diplomatic Representatives on 1 November 1977

## Explanatory Notes

### Introduction

1. This revised draft Budget for Financial Year 2019-2020 (FY 65), dated 20 March 2019, is submitted by the Secretary General (SG) following the meetings of the Standing Committee held on 19 February and the Council on General Affairs and Policy (CGAP) of the HCCH held from 5 – 8 March 2019. It reflects, amongst other things, the costs for the work programme and priorities as determined by CGAP.
2. This draft Budget is based on transparent, accurate, realistic as well as strict assessments and estimates. The Permanent Bureau (PB) continues to apply a very tight spending policy and to strive for savings, including through the adjustment of its working methods where efficiency gains can be made (see para. 6). Compared to the draft Budget of 31 January 2019, additional opportunities for savings have been identified and included in this revised draft Budget (see para. 7).
3. With a view to further increasing the readability of the Budget and better reflect the content of its respective articles, the order of some articles and/or their designation have changed compared to the previous FY. A chart with an overview of changes is available at the end of these notes (p. 23). Compared to the draft Budget of January 2019, one further change in the designation of the budget lines has been made: in Article 3d the word “new” has been deleted as the IT Fund is not only used to buy equipment but also to cover maintenance and infrastructure costs beyond what can be absorbed the Budget.
4. The main elements (fundamentals) that significantly impact this draft Budget, and make for a challenging “starting point” for the budgetary planning, may be summarised as follows:
  - The operational surplus from FY 2017-2018 is lower than in preceding years, leading to lower reserves that can be used as additional revenue for the Budget for FY 2019-2020. As reflected in Article 18, the additional revenue resulting from the use of reserves for FY 2019-2020 is € 37,200 (compared to € 60,000 in the Budget for FY 2018-2019).<sup>1</sup> The SG will submit a proposal for the use of the surplus from FY 2017-2018 to the Council of Diplomatic Representatives (CDR). However, the proposed amount to be allocated to the Budget for FY 2019-2020 has already been included in this revised draft Budget so its impact is transparent, although it remains subject to a decision by the CDR.
  - The reimbursement for iSupport from the European Commission for costs incurred by the HCCH Budget during FY 2019-2020 (*i.e.*, salary costs of some staff members working on iSupport and overhead) will be lower than in the past FY. As reflected in Article 10, the reimbursement expected for FY 2019-2020 is € 15,000 (compared to € 60,000 in the Budget for FY 2018-2019).<sup>2</sup> For technical reasons this reimbursement is reflected as a “negative cost”.
  - As determined by the CGAP at its meeting in March 2019, the Budget for FY 2019-2020 includes plans for one Special Commission (SC) meeting, of a maximum duration of three days (plus two days for moving); this revised draft Budget includes increased costs resulting from CGAP’s request for modifications to the reporting format of SC meetings.

<sup>1</sup> Compared to € 28,200 in the draft Budget of January 2019; the change results from the proposal reflected in this revised draft Budget not to transfer any part of the surplus from FY 2017-2018 to the Pension Reserve Fund (PRF) of the HCCH (whereas the draft Budget of January 2019 envisaged a transfer of € 9,000 from the surplus to the PRF).

<sup>2</sup> This figure is presented following an update from the European Commission on expected reimbursements for Phase 2 of the project.

Costs for the envisaged SC meeting amount to approximately € 37,300. In comparison, the Budget for FY 2018-2019 only included costs for informal meetings in September 2018; this leads to additional meeting costs for the SC of approximately € 19,750 in the Budget for FY 2019-2020.

5. To compensate for the lower iSupport payment, the lower revenue resulting from the use of reserves, and the additional SC meeting costs specified in para. 4 above, the Budget for FY 2019-2020 needs to absorb approximately € 87,550 to begin with, *i.e.*, prior to adjustments in other budget lines for the next FY (compared to approximately € 95,500 in the draft Budget of January 2019).
6. In his continued efforts to apply a realistic and cost-efficient budget without jeopardising the effective operation of the HCCH and its PB, the SG has been able to identify various items in the Budget for FY 2019-2020 where cuts and economies are possible. These cuts and economies amount to € 87,298 in total (compared to € 50,950 in the draft Budget of January 2019; see below para. 7) and relate to the following articles of the draft Budget (explanations will be provided in the notes relating to the specific articles; see also para. 14 for a further cost-saving measure):
  - Article 1a, Salaries and allowances: € 10,000
  - Article 1c, Home leave: € 3,500
  - Article 1d, Fund relocation: € 10,000
  - Article 1e, Fund Staff Rules: € 7,500
  - Article 1g, External support (operational / legal): € 9,400
  - Article 2g, Fund maintenance / equipment: € 17,000
  - Article 3b, Software licenses / hardware: € 2,500
  - Article 3c, Internet / websites: € 3,000
  - Article 3d, Fund IT / equipment: € 3,648
  - Article 4b, External design, lay-out: € 5,000
  - Article 4c, Fund recueil: € 3,600
  - Article 7, PB missions: € 1,500
  - Article 9, Representation: € 2,000
  - Article 12b, Interpretation: € 1,000
  - Article 13, On-site meetings: € 5,150
  - Article 14b, Travel consultants and external experts: € 2,500
7. The cuts mentioned in para. 6 above include an additional € 36,348 of savings compared to the draft Budget of January 2019. Following the very informative discussions with Members in the margins of the CGAP meeting in March 2019, these cuts include, in particular, a careful review of the relevant targets of the reserve funds of the HCCH (see also the chart and additional explanations included at the end of this draft Budget, under the heading “Fund Overview and Projections”). The additional cuts made in this draft Budget are detailed below:
  - Article 1c, Home leave: € 1,000
  - Article 1d, Fund Relocation: € 5,000
  - Article 1e, Fund Staff Rules: € 7,500
  - Article 2g, Fund maintenance / equipment: € 12,500
  - Article 3d, Fund IT / equipment: € 3,648
  - Article 7, PB missions: € 1,500
  - Article 9, Representation: € 2,000
  - Article 13, On-site meetings: € 1,500
  - Article 14b, Travel consultants and external experts: € 2,500



8. A raise of € 2,000 in the contribution from a Member Organisation (Art. 19) and € 1,000 in expected income derived from the sale of publications (Art. 20) also helps to cover higher expenses.
9. Further to the generous announcement of the People's Republic of China that it will extend its voluntary contribution to fund the Regional Office for Asia and the Pacific (ROAP), and considering the ongoing discussions about a framework for Regional Offices, the financing of human resource costs for ROAP – based on the model applied to the Regional Office for Latin America and the Caribbean (ROLAC) to ensure equal treatment of both existing Regional Offices – is not included in this draft Budget. The question of whether to include human resource costs of ROAP in the Budget of the HCCH will need to be considered by the CGAP and the CDR in the future.
10. It is recalled that most costs for the Diplomatic Session on the Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters (June – July 2019) will be borne by the Government of The Netherlands (Art. 11(1) of the Statute). These costs are thus not included in the Budget for FY 2019-2020.
11. Considering the above (*i.e.*, the challenging “starting point”, cuts to various articles, changes from the draft Budget of January 2019, and the expected additional revenue), **the relevant overall increases in this Budget are:**
  - (i) for Part A and Part B (operational budget): € 40,167 or 1.15%;
  - (ii) for the total expenses of the Budget (operational budget plus Part C relating to present and future pension liabilities): € 50,367 or 1.26%;
  - (iii) for the total Budget: € 36,166 or 0.86%;
  - (iv) for the total contribution of the Member States: € 55,966 or 1.36%; and
  - (v) the increase of the Member States' contributions ***per unit*: € 113.17 or 1.65%**<sup>3</sup>.

## I. EXPENSES

### A. OPERATION OF THE PERMANENT BUREAU

#### Article 1 Personnel

##### *Article 1a, Salaries and allowances*

12. This article increases by a total amount of € 10,750. This includes the regular salary adjustments for staff progression and the Remuneration Adjustment Method (RAM) applied to salaries and allowances for Co-ordinated and Associated Organisations located in the Netherlands.<sup>4</sup> The salary projections for 2020 are calculated using the 2019 salary scales for the Netherlands (as determined by the International Service for Remunerations and Pensions (ISRP) and the Co-ordinating Committee on Remuneration), as well as an estimate RAM rate of 2%. This careful projection is necessary to avoid underfunding for salaries from January to June 2020.

<sup>3</sup> The increase per unit would have been € 497.36 (7.26%) if the challenging “starting point” was added to the Budget. In the ‘Informal (Draft Zero) Budget’ of December 2018, the increase of the Member States' contributions *per unit* was: € 287.93 or 4.20%. In the draft Budget of January 2019, the increase of the Member States' contributions per unit was: € 182.93 or 2.67%.

<sup>4</sup> The RAM includes, but is not limited to, an inflation component; the adjustment is determined by the ISRP and is approved by the Co-ordinating Committee on Remuneration as well as the governing bodies of the Co-ordinated and Associated Organisations. A Memo prepared by the ISRP relating to the calculation and application of the RAM is available on the Secure Portal of the HCCH website. The salary scales enter into force on 1 January of each calendar year, and the RAM can represent an increase or a decrease in a given year.

13. This budget line covers costs for 28 employees (26.70 FTEs).
14. The increase in this line also includes a raise of the working percentage of one staff member in the linguistic area from 80% to 90% to cope with the increasing workload and hopefully allow for faster production of bilingual documents. The increase of the working percentage would have ideally been to 100%, but in a cost-saving effort the SG proposes this adjustment over two years.
15. Additionally, general overtime costs have been cut by approximately € 5,000. The PB operates a very strict overtime policy to avoid these costs as much as possible.
16. The PB continues the process of implementing the recommendations made by the ISRP in its Staff Remuneration Audit of February 2015. FY 2019-2020 is the fifth and final year of the implementation.
17. The total personnel costs (incl. pension liabilities) amount to 81.12% of the total Budget.<sup>5</sup>

*Article 1b, Social benefits and insurances*

18. This article increases by € 15,000. It includes costs for a group insurance policy to cover the risks of death and disability, as well as temporary or long-term sick leave.<sup>6</sup>
19. This article also covers partial reimbursement to staff for certain expenses relating to health insurance in keeping with mandatory statutory policies of the Host State Agreement with the Netherlands.
20. The increase of this budget line is necessary to meet mandatory expenses at current market rates for medical and disability insurances.

*Article 1c, Home leave*

21. This article decreases by € 3,500 (compared to € 2,500 in the draft Budget of January 2019). It covers travel expenses in respect to home leave for eligible officials and their dependants (approx. 26 persons – compared to 30 persons in previous Budget). While home leave is accrued by eligible staff every two years, staff have a period of 18 months in which to use it. It is, therefore, necessary to budget for these obligations in anticipation that they can be claimed during FY 2019-2020.

*Article 1d, Reserve Fund relocation*

22. This article decreases by € 10,000 (compared to € 5,000 in the draft Budget of January 2019). Its purpose is to cover possible relocation costs during FY 2019-2020 for current and future officials of the PB, as well as removal costs and the relocation allowance. This Fund is at a sufficient level to cover possible relocation expenses over the next FY and, therefore, does not require a top-up through the Budget.

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<sup>5</sup> This percentage is based on the total of Arts. 1, 15, 16 and 22 (and not just on salary cost). According to information received from ISRP for comparison, active staff costs at the OECD amount to approximately 80%.

<sup>6</sup> The definitive premium is calculated at the end of each FY as a percentage of actual salary and health insurance costs over the year.

*Article 1e, Reserve Fund Staff Rules (HR matters not covered in other Articles)*

23. This article increases by € 7,500 (compared to € 15,000 in the draft Budget of January 2019). This is to partly cover the expected expenses over the next FY. Based on these estimated expenses to be covered from the Fund, the envisaged top-up will keep the balance of this Fund close to its target. It should be noted that this increase is fully covered by the additional reserves added in Article 18 (see paras. 4 and 80).
24. This Reserve Fund for the Staff Rules is used to cover costs in each FY relating to the application of certain governance and HR provisions associated with the Staff Rules, such as dispute resolution mechanisms (incl. the use of confidentiality counsellors, mediators, conciliators or arbitrators, a complaints procedure, a conciliation procedure, and an appeals procedure to the Administrative Tribunal of the Council of Europe), external legal fees, and the use of services of external HR experts (to the extent needed), etc. This Reserve Fund is also used to finance possible training of staff in matters of team development, management, and initiatives to improve the PB's overall operation. Finally, this Fund includes a sub-fund for the possible payment of an indemnity for loss of employment (see Art. 13 of the Staff Rules and the Budget for FY 2017-2018). This sub-fund consists of a ring-fenced amount of € 25,000 for this purpose. As this amount is too low to cover a possible payment of a loss of employment indemnity, the SG proposes to increase (in a first step) the ring-fenced amount to be held in this sub-fund to € 30,000. Any balance in this Fund remains as part of this Fund and is not part of an operational surplus.

*Article 1f, ISRP administration*

25. This article remains unchanged. It covers costs for annual publications by the ISRP and the Co-ordinating Committee on Remunerations on the adjustments of salaries, allowances and pensions for Co-ordinated Organisations, as well as the specific salary scales applicable to the relevant countries, including the Netherlands.

*Article 1g, External support (operational / legal)*

26. This article decreases by € 9,400. This decrease is possible as a result of the re-composition of the legal team at the PB; it is anticipated that this re-composition will reduce the need to rely on external legal support (formerly consultants; see para. 31).
27. The external operational (non-legal) support provided to the PB, by parties not hired as staff of the Organisation, is and remains essential. This work, which includes support for accounting, publications, the library and general services, is most cost-effectively conducted by external parties (rather than by hiring staff for this work).
28. The external support provided by a qualified accountant is invaluable for the effective operation of the financial office of the PB and essential to enable the SG to fulfil his increased responsibilities as defined in the 2016 Financial Regulations (costs for this support represent approx. 27% of the total article).
29. The person offering the external publications support assists the PB with the preparation of the HCCH Proceedings (*Actes et documents*). This person is currently working to complete outstanding Tomes before the next Diplomatic Session in June 2019 (costs for this support represent approx. 51% of the total article).
30. This article now also includes costs for library and general service support that were previously included under Article 1a. The PB suggest that these costs are better reflected in this article

going forward, rather than as a staff cost (as in the past). The costs and services themselves remain unchanged (costs for this support represent approx. 13% of the total article).

31. Costs for external legal support has decreased compared to the Budget for the previous FY. The PB has included € 10,000 in this article (cut by € 20,000 in FY 2018-2019) for possible legal support in the area of family agreements or the parentage/surrogacy project, depending on priorities (costs for such support represent approx. 9% of the total article).

## **Article 2 Office space and operation**

32. As per the past practice, the inflation rate applied to certain articles in the paragraphs below is 2%. This is the inflation rate used in the Net Present Value Analysis (NPV) presented to the Members as part of the relocation process to Churchillplein 6b in 2014.<sup>7</sup> The NPV includes a projection of the evolution of rent and services costs of the premises of the PB. Although the official inflation rate is currently below 2% in the Netherlands<sup>8</sup>, the PB applies a 2% rate for expense planning as estimated and recommended by the Netherlands Bank<sup>9</sup> and as projected in the NPV document. For consistency, some other lines in the Budget (Art. 4a) also use the 2% inflation rate. This allows for the projection of a gradual increase to avoid the risk of underfunding operational expenses and more drastic escalations in the future.

### *Article 2a, Rent*

33. This article increases by € 3,335 in keeping with the NPV presented to the Members for Churchillplein 6b in 2014. These figures are based on an estimated 2% inflation rate and the PB suggests maintaining the prudent approach. Any savings will contribute to a possible budgetary surplus.

### *Article 2b, Service*

34. This article increases by € 950 in keeping with the NPV presented to the Members for Churchillplein 6b in 2014. These figures are based on an estimated 2% inflation rate and the PB suggests maintaining the prudent approach. Any savings will contribute to a possible budgetary surplus.

### *Article 2c, Insurance*

35. This article increases by € 250 based on an estimated 2% inflation rate. This budget line includes fire, theft, goods and equipment, liability and travel insurance for the Organisation.

### *Article 2d, Cleaning*

36. This article increases by € 750 based on an estimated 2% inflation rate. It covers cleaning costs for the office.

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<sup>7</sup> Available at < [http://www.hcch.net/upload/hidden/2014/dipl/20140124npv\\_en.pdf](http://www.hcch.net/upload/hidden/2014/dipl/20140124npv_en.pdf) >.

<sup>8</sup> See < <http://www.inflation.eu/inflation-rates/the-netherlands/historic-inflation/cpi-inflation-the-netherlands-2018.aspx> >.

<sup>9</sup> See < <https://www.dnb.nl/en/interest-rates-and-inflation/#> >.

*Article 2e, Office supplies*

37. This article (which includes costs for office supplies, stationary, etc.) was previously combined with postage and telecommunication costs (formerly Art. 3a in previous FYs and now separated in Art. 2e and Art. 2f). The article increases by € 1,000 to reflect actual costs.

*Article 2f, Postage / telecommunication*

38. This article was previously combined with costs for office supplies (Art. 3a in former Budgets and now Art. 2e and Art. 2f). The article increases by € 640 to reflect actual costs.

*Article 2g, Reserve Fund maintenance / equipment*

39. This article decreases by € 17,000 (compared to € 4,500 in the draft Budget of January 2019). It covers maintenance costs for the office space and general office equipment (e.g., the annual carpet cleaning, treatment of the wooden floor in the kitchen, servicing of the air-conditioning in the conference room and the server room, repairs etc.). This Fund is at a sufficient level to cover possible maintenance / equipment expenses over the next FY and, therefore, does not require a top-up through the Budget.

**Article 3 IT**

40. The PB continues to improve its IT infrastructure for robustness, security and efficiency. Over the past two FYs, this has included a move to “the Cloud” and modernising of various IT tools. The PB expects to develop these practices and systems further, and expects some efficiencies as a result of these changes.

*Article 3a, Support / maintenance*

41. This article remains unchanged. It covers the PB’s external IT support and maintenance costs.

*Article 3b, Software licenses / hardware*

42. This article decreases by € 2,500 as a result of the modernisation of the IT environment. This budget line includes costs relating to computer equipment and licenses incurred through the year.

*Article 3c, Internet / website(s)*

43. This article decreases by € 3,000 as a result of the modernisation of the IT environment. It includes costs for Internet and HCCH website(s).

*Article 3d, Reserve Fund IT / equipment*

44. This article decreases by € 3,648 (compared to remaining unchanged in the draft Budget of January 2019). This Fund is used as a reserve for IT costs and equipment that cannot be absorbed by Article 3 (for example to replace servers in the past). Any balance in this budget line will be added to this Fund for use in the future.

## **Article 4 Copying, printing, and publications**

### *Article 4a, Lease / production supplies*

45. This article increases by € 1,640 based on an estimated 2% inflation rate, as stated in para. 32 above. It covers all costs to lease copiers and printers for the PB for the year, as well costs for special publications related supplies for these machines.

### *Article 4b, External design, lay-out*

46. This article decreases by € 5,000. In an effort to reduce costs, the PB is now handling most of this work internally. This line now mainly includes costs for photo credits for publications.

### *Article 4c, Reserve Fund Recueil*

47. This article decreases by € 3,600. This Fund is a reserve for the publication of the next edition of the collection of HCCH Conventions foreseen in late 2019 / early 2020. This Fund is now at a sufficient level for this publication and thus does not need to be topped-up through this Budget. Any remaining balance after the publication of the new edition of the Recueil in this Fund will be kept for use in the future.

## **Article 5 Library**

### *Article 5a, Subscriptions*

48. This article remains unchanged. It covers subscription costs for the HCCH library. This budget line has been cut by € 7,000 over the last five years; further cuts are not possible if the PB is to continue to conduct basic research in relation to the HCCH's work programme.

### *Article 5b, Purchases*

49. This article remains unchanged. The article funds necessary purchases to maintain an up-to-date HCCH library for research and work.

## **Article 6 External translators**

### *Article 6, External translators*

50. This article remains unchanged. This line covers costs for external translators. The PB assures translations using an internal Translator / Reviser and several external translators. Generally, the internal Translator / Reviser is responsible for the day-to-day translation work, including Preliminary Documents for the GAP, the CDR, and SC meetings, circulars, presentations, fact-sheets, promotional materials and speeches. External translators are used for Handbooks, Guides to Good Practice, and longer and / or very technical documents that would block the internal Translator / Reviser for multiple weeks or months. This combination allows the PB to manage both short-term and long-term translation work and deliver, to the greatest extent possible, both the English and French version of documents and communications simultaneously.

## **Article 7 PB missions**

### *Article 7, PB missions*

51. This article remains unchanged (compared to a modest increase of € 1,500 that had been included in the draft Budget of January 2019 to enable the PB to conduct an appropriate number of relevant

missions). It is used to pay for travel expenses for approximately 15 members of the PB who may travel for missions (i.e. on average € 5,000 per member of the PB per year). The SG continues to apply a strict travel policy and this budget line has remained unchanged for the last three FYs; for each mission, prior approval by the SG is required. Organisers of seminars, workshops, or any other meeting to which the PB is invited are regularly asked to contribute to the mission costs (travel, hotel, or both) of PB representative(s), if possible. Such contributions are received on various occasions, though they sometimes only cover partial costs. This line will cover expected promotional activities that will be required for the Judgements Convention. Additionally, one of the missions the SG plans during the next FY will be to attend the International Law Week in New York in October (as part of the UN meetings where the HCCH has observer status). Due to the expected cost of this mission, other missions of the SG may have to be shortened or postponed.

## **Article 8      Financial operation**

### *Article 8a, Bank fees*

52. This article remains unchanged. It covers costs for operating PB bank accounts and PB transaction costs.

### *Article 8b, Audit fees*

53. This article remains unchanged. It includes the annual costs to audit the Organisation accounts and Pensions by PricewaterhouseCoopers (PwC). It also includes annual costs for preparatory actuarial pension work for the audit by Confident BV. It should be noted that fees for the auditing of voluntary contributions by PwC are not included in this article and are covered directly by voluntary contributions.

## **Article 9      Representation (incl. for international meetings)**

### *Article 9, Representation (incl. for international meetings)*

54. This article decreases by € 2,000 (compared to remaining unchanged in the draft Budget of January 2019). It is used to cover the costs of the annual SG reception (which, for reasons of cost savings, is held as the welcome reception offered during the meeting of CGAP) and other functions offered by the SG or the PB during HCCH meetings (for most of these other functions, the Budget does not cover all costs). It also covers one office function for the staff, work-related lunch or dinner invitations, working lunches, small gifts for experts who chair meetings, flowers, etc. It also includes a small cost for organising a promotional day for the work of the HCCH as part of The Hague International Open Day, during which many Hague-based international organisations are represented. These representational activities are an important element of international diplomacy and outreach.

## **Article 10      Overhead reimbursement iSupport**

### *Article 10, Overhead reimbursement iSupport*

55. This article reflects a negative expense (a payment to the HCCH) of € 15,000 expected from the iSupport 2.0 project to compensate the HCCH for overhead expenses incurred by the PB for the use of office space and equipment for this project as well as for salary costs (on a pro-rata basis) for two staff members occasionally contributing to the project (see also para. 4).

56. It should be noted that while the payment reflected in this article was included in the grant proposal for iSupport 2.0 with the European Commission, the exact amount will only be known

and received following the final delivery and approval of the project by the European Commission.<sup>10</sup> € 34,862 has already been paid to the HCCH in FY 2018-2019 (of the € 60,000 foreseen in the Budget). However, it is most likely that the final amount reimbursed will exceed the initial and prudent estimate. It can, in fact, be reasonably expected that € 15,000 can be held as reserve to accrue to the HCCH in FY 2019-2020.<sup>11</sup>

## **Article 11 Unforeseen**

### *Article 11, Unforeseen*

57. This article remains unchanged. It is used to cover any unforeseen expenses during the FY.

## **B. MEETINGS**

58. This Budget reflects the costs of meeting to be held during FY 2019-2020 in accordance with the work programme determined by the CGAP at its March 2019 meeting. This includes costs for the meetings of the CGAP (now a 3.5-day meeting), the CDR, two meetings of the Standing Committee of the CDR, and a three-day SC meeting (without a weekend in between); all these meetings will be held off-site (see Art. 12 for details). Costs for approximately 33 additional meeting days at the PB have also been included, of which 15 meeting days relate to legislative work and may generate additional costs (see Art. 13 for details). It is recalled that meeting costs of the Diplomatic Session on the Judgments Project (June - July 2019) will be borne by the Government of the Netherlands as per Article 11 of the Statute of the Organisation. These costs are thus not included in the Budget.

## **Article 12 Off-site meetings (Hague Academy)**

### *Article 12a, Rent (incl. interpretation and other equipment, booths, workspaces for staff, and small meeting rooms)*

59. This article remains unchanged. This budget line covers the rent of the Hague Academy building (large conference room, the interpretation and other equipment, booths, workspaces for staff, and two meeting rooms) for the meetings of both the CGAP and the CDR. The total rental costs are: € 3,000 per day for the large conference room, interpretation and other equipment, booths, and workspaces for staff; € 450 per half day for the Historic Reading Room; € 350 per half day for the Seminar Room. All prices remain very competitive for The Hague.

60. Rental costs for the CGAP meeting are based on five days; after consultations with the Chair of the CGAP, the Budget now makes projections for a 3.5-day meeting of the CGAP (1.5 days are required for the installation of the Secretariat in the Academy Building and its transfer back to the PB, respectively). The CDR meeting is covered by one day of rent. Rent for two days of Standing Committee meetings at the Hague Academy building are included as the number of participants is likely going to accede the capacity of the conference room at the PB.

<sup>10</sup> Rules applicable to this kind of EU action grant provide for a flat rate of 7% of costs for indirect costs, in order to cover the overhead costs incurred by project participants. The exact final value is therefore dependent on acceptance of costs by the European Commission and on the amount of costs actually incurred. Indirect costs are distinguished from compensation to the HCCH for the services to iSupport of members of staff whose salaries are paid out of the Budget.

<sup>11</sup> The conclusion of iSupport PM in FY 2020-2021 will most probably follow the same pattern of finalisation in December 2020 (*i.e.*, after the FY for which this draft Budget is established). The transfer of the amount corresponding to human resources and indirect costs incurred by HCCH would, therefore, take place during FY 2020-2021, not during FY 2019-2020; furthermore, for this project the reimbursement will most likely be smaller than for iSupport 2.0 (the maximum amount foreseen for indirect costs totals € 31,828.79). No application for a further EU Grant is pending. For more information concerning voluntary contributions to fund the iSupport project, see para. 89.



61. The actual costs for the large conference room, interpretation and other equipment, booths, and workspaces for staff are thus for a total of eight days. The costs for additional meeting spaces are only projected for the meeting days of CGAP and use of the Seminar Room or the Historic Reading Room is assessed on a strict case-by-case basis and approved only when absolutely necessary. All attempts are made to avoid the rental of rooms and meeting spaces other than those listed.

*Article 12b, Interpretation (English and French)*

62. This article decreases by € 1,000 (compared to € 1,700 in the draft Budget of January 2019). This budget line covers interpretation costs for 3.5 meeting days of the CGAP and a meeting of the CDR. Compared to the previous draft Budget, one additional interpreter has been budgeted for the meeting of the CDR, although at a lower rate. If the duration of the CDR exceeds allocated interpretation timeframes, this will have an impact on available interpretation.

*Article 12c, Additional personnel and moving*

63. This article increases by € 1,900 (compared to € 100 in the draft Budget of January 2019). This budget line covers moving costs and costs for additional personnel hired for catering and other assistance, technical support staff as well as security personnel of the Peace Palace during both Council meetings. It also covers overtime expenses of some administrative staff members of the PB during Council meetings, as well as costs for Recording Secretaries during these meetings. Compared to the previous draft Budget, this line includes additional costs for transcribers during the meetings of CGAP in response to CGAP's request for a change in the format of reporting (minutes) on its meeting.

*Article 12d, Rent (incl. interpretation equipment, booths, workspaces for staff, and small meeting rooms)*

64. This article increases by € 4,400. As specified in para. 58 above, it includes the use of the large conference room (see costs in para. 59) for a three-day SC meeting (without a weekend in between). This results in a total of five rental days (including for moving).

*Article 12e, Interpretation (English and French)*

65. This article increases by € 7,650 and covers costs for three interpreters for a three-day SC meeting.

*Article 12f, Additional personnel and moving*

66. This article increases by € 7,700 (compared € 6,300 in the draft Budget of January 2019). This budget line covers moving costs and costs for additional personnel hired for catering and other assistance, technical support staff as well as security personnel of the Peace Palace for the possible three-day SC. It also covers overtime expenses of some administrative staff members of the PB during this meeting. Compared to the previous draft Budget, this line includes additional costs for transcribers during the meetings of the SC in response to CGAP's request for a change in the format of reporting on this meeting (minutes).

### **Article 13 On-site meetings (PB) – additional personnel**

#### *Article 13, On-site meetings (PB) - additional personnel*

67. This article decreases by € 5,150 (compared € 3,650 in the draft Budget of January 2019). These costs mainly cover overtime expenses of some administrative staff members of the PB during meetings of Working / Experts' Groups and Committees. This budget line is based on approximately 33 meeting days at the PB.
68. Of the 33 meeting days that are expected, the PB projects that 15 of these meetings relate to legislative work<sup>12</sup> and may generate overtime costs at approximately € 500 per day (cut from € 600 per day in the January 2019 version of the draft Budget).
69. The remaining 18 meeting days related to governance matters<sup>13</sup> are not expected to generate additional costs.

### **Article 14 Other costs relating to HCCH meetings**

#### *Article 14a, Supplies, refreshments and facilitation*

70. This article remains unchanged. This budget line is used to cover costs for the supplies and materials (incl. folders, badges, newspapers, hire of additional glassware, USB sticks, etc.) used and distributed at any of the HCCH meetings (incl. seminars). Additionally, during meetings and other events, refreshments are served during breaks, and sometimes light working lunches and small preparatory working dinners are covered through this budget line.

#### *Article 14b, Travel consultants and external experts*

71. This article decreases by € 2,500 (compared to remaining unchanged in the draft Budget of January 2019). It is used to offset some travel costs for those who contribute to the work of the PB, such as experts chairing Working / Experts' Group meetings, whose costs are not covered by their relevant authorities. This budget line is used both for off-site and on-site meetings. As in previous years, the PB does not use assessed contributions to cover any travel / hotel costs of participants who otherwise could not afford to attend HCCH meetings.

## **C. PRESENT AND FUTURE PENSION LIABILITIES**

### **Article 15 Retirement or survivor's pensions**

#### *Article 15, Retirement or survivor's pensions*

72. This article increases by € 10,200 to ensure the full collection of Member States' mandatory contributions to the pension schemes currently in force at the PB.
73. Pension costs relating to both the Co-ordinated Pension Scheme (CoPS) and the New Pension Scheme (NPS) are currently financed through the contributions of staff, the payments of the accrued unfunded liabilities, the return on the investments of the PRF, and Article 15 of the

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<sup>12</sup> Envisaged meetings: EG transfer of Funds – 2.5 days; EG on Tourist Protection - 4 days; WG Direct Grounds of Jurisdiction – 4.5 days; EG Parentage / Surrogacy - 4 days.

<sup>13</sup> Envisaged meetings: WG Rules of Procedure - possibly 8 days; WG on Regional Framework - possibly 3 days; WG appointment SGs - possibly 4 days (quarterly); Standing Committee and possible extra day for a CDR related meeting, if necessary.

Budget which represents the Organisation's (employer's) contributions to the pension schemes (Art. 15 covers present and future liabilities).

74. Currently the HCCH has seven pensioners (all under the CoPS). There are 15 active staff members who fall under the CoPS, and 14 staff members who fall under the NPS.
75. This article is determined in correlation with Article 1a. It represents 21.9% of salaries for those staff members who fall under the CoPS and 18.8% of salaries for those staff members who fall under the NPS (as per the rules that govern these pension schemes).
76. It is recalled that the Organisation is required to provide pension benefits to all eligible staff or former staff of the Organisation under the pension schemes currently in force, and that *all* Member States must cover the costs relating to present and future pension liabilities, independently of when they became a Member of the HCCH and whether or not they had or still have to pay their full share of the accrued unfunded liabilities.

#### **Article 16 Pension Administration by the ISRP**

*Article 16, Pension Administration by the ISRP*

77. This article remains unchanged. This budget line covers costs for the verification and administration of pensions for all officials and retirees of the Organisation by the ISRP.

## **II. REVENUES**

#### **Article 17 Contribution of the Member States**

*Article 17, Contribution of the Member States*

78. This article increases by € 55,966. It reflects the total contribution of all Member States to cover the operating budget of the HCCH (*i.e.*, costs relating to part A: The Operation of the PB, part B: International Meetings, and part C: Present and Future Pension Liabilities). The total contributions from Member States is 1.36% higher than the previous FY. The value of one budgetary unit and the full amounts to be paid by each Member State are briefly explained in Part II of the Budget (see below paras 92 *et seq.*), and then listed in Annex I and Annex II, respectively. This Budget is based on an increase *per unit* amounting to € 113.17 or 1.65%.

#### **Article 18 Use of reserves**

*Article 18, Use of reserves*

79. This article amounts to € 37,200 (compared to € 28,200 in the draft Budget of January 2019). The operational surplus from FY 2017-2018 is lower than in preceding years, leading to lower reserves that can be used for the Budget for FY 2019-2020. As detailed in para. 4 above, this amount is lower when compared to the € 60,000 used in the Budget for FY 2018-2019. Although this amount has been presented as revenue in this Budget, it should be noted that in accordance with applicable accounting principles, and following consultations with PwC, this will be processed as an allocation of a previous surplus using reserves in the financial statements of 2019-2020 (it does technically not qualify as revenue or income).
80. The SG will submit a proposal for the use of the surplus from FY 2017-2018 to the CDR. However, the suggested allocation has already been included in this draft Budget, so its impact is known and transparent, although it remains subject to a decision by the CDR. As explained in para. 23,

€ 7,500 of the € 37,200 is to cover all costs included in Article 1e. The remaining € 29,700 is used to offset other operation increases in the draft Budget.

### **Article 19 Contribution of a Member Organisation**

#### *Article 19, Contribution of a Member Organisation*

81. This article increases by € 2,000. It relates to the membership of the European Union (EU). According to Article 9(2) of the Statute of the HCCH, a Member Organisation is not required to contribute in addition to its Member States to the annual Budget of the HCCH but pays a sum to be determined by the HCCH, in consultation with the Member Organisation, to cover additional administrative expenses arising out of its membership.
82. The current agreement (as confirmed by the EU on 14 April 2016) to this effect ends in June 2019. The proposed increase to this article is an inflation adjustment (over three years) and remains subject to agreement and confirmation with the EU (ongoing matter).

### **Article 20 Income derived from sales of publications**

#### *Article 20, Income derived from sales of publications of the HCCH*

83. This article increases by € 1,000 (compared to remaining unchanged in the draft Budget of January 2019). The PB exceeded the total revenues budgeted under this article for the last few FYs (in particular the sales of the Practical Handbook on the Service Convention have generated higher than expected revenues). While the PB anticipates that the surge in sales following some major publications (incl. the Service Handbook) may reach its end and thus takes a cautious approach in projecting the income derived from the sale of publications, it appears still reasonable to envisage a slightly higher revenue than the one originally budgeted. The sales of these publications remain an important source of revenue for the HCCH.

### **III. VOLUNTARY CONTRIBUTIONS**

#### *Article 21, Voluntary contributions*

84. Article 21 was introduced following the entry into force of the 2016 Financial Regulations. Under Article 5(2)(iii) “any other income, including monetary voluntary contributions communicated to the PB in writing, donations and revenues of a regular nature” shall be included in the Budget. The inclusion of all voluntary contributions, including those of Members and non-Member States, in the financial statements of the HCCH is designed to present a more accurate and comprehensive picture of the total financial resources at the disposal of the Organisation.
85. The soliciting, accepting, managing, and expending of monetary and non-monetary contributions, whether pledged by, or received from, Members or non-Members, generates additional costs (overheads) which the PB otherwise would not face. Thus, a charge is levied on monetary voluntary contributions, including in FY 2019-2020, to off-set (some) of these overheads. Overheads include, but are not limited to, banking fees, accounting and auditing fees, additional licensing fees, costs for supplies and utilities, but also rent, repair and maintenance costs. They are ongoing business expenses, required to run a part of the PB’s operations. The charge is levied on the contributor. Because monetary voluntary contributions are, both in terms of amount as well as when they are received, quite uncertain, the PB has taken a prudent approach by not including the charge as part of the foreseen revenues for FY 2019-2020.

86. Article 21a reports on the monetary voluntary contributions made or being pledged by Members, an estimated total amount of € 48,903 as of 1 July 2019. This amount comprises both received and contractually pledged funds. The amount includes a pledge from Brazil for the Tourism Project and € 1,277 allocated to current projects in progress. In addition, the amount includes € 8,627 of general project funds, which will be reallocated in line with the HCCH's priorities. This approach has been taken following the recommendation of the final Audit of the Supplementary Budget 2014-2015. Monetary voluntary contributions have no impact on the calculation of the assessed contributions of Member States.
87. The Regional Offices' annual operation is based on the receipt of monetary voluntary contributions. The People's Republic of China has provided funds to cover operational costs of ROAP from its start in 2012. In relation to the Funding Agreement with the Government of the People's Republic of China of 2015 (HK\$ 9,900,000), ROAP has applied for the approval of the use of the remaining funds per 31 December 2018, to cover operational costs until mid-2020 (estimated amount for FY2019-2020 is HK\$ 2,160,000 / € 240,000). At the time of preparing this Budget, this has not yet been officially confirmed by China. The Government of Argentina similarly provides funds for the operation of the ROLAC in Buenos Aires on an annual basis. At the time of preparing this Budget, new funding for FY 2019-2020 has not yet been confirmed. Furthermore, no other monetary voluntary contributions have been pledged for the operation of the offices.
88. Article 21b reports on the monetary voluntary contributions made or being pledged by, non-Members, a total amount of € 17,256. This amount comprises both received and contractually pledged funds. The amount includes a contribution by Miles & Stockbridge (US\$ 5,000) for the contribution and improvement of the Child Abduction Database (INCADAT) and € 1,158 allocated to current projects in progress. In addition, the amount includes € 10,895 of general project funds, to be reallocated following the recommendation of the Audit of the final Supplementary Budget 2014-2015.
89. The iSupport project is funded through Voluntary Contributions from Members as well as non-Members. Following the end of the previous EU action grant (iSupport 2.0) on 31 August 2018, a new EU-funded project (iSupport PM) started on 1 September 2018. It is the result of an application submitted in September 2017 and will last until August 2020, covering 80% of the cost of iSupport's operation for the period. To this effect, € 275,344.13 of pre-financing were received from the European Commission in July 2018. In addition, € 19,517.57 (FY 2017-2018) and € 23,060.06 (FY 2018-2019) have already been received from Members towards the remaining 20% of costs to be covered. The remaining contributions that have been pledged by Members (€ 48,533.54) and non-Members (€ 10,000) can be received at any point during FYs 2018-2019 or 2019-2020, as well as during FY 2020-2021 until 31 August 2020.

#### IV. ACCRUED UNFUNDED PENSION LIABILITIES

##### *Article 22, Accrued unfunded pension liabilities*

90. This article decreases by € 14,201. Contrary to the present and future pension liabilities, which are to be paid by *all* Member States, the accrued unfunded pension liabilities are to be paid *only* by States that were Members on or prior to 1 July 2010 and which have *not* yet paid off their full share in these liabilities (see decision of the CDR of 6 July 2010); payments for accrued unfunded pension liabilities are of course to be made *in addition* to assessed contributions. The remaining *annual* amount of the accrued unfunded liabilities to be paid, € 197,394, will be divided among the Member States that continue to pay their share in these costs annually (347.5 units, *i.e.*, € 568.04 per unit).

91. Although reflected after Section II Revenues, the accrued unfunded pension liabilities are an additional *expense*. They are listed at the end of the Budget because they do not have to be paid by *all* Member States. The total of Article 22 (€ 197,394) added to the total expenses at the end of Section I Expenses (€ 4,052,252), equals the total Budget / total revenues at the end of Section II Revenues (€ 4,249,646).

#### **EXPLANATION OF CONTRIBUTIONS TO BE PAID BY THE MEMBER STATES: ANNEX I AND ANNEX II**

92. Part II of the Budget explains in general terms how the individual contributions of Member States are calculated. The actual results are then presented in two separate Annexes.
93. **Annex I:** lists the total contributing share of each State that was a Member on or prior to 1 July 2010 and that has *not* yet paid off its full share in the accrued unfunded pension liabilities. In other words, apart from their annual contribution to the operating budget (incl. the present and future pension liabilities), they *also* must pay their annual share in the accrued unfunded pension liabilities, which totals € 2,420,863 and is to be divided by 347.5 units = € 6,966.51 per unit.
94. **Annex II:** lists the total contributing share of each State that was a Member on or prior to 1 July 2010 and that *has* paid off its full share in the accrued unfunded pension liabilities, or that became a Member *after 1 July 2010* (and thus does *not* have to pay for accrued unfunded pension liabilities at all). These Members only contribute to the operating budget (incl. the present and future pension liabilities). The total, € 1,743,583, is to be divided by 272.5 units = € 6,398.47 per unit.
95. Each Member State thus is listed in one Annex only (either in Annex I or in Annex II); Member States are invited to refer to the Annex that applies to their respective situation.

**Changes in Budget Articles**

<b>Articles as presented in Budget FY 2019-2020</b>	<b>Article in Budget FY 2018-2019</b>
1 - Personnel	
1a - Salaries and allowances	no change
1b - Social benefits and insurances	no change
1c - Home leave	no change
1d - Fund relocation	formerly 1e
1e - Fund staff rules (HR matters not covered in other Articles)	formerly 1d
1f - ISRP administration	no change
1g - External support (operational / legal)	no change
2 - Office space and operation	
2a - Rent	no change
2b -Service	no change
2c - Insurance	no change
2d - Cleaning	no change
2e - Office supplies	now split, formerly all in 3a
2f - Postage / telecommunication	now split, formerly all in 3a
2g - Fund maintenance / equipment	formerly 2e
3 - IT	
3a - Support / maintenance	formerly 4a
3b - Software licenses / hardware	formerly 4b
3c - Internet / website(s)	formerly 4c
3d - Fund IT / equipment	formerly 4d
4 - Copying, printing, and publications	
4a - Lease / production supplies	formerly 5b
4b - External design, lay-out	formerly 5a
4c - Fund recueil	formerly 5c
5 - Library	
5a - Subscriptions	formerly 7a
5b - Purchases	formerly 7b

6 - External translators	formerly 8
7 - PB missions	formerly 6
8 - Financial operation	
8a - Bank fees	formerly 3b
8b - Audit fees	formerly 3c
No further changes between Articles 9 - 22	



### Fund Overview and Projections

The five Funds identified in the table below have been established for operational expenses that will be incurred in all these areas. Actual expenses in the fields covered by the respective Funds are very difficult to predict as they are subject to factual developments that may or may not occur. The fund structure, accompanied by targets (limits) for each of the Funds and the recognition that the Funds need to be replenished at the end of a FY, allows for more stable budgeting towards these expenses.

Established / continuous Funds	Relocation (see Art. 1d)	Staff Rules (see Art. 1e)	Office maintenance / equipment (see Art. 2g)	It equipment (see Art. 3d)	Recueil (see Art. 4c)
Balance at 30 June 2018	33.500,00	131.863,00	19.938,00	31.796,00	27.680,00
Appropriations from budget FY 17-18	10.000,00	-	17.000,00	10.000,00	3.600,00
Expenses covered FY 17-18	-	-15.690,00	-9.824,00	-28.148,00	-
<b>Balance at 30 June 2019 as audited by PWC</b>	<b>43.500,00</b>	<b>116.173,00</b>	<b>27.114,00</b>	<b>13.648,00</b>	<b>31.280,00</b>
<b>Minimum target for Funds proposed by SG</b>	<b>30.000,00</b>	<b>100.000,00</b>	<b>25.000,00</b>	<b>20.000,00</b>	<b>31.000,00</b>
<b>Proposed additions to Budget FY 19-20 to reach target</b>	<b>-</b>	<b>7.500,00</b>	<b>-</b>	<b>6.352,00</b>	<b>-</b>
<b>Balance after proposed additions from Budget FY 19-20</b>	<b>43.500,00</b>	<b>123.673,00</b>	<b>27.114,00</b>	<b>20.000,00</b>	<b>31.280,00</b>
<i>CDR approved appropriations to be added from budget FY 18-19</i>	<i>10.000,00</i>	<i>-</i>	<i>17.000,00</i>	<i>10.000,00</i>	<i>3.600,00</i>
<i>Estimated expenses to be covered FY 18-19</i>	<i>-11.536,00</i>	<i>-20.000,00</i>	<i>-5.000,00</i>	<i>-5.000,00</i>	<i>-</i>
<b>Expected balance at 30 June 2020</b>	<b>41.964,00</b>	<b>103.673,00</b>	<b>39.114,00</b>	<b>25.000,00</b>	<b>34.880,00</b>

It should be noted that when considering technical fund accounting, fund additions and withdrawals materialise one year after the actual expense are incurred and processed through the income statement. For example, an expense materialised in the course of FY 2017-2018 would only be covered by the relevant fund (withdrawn) in FY 2018-2019. Similarly, an earmarked replenishment for a fund through the Budget would only be credited to a fund in the FY following which it is budgeted.

#### The minimum targets for each of the Funds

##### *Fund Relocation*

This Fund should be sufficient to cover two to three relocations (and related expenses) per FY. This could relate to either staff arrivals or departures. Expenses may vary depending on previous location and well as entitlements (incl. family situations) of staff.

The minimum target for this Fund is set at € 30,000. This Fund is currently slightly over-funded because in the past projections were based on possible costs for more staff. However, following a review, the PB feels comfortable to project costs based on a lower number of possible relocations per year since it is unlikely that all staff who are entitled to this benefit would relocate in one FY. As a result, no payment to this Fund is proposed through the draft Budget for FY 2019-2020.

##### *Fund Staff Rules*

This Fund includes € 25,000 which is ring-fenced to be used for a loss of employment indemnity if materialised. As this amount is extremely low and would not enable the HCCH to fulfil its possible obligations under the Staff Rules, the SG proposes in a first step to increase the ring-fenced amount to € 30,000. On average, other expenses covered from this Fund amount to approximately € 20,000 annually as elaborated in the notes relating to Article 1e of the draft Budget. The difference of approximately € 50,000 is held to mitigate the risk of unknown and exceptionally high expenses in the event dispute procedures or indemnity payments (above the ring-fenced amount) are required.

Without this reserve of € 50,000 all exceptional expenses would have to be absorbed in the financial accounts of that year.

The minimum target for this Fund is set at € 100,000. An addition of € 7,500 is proposed for Article 1e of the draft Budget for FY 2019-2020 based on forecasted expenses for FY 2018-2019 and the absence of any fund appropriations in FY 2018-2019.

#### *Fund Office maintenance / equipment*

This Fund needs to cover expenses to maintain the office and office equipment in a functional state. It also serves to cover repairs to the equipment, furniture and the space.

The minimum target for this Fund is set at € 25,000. The build-up has been sufficient in previous FYs and, therefore, no addition is proposed through the draft Budget for FY 2019-2020 for this Fund.

#### *Fund IT / equipment*

This Fund covers maintenance of the IT environment to ensure security and compliance with adequate standards. This includes periodic updates and investments for key infrastructure and equipment, if and when required.

The minimum target for this Fund is set at € 20,000. An addition of € 6,352 is proposed for Article 3d of the draft Budget for FY 2019-2020 based on forecasted expenses for FY 2018-2019 and the Fund appropriations in FY 2018-2019.

#### *Fund Recueil*

This Fund covers the cost for the publication of the next edition of the *Collection of Conventions*.

The minimum target for this Fund is set at € 31,000. Based on estimated costs, the saving has been sufficient in previous FYs and, therefore, no addition is proposed through the draft Budget for FY 2019-2020 for this Fund. Any balance remaining after the publication of the new edition of the *Collection of Conventions* will remain in this Fund and be used as a reserve towards the following edition.