

<b>Title</b>	<b>Draft Budget 2 and Explanatory Notes for Financial Year 1 July 2021 – 30 June 2022 (FY 67)</b>
<b>Document</b>	<b>Prel. Doc. No 1 of March 2021, for Standing Committee Meeting of 1 April 2021</b>
<b>Author</b>	SG/PB
<b>Agenda Item</b>	Item 1
<b>Mandate(s)</b>	Art. 7(1) of the 2016 Regulations on Financial Matters and Budgetary Practices of the HCCH (Fin. Regs)
<b>Objective</b>	To present projected expenditures and revenues in the administration of the HCCH, as well as the operation of the PB and its activities (Art. 5(3) Fin. Regs)
<b>Action to be Taken</b>	For Decision <input type="checkbox"/> For Approval <input type="checkbox"/> For Discussion <input checked="" type="checkbox"/> For Action / Completion <input type="checkbox"/> For Information <input type="checkbox"/>
<b>Annexes</b>	Annex I: Fund Overview and Projections
<b>Related Documents</b>	<a href="#">Prel. Doc. No 1 of January 2021</a> - Draft Budget (1) and Explanatory Notes for Financial Year 1 July 2021 – 30 June 2022 (FY 67)

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# Draft Budget 2 and Explanatory Notes for Financial Year 1 July 2021 – 30 June 2022 (FY 67)

## I. Introduction

- 1 This revised draft Budget for Financial Year (FY) 2021-2022 (Draft Budget 2) is submitted in accordance with Article 7(1) of the 2016 Regulations on Financial Matters and Budgetary Practices of the HCCH (Fin. Regs), following the 2021 meeting of the Council on General Affairs and Policy (CGAP). It builds on Draft Budget 1 of January 2021<sup>1</sup> and reflects subsequent decisions taken by CGAP, in particular as to the holding of Special Commission (SC) meetings in FY 2021-2022 and their format, as well as to the work programme of the HCCH in general.
- 2 Draft Budget 2 is presented in three parts: the first part briefly recalls the general background against which the Budget for FY 2021-2022 is being prepared (II.); the second part contains the actual draft Budget for FY 2021-2022, allowing a comparison of expenditures and revenues with those of the previous FY (see Art. 5(4), first sentence, Fin. Regs), and providing an overview of Member States' assessed contributions (III.); in a third part, short comments on each budget article explain the reasons for any proposed increase or decrease in expenditures and / or revenues (see Art. 5(4), second sentence, Fin. Regs) (IV.). Finally, Annex I provides an overview of the five existing reserve funds.

## II. A challenging background

- 3 As explained in Draft Budget 1,<sup>2</sup> preparing a Budget for FY 2021-2022 has been challenging for two main reasons. First, the uncertainty generated by the COVID-19 pandemic and its impact on envisaged SC meetings, including the format in which these meetings should be held (A.); secondly, the effect of a Member State's request that its reclassification of the number of units it contributes to the Budget under the system of the Universal Postal Union (UPU) be reflected in the HCCH accordingly (Art. 9(2) Fin. Regs) (B.).
- 4 In addition, while some operational costs have increased, the Secretary General (SG) has, as always, sought to identify any further possibilities to make cuts and economies in any of the budget articles, without jeopardising the effective operation of the HCCH and its Permanent Bureau (PB) (C.). As announced by the SG at the 2021 CGAP meeting, this Draft Budget 2 includes some further cuts, in particular to reflect the effects of the ongoing pandemic on missions and representation costs during FY 2021-2022. The overall results (key indicators), including the new cost per budgetary unit, are provided at the end of this section (D.).
- 5 As regards the first challenge (envisaged SC meetings and their format), Draft Budget 1 presented various options, including their financial implications.<sup>3</sup> This detailed presentation enabled CGAP to take an informed decision on the SC meetings to be held in FY 2021-2022 and their format, and to make tentative plans for SC meetings and their format to be held in subsequent FYs.<sup>4</sup>

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<sup>1</sup> [Prel. Doc. No 1 of January 2021](#) - Draft Budget 1 and Explanatory Notes for Financial Year 1 July 2021 – 30 June 2022 (FY 67).

<sup>2</sup> Draft Budget 1, paras 2 *et seq.*

<sup>3</sup> Draft Budget 1, paras 9-15 and Annex 1, as well as the further Variants included in Revised Annex I, as submitted to CGAP 2021 in [Prel. Doc. No 17 bis of February 2021](#) and [Prel. Doc. No 17 ter of March 2021](#).

<sup>4</sup> CGAP 2021, C&D 14, 16, 23, 27, 28, 36, 37, and 51. See also Draft Budget 1, para. 5.

## A. SC meetings in FY 2021-2022

6 Following CGAP's decisions, two SC meetings will be held during FY 2021-2022: one on the practical operation of the *Apostille* Convention (1.), and one on the practical operation of the *Child Support* Convention and its Protocol (2.).

### 1. Apostille SC meeting and e-APP Forum

7 Following CGAP's decision, the PB is making arrangements for a SC meeting on the practical operation of the Apostille Convention in October 2021.<sup>5</sup> Considering the exceptional circumstances associated with the COVID-19 pandemic, this particular SC meeting will be held *online*. Also, it will be held in conjunction with the 12<sup>th</sup> edition of the International Forum on the e-APP (also online). These meetings are scheduled for the week of 4 October 2021, coinciding with the 60<sup>th</sup> anniversary of the Apostille Convention on 5 October 2021. Originally four meeting days were planned for both events. However, given the online nature of these meetings, and the resulting need to have shorter daily sessions so as to enable global participation across all time zones, an additional (fifth) meeting day is now included in the budgetary planning.

8 The total costs for this SC meeting and the e-APP Forum amount to € 56,000.

### 2. Child Support SC meeting

9 Following CGAP's decision, the first meeting of the SC on the practical operation of the Child Support Convention and its Protocol will be held between the CGAP 2022 meeting and the end of June 2022. It will be a 3-day meeting and held in-person, with the possibility of remote participation.<sup>6</sup> The latter "will be facilitated in a cost-effective manner"<sup>7</sup>.

10 The total costs for this SC meeting amount to € 36,200. It should be stressed, however, that the decision relating to the SC meeting on the Child Support Convention and its Protocol is based on the assumption that CDR will follow, at its May 2021 meeting, CGAP's recommendation to authorise the SG to carry over all funds allocated for this SC meeting in the Budget for the current FY to the Budget for FY 2021-2022 (as was the case for the first postponement of this SC meeting from the previous FY to the current FY).<sup>8</sup> These funds amount to € 37,300 and would be transferred to the Budget for FY 2021-2022 through Article 18b. As a result, the actual expenses of this meeting for this Budget would amount to (€ 1,100).

### 3. CGAP and CDR meetings 2022

11 Both the CGAP and CDR meetings for 2022 are budgeted to be held in-person, with the possibility of remote participation.<sup>9</sup> The costs for these meetings amount to € 72,600 and € 14,150, respectively.

## B. A Member State's reclassification under the UPU system

12 In December 2020, Brazil formally informed the PB through a Note Verbale that it had changed its contribution class in the UPU system from 20 to 10 units. In conformity with Article 9(2) of the Financial Regulations of the HCCH, Brazil requested that the number of units it contributes to the Budget of the HCCH be adjusted accordingly.

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<sup>5</sup> CGAP 2021, C&D 37.

<sup>6</sup> CGAP 2021, C&D 28.

<sup>7</sup> CGAP 2021, C&D 14 (third sentence). The expression "cost-effective manner" is meant to refer to what Draft Budget 1 identified as "basic hybrid" format; for a description of this format, see Draft Budget 1, para. 7 *in fine*.

<sup>8</sup> CGAP 2021, C&D 51.

<sup>9</sup> *Ibid.*

13 This Draft Budget 2 gives effect to Brazil's reclassification. In doing so, approximately € 65,000 that would have previously been part of Brazil's contribution to the HCCH Budgets needs to be redistributed among all HCCH Members. There is no express provision in the Financial Regulations that would address the effects of such a reclassification; however, as there are less units, the price per unit necessarily increases. This reclassification alone leads to an increase of the cost per budgetary unit of approximately 1.5%. This reclassification of course is beyond the PB's control.<sup>10</sup>

## C. Other factors

### 1. Increases

14 In addition to the factors mentioned above, this draft Budget reflects higher costs for a few operational expenses. These increases, which are explained in more details below under IV, relate to:

▪ Article 1a Salary and allowances:	+ € 116,000
▪ Article 1b Social benefits and insurances:	+ € 6,500
▪ Article 2e Office supplies:	+ € 1,000
▪ Article 3a Support / maintenance:	+ € 4,000
▪ Article 15 Retirement or survivors' pensions :	+ € 23,900

15 The total of these other increases amount to € 151,400.

16 It should be noted that these increases no longer include a modest increase of € 2,000 for representation costs that had been envisaged in Draft Budget 1 so as to anticipate in particular higher costs for the SG reception to be held in the margins of CGAP 2022. Such an increase is likely given the dramatic impact the pandemic has had on the hospitality industry.

### 2. Reserve Funds & Revolving Fund

17 No additions are made to any of the reserve funds for operational expenses through the respective articles of this draft Budget. While these funds may have to be used during FY 2020-2021, the desired targets can be met through reappropriations between funds (cross-funding). An overview of all the reserve funds for operational expenses is provided in Annex I. As explained in this Annex, the PB recommends reappropriating € 3,880 from the *Recueil* Fund to the IT / equipment Fund in order to meet the recommended targets for these Funds. Given the importance of a stable and performing IT environment for telework and videoconferencing, it seems appropriate to increase the target of the IT / equipment Fund through such cross-funding. The suggested increase through cross-funding, however, remains subject to CDR approval at its May 2021 meeting.

18 This draft Budget does not include any contribution to the Revolving Fund. The SG will propose to top-up the Revolving Fund by using approximately € 6,600 from the net operational surplus from FY 2019-2020 (also see para. 22). This will be included in the SG's formal proposal to CDR in this regard.

### 3. Cuts and economies

19 To compensate these increases as much as possible, in particular against the backdrop of the economic environment resulting from the COVID-19 pandemic, but also 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, together with the Head of Finance, has been able to identify various items in

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<sup>10</sup> As regards Brazil's share of *accrued unfunded pension liabilities*, see para. 106.

the Budget for FY 2021-2022 where cuts and economies are possible, either as a result of changed needs or to reflect new circumstances. These cuts and economies relate to 10 Articles:

▪ Article 1g External support (operational / legal):	(€ 25,000)
▪ Article 2c Insurance:	(€ 1,500)
▪ Article 3b Software licenses / hardware:	(€ 2,500)
▪ Article 3c Internet / website(s):	(€ 1,500)
▪ Article 5a Subscriptions:	(€ 1,000)
▪ Article 6 External translations:	(€ 5,000)
▪ Article 7 PB missions:	(€ 7,500)
▪ Article 13 On-site meetings (PB):	(€ 5,000)
▪ Article 14a Supplies and facilitation costs:	(€ 2,500)
▪ Article 14b Travel consultants and external experts:	(€ 2,000)

20 Following Draft Budget 1, an additional amount of € 7,000 has been cut in the above Articles. This brings the total of these cuts and economies to € 53,500 (compared to the Budget for FY 2020-2021).

#### 4. Use of Operational Surplus from FY 2019-2020

21 The SG foresees that – subject to CDR’s approval – a further amount of € 95,000 may be used from the net operational surplus from FY 2019-2020 as additional revenue (technically an allocation of reserves, as reflected in Art. 18a) to absorb some of the increases in this Budget. Inclusion of this amount would have a significant positive impact on the Budget. This approach would also allow for part of the surplus to be redistributed to Member States by significantly lowering Member States’ assessed contributions for FY 2021-2022, without undertaking the time and resource-intensive administrative burden of calculating, setting-up and executing reimbursements by way of more than 80 bank transfers of small amounts.

22 As mentioned (para. 18), it is further suggested that the balance of the surplus, amounting to approximately € 6,600, be used to maintain the Revolving Fund at 14.78% of the total assessed contributions to FY 2020-2021 (in conformity with Art. 12 Fin. Regs). The SG will submit a formal proposal to CDR on the allocation of the net operational surplus from FY 2019-2020 (see Art. 13(2) Fin. Regs) for decision at its May 2021 meeting.

23 As explained (para. 10), should any amount previously allocated to SC meetings to be held in June 2021 be transferred to the Budget for FY 2021-2022 as a result of a rescheduling of these meetings, the relevant amount(s) will be reflected in Article 18b as exceptional transfer(s). For the purposes of this Draft Budget 2, this amount is € 37,300.

#### 5. Reimbursement iSupport

24 The reimbursement for iSupport from the European Commission for costs incurred by the HCCH Budget during FY 2021-2021 (*i.e.*, salary costs of some staff members working on iSupport as well as overhead) is reflected in Article 10. The reimbursement expected for FY 2021-2022 amounts to € 10,000 (compared to € 20,000 in the Budget for FY 2020-2021). For technical reasons, this reimbursement is reflected as a “negative cost”.

#### 6. Additional units

25 First, this draft Budget includes an additional 0.5 unit as a result of Georgia’s reclassification in the UPU system (increasing from 0.5 to 1 full unit).<sup>11</sup> Secondly, this draft Budget includes five additional units as a result of Nicaragua becoming a Member of the HCCH on 21 October 2020, Namibia

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<sup>11</sup> As regards Georgia’s share of *accrued unfunded pension liabilities*, see para. 106.

becoming a Member on 19 January 2021 (each contributing one unit to the Budget under the UPU system), and Thailand becoming a Member of the HCCH on 3 March 2021 (contributing three units under the UPU system).

- 26 While the PB is in contact with other admitted States regarding the completion of their membership process, at the time of preparing Draft Budget 2 these processes do not seem to be advanced enough to warrant or indeed justify inclusion of their respective units in this draft Budget. Should some of these other processes be completed on time, however, the relevant unit(s) will be included in the final version of the Budget for FY 2021-2022.
- 27 Taking into account both Brazil's and Georgia's reclassifications (see above under B.), as well as Nicaragua's, Namibia's and Thailand's new membership, the total number of units in the HCCH Budget is **617.5**.

#### **D. Overall results**

- 28 As a result of all the above, compared to the Budget for FY 2020-2021, the key indicators of the Budget for FY 2021-2022 are:
- Operation of the PB and International Meetings: increase of € 77,950 or 2.20%;
  - Total expenses of the Budget (Operation of the PB, International Meetings plus Present and Future Pension Liabilities): increase of € 101,850 or 2.50%;
  - Total Budget: increase of € 101,850 or 2.38%;
  - Total assessed contribution of the Member States: increase of € 66,850 or 1.62%; and
  - Value of the Member States' assessed contributions per budgetary unit: increase of € 154.36. or **2.24%**.
- 29 Despite the challenging circumstances of the ongoing pandemic, these key indicators reflect the PB's ongoing efforts to make savings and to present a tight, realistic Budget based on the actual needs of the HCCH considering the work programme and priorities decided by CGAP.



### III. Draft Budget 2 for FY 2021-2022

		Budget Financial Year 1 July 2020-30 June 2021 (FY 66)	Budget Financial Year 1 July 2021-30 June 2022 (FY 67)
<b>EXPENSES</b>			
<b>OPERATION OF THE PERMANENT BUREAU</b>			
Art 1	Personnel		
1a	Salaries and allowances	2,399,500.00	2,515,500.00
1b	Social benefits and insurances	172,500.00	179,000.00
1c	Home leave	8,500.00	8,500.00
1d	Fund relocation	-	-
1e	Fund staff rules (HR matters not covered in othe	-	-
1f	ISRP administration	6,500.00	6,500.00
1g	External support (operational / legal)	108,000.00	83,000.00
		<u>2,695,000.00</u>	<u>2,792,500.00</u>
Art 2	Office space and operation		
2a	Rent	166,300.00	166,300.00
2b	Service	44,300.00	44,300.00
2c	Insurance	14,000.00	12,500.00
2d	Cleaning	34,000.00	34,000.00
2e	Office supplies	11,000.00	12,000.00
2f	Postage / telecommunication	11,000.00	11,000.00
2g	Fund maintenance / equipment	-	-
		<u>280,600.00</u>	<u>280,100.00</u>
Art 3	IT		
3a	Support / maintenance	40,000.00	44,000.00
3b	Software licenses / hardware	46,500.00	44,000.00
3c	Internet / website(s)	15,000.00	13,500.00
3d	Fund IT / equipment	-	-
		<u>101,500.00</u>	<u>101,500.00</u>
Art 4	Copying, printing, and publications		
4a	Lease / production supplies	73,500.00	73,500.00
4b	External design, lay-out	1,500.00	1,500.00
4c	Fund recueil	-	-
		<u>75,000.00</u>	<u>75,000.00</u>
Art 5	Library		
5a	Subscriptions	14,000.00	13,000.00
5b	Purchases	6,500.00	6,500.00
		<u>20,500.00</u>	<u>19,500.00</u>
Art 6	External translators	45,000.00	40,000.00
Art 7	PB missions	65,000.00	57,500.00
Art 8	Financial operation		
8a	Bank fees	4,600.00	4,600.00
8b	Audit fees	45,500.00	45,500.00
		<u>50,100.00</u>	<u>50,100.00</u>

Art 9	Representation (incl. for international meetings)	18,000.00	18,000.00
Art 10	Overhead reimbursements iSupport	(20,000.00)	(10,000.00)
Art 11	Unforeseen	3,500.00	3,500.00
	<b>SUBTOTAL</b>	<b>3,334,200.00</b>	<b>3,427,700.00</b>

		Budget Financial Year 1 July 2020-30 June 2021 (FY 66)	Budget Financial Year 1 July 2021-30 June 2022 (FY 67)
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**MEETINGS**

Art 12	Off-site meetings (Hague Academy)		
	<i>CGAP / CDR</i>		
12a	Rent (incl. interpretation equipment, booths, vc, workspace for personnel, small meeting room)	56,600.00	56,600.00
12b	Interpretation (English and French)	17,000.00	19,650.00
12c	Additional personnel / moving	10,500.00	10,500.00
		84,100.00	86,750.00
	<i>Special Commissions and other meetings</i>		
12d	Rent (incl. interpretation equipment, booths, vc, workspace for personnel, small meeting room)	60,600.00	44,400.00
12e	Interpretation (English and French)	23,300.00	30,050.00
12f	Additional personnel / moving	17,000.00	17,750.00
		100,900.00	92,200.00
	<i>subtotal</i>	185,000.00	178,950.00
Art 13	On-site meetings (PB) - incl. additional personnel	8,400.00	3,400.00
Art 14	Other costs relating to HCCH meetings		
14a	Supplies and facilitation costs	10,300.00	7,800.00
14b	Travel consultants and external experts	5,500.00	3,500.00
		15,800.00	11,300.00
	<b>SUBTOTAL</b>	<b>209,200.00</b>	<b>193,650.00</b>

		Budget Financial Year 1 July 2020-30 June 2021 (FY 66)	Budget Financial Year 1 July 2021-30 June 2022 (FY 67)
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**PRESENT AND FUTURE PENSION LIABILITIES**

	Paid by all Member States		
Art 15	Retirement or survivors' pensions	519,500.00	543,400.00
16	Pension administration by the ISRP	17,700.00	17,700.00
	<b>SUBTOTAL</b>	<b>537,200.00</b>	<b>561,100.00</b>

<b>TOTAL EXPENSES</b>	<b>4,080,600.00</b>	<b>4,182,450.00</b>
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		Budget Financial Year 1 July 2020-30 June 2021 (FY 66)	Budget Financial Year 1 July 2021-30 June 2022 (FY 67)
<b>REVENUES</b>			
Art 17	Contribution of the Member States	4,132,694.00	4,199,544.00
Art 18	Use of reserves		
18a	Allocation of reserves from FY 19-20	60,000.00	95,000.00
18b	Exceptional transfer of funds for SC meeting from FY 20-21	37,300.00	37,300.00
		<u>97,300.00</u>	<u>132,300.00</u>
Art 19	Contribution of a Member Organisation	37,000.00	37,000.00
Art 20	Income derived from sales of publications	11,000.00	11,000.00
	<b>TOTAL REVENUES</b>	<b>4,277,994.00</b>	<b>4,379,844.00</b>

**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** 4,277,994.00 4,379,844.00

**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	197,394.00	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 € 4,199,544 (see Art. 17).

**Overview 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): the contribution to the operating Budget (incl. the present and future pension liabilities), € 2,190,651, is divided by 338 units; the contribution to accrued unfunded liabilities, € 197,394, is divided by 347.5 units. The total in Overview I is € 2,388,045. The total per unit is € 7,049.26 per unit (with the exception of Brazil and Georgia).

**Overview 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): € 1,811,500 to be divided by 279.5 units = € 6,481.22 per unit.

The increase per unit is **2.24%** or **€ 154.36** per unit compared to the previous Financial Year 2020-2021 (FY 66).

**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 2021-2022 (FY 67)  
Under the system of the Universal Postal Union (1)**

MEMBERS	units	accrued unfunded pension liabilities	contribution to the operational Budget	total contribution to be paid
ALBANIA	1	568.04	6,481.22	7,049.26
ARGENTINA	3	1,704.12	19,443.65	21,147.77
AUSTRALIA	20	11,360.81	129,624.30	140,985.11
AUSTRIA	5	2,840.20	32,406.08	35,246.28
BELARUS	1	568.04	6,481.22	7,049.26
BOSNIA AND HERZEGOVINA	1	568.04	6,481.22	7,049.26
BRAZIL*	10	11,360.81	64,812.15	76,172.96
BULGARIA	3	1,704.12	19,443.65	21,147.77
CHILE	3	1,704.12	19,443.65	21,147.77
CYPRUS	1	568.04	6,481.22	7,049.26
CZECH REPUBLIC	5	2,840.20	32,406.08	35,246.28
ECUADOR	1	568.04	6,481.22	7,049.26
EGYPT	5	2,840.20	32,406.08	35,246.28
ESTONIA	1	568.04	6,481.22	7,049.26
FRANCE	33	18,745.33	213,880.10	232,625.42
FYR OF MACEDONIA	1	568.04	6,481.22	7,049.26
GEORGIA **	1	284.02	6,481.22	6,765.24
GREECE	3	1,704.12	19,443.65	21,147.77
HUNGARY	5	2,840.20	32,406.08	35,246.28
INDIA	20	11,360.81	129,624.30	140,985.11
ISRAEL	3	1,704.12	19,443.65	21,147.77
JAPAN	33	18,745.33	213,880.10	232,625.42
JORDAN	1	568.04	6,481.22	7,049.26
LATVIA	1	568.04	6,481.22	7,049.26
LUXEMBOURG	3	1,704.12	19,443.65	21,147.77
MALAYSIA	3	1,704.12	19,443.65	21,147.77
MONTENEGRO	1	568.04	6,481.22	7,049.26
MOROCCO	5	2,840.20	32,406.08	35,246.28
NEW ZEALAND	5	2,840.20	32,406.08	35,246.28
NORWAY	10	5,680.40	64,812.15	70,492.55
PERU	1	568.04	6,481.22	7,049.26
POLAND	5	2,840.20	32,406.08	35,246.28
REPUBLIC OF KOREA	15	8,520.60	97,218.23	105,738.83
RUSSIAN FEDERATION	15	8,520.60	97,218.23	105,738.83
SERBIA	1	568.04	6,481.22	7,049.26
SLOVENIA	1	568.04	6,481.22	7,049.26
SOUTH AFRICA	10	5,680.40	64,812.15	70,492.55
SPAIN	25	14,201.01	162,030.38	176,231.38
SURINAME	1	568.04	6,481.22	7,049.26
SWEDEN	15	8,520.60	97,218.23	105,738.83
SWITZERLAND	15	8,520.60	97,218.23	105,738.83
TURKEY	5	2,840.20	32,406.08	35,246.28
UKRAINE	5	2,840.20	32,406.08	35,246.28
UNITED STATES OF AMERICA	33	18,745.33	213,880.10	232,625.42
URUGUAY	3	1,704.12	19,443.65	21,147.77
		197,393.99	2,190,650.67	2,388,044.66
<i>rounding differences</i>		0.01	0.33	0.34
<b>Total taken into account for Financial Year FY 67</b>	<b>338.0</b>	<b>197,394.00</b>	<b>2,190,651.00</b>	<b>2,388,045.00</b>

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

\* Brazil's contribution to operational Budget is based on 10 units. Its share of the accrued unfunded liabilities is based on 20 units.

\*\* Georgia's contribution to operational Budget is based on 1 unit. Its share of the accrued unfunded liabilities is based on 0.5 units.

**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 2021-2022 (FY 67)  
Under the system of the Universal Postal Union (1)**

MEMBERS	units	contribution to the operational Budget (= total contribution to be paid)
ANDORRA	1	6,481.22
ARMENIA	1	6,481.22
AZERBAIJAN	1	6,481.22
BELGIUM	15	97,218.23
BURKINA FASO	0.5	3,240.61
CANADA	33	213,880.10
CHINA	25	162,030.38
COSTA RICA	1	6,481.22
CROATIA	1	6,481.22
DENMARK	10	64,812.15
DOMINICAN REPUBLIC	1	6,481.22
FINLAND	10	64,812.15
GERMANY	33	213,880.10
ICELAND	1	6,481.22
IRELAND	5	32,406.08
ITALY	25	162,030.38
KAZAKHSTAN	1	6,481.22
LITHUANIA	1	6,481.22
MALTA	1	6,481.22
MAURITIUS	1	6,481.22
MEXICO	10	64,812.15
MOLDOVA	1	6,481.22
MONACO	1	6,481.22
NAMIBIA	1	6,481.22
NETHERLANDS	15	97,218.23
NICARAGUA	1	6,481.22
PANAMA	1	6,481.22
PARAGUAY	1	6,481.22
PHILIPPINES	1	6,481.22
PORTUGAL	5	32,406.08
ROMANIA	3	19,443.65
SAUDI ARABIA	20	129,624.30
SINGAPORE	1	6,481.22
SLOVAK REPUBLIC	3	19,443.65
SRI LANKA	3	19,443.65
THAILAND	3	19,443.65
TUNISIA	5	32,406.08
UNITED KINGDOM	33	213,880.10
UZBEKISTAN	1	6,481.22
VENEZUELA	1	6,481.22
VIET NAM	1	6,481.22
ZAMBIA	1	6,481.22
		1,811,499.59
<i>rounding differences</i>		0.41
<b>Total taken into account for Financial Year 67</b>	<b>279.5</b>	<b>1,811,500.00</b>

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

## IV. Comments on Articles of Draft Budget 2 for FY 2021-2022

### A. Expenses

#### 1. Operation of the Permanent Bureau

##### a. Article 1 Personnel

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

30 This article increases by € 116,000. It covers costs for 28 employees (26.60 FTEs). No new positions have been added to the Budget. The budget line includes salary adjustments related to staff progression. Salaries and allowances are established in accordance with the Remuneration Adjustment Method (RAM) applied to salaries and allowances for Co-ordinated and Associated Organisations located in the Netherlands.<sup>12</sup> The salary projections for 2022 are calculated using the 2021 salary scales for the Netherlands (as determined by the International Service for Remunerations and Pensions (ISRP) and CCR), as well as an estimated RAM rate of 2%. This latter, careful projection is necessary to avoid underfunding for salaries from January to June 2022.

31 The total personnel costs, including pension liabilities and related administration costs, amount to 81.08% of the total Budget. This percentage is based on the total of Articles 1, 15, 16 and 22 (and not just on salary cost). When only considering costs for active staff in Articles 1a, 1b and 1c, the total personnel costs amount to 61.71% of the total Budget.<sup>13</sup>

32 As in previous FYs, the human resources costs of the Regional Office for Asia and the Pacific (ROAP) are not included in this draft Budget. The matter shall need to be considered by CGAP and CDR in the future, and this consideration may include, without prejudice, arguments about equal treatment of the two existing regional offices.

###### **Article 1b, Social benefits and insurances**

33 This article increases by € 6,500. 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>14</sup>

34 It covers partial reimbursement of certain health insurance expenses for staff, in keeping with mandatory statutory policies of the Host State Agreement with the Netherlands. The increase of this budget line is necessary to meet expenses for medical and disability insurance (based on annual premiums).

###### **Article 1c, Home leave**

35 This article remains unchanged. It covers travel expenses in respect to home leave for eligible officials and their dependants (approx. 25 persons). 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 2021-2022.

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<sup>12</sup> The RAM includes, but is not limited to, an inflation component; the adjustment is determined by the ISRP and is approved by the CCR 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.

<sup>13</sup> According to information received from ISRP for comparison, active staff costs at the OECD amount to approximately 80%.

<sup>14</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.

36 Due to COVID-19 and related travel restrictions, some staff members who were entitled to take their home leave over the past months had to delay their leave; as a result, subject to further developments of the pandemic, more home leave might be taken in the (late) course of FY 2021-2022. Additionally, flight tickets may be more expensive.

**Article 1d, Fund relocation**

37 This article remains unchanged. It covers possible relocation costs during FY 2021-2022 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.

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

38 This article remains unchanged. Based on expected projections, this Fund will not require a top-up through the Budget in FY 2021-2022.

39 The 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). 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.

40 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 for this purpose. The ring-fenced amount was set at € 30,000 (as a first step) by CDR at its meeting in May 2019.<sup>15</sup> While this draft Budget does not include an increase of the sub-fund, given the potential costs of a loss of employment indemnity, the PB recommends increasing the amount ring-fenced in this sub-fund slightly to € 32,500. This will not require any top-ups to the Fund (see Annex II). This suggested increase, however, remains subject to CDR approval at its May 2021 meeting.

41 Any balance in this Fund remains part of this Fund and is not part of an operational surplus.

**Article 1f, ISRP administration**

42 This article remains unchanged. It covers costs for annual publications by the ISRP and the CCR 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 and Argentina.

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

43 This article decreases by € 25,000. This decrease is mainly possible because work on the outstanding Tomes of HCCH Proceedings (*Actes et documents*) is almost complete; thus, related costs do not need to be included for a full year (they now represent approx. 49% of the total article). The external technical support provided by a fully qualified *accountant* remains essential for the effective operation of the financial office of the PB and for enabling the SG to fulfil his increased responsibilities as defined in the 2016 Financial Regulations. Nonetheless, costs for this external

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<sup>15</sup> In the hypothetical case of an Official at Grade A2, who is not entitled to any allowances (e.g., family and / or child allowance) and who has been with the Organisation for any term between five and ten years, the amount would reach approx. € 37,000. Based on the actual staff data of the PB (incl. number of years spent at the PB), there is, however, a strong likelihood that a possible indemnity would be (significantly) higher.

accountant have also been reduced to better reflect actual costs (they now represent approx. 28% of the total article). This article also includes costs for *library support* (representing approx. 14% of the total article).

44 Despite these cuts, the external operational (non-legal) support provided to the PB, by parties not hired as staff of the HCCH, is and remains essential. This work is conducted most cost-effectively by external parties (rather than by hiring staff for this work).

45 Finally, this article includes costs for possible external *legal* support in relation to ongoing normative projects for which external assistance is required; costs for this support only represent approx. 9% of the total article.

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

46 As per past practice, an inflation rate of 2% is applied to certain articles in the Budget where service providers increase costs each year in line with inflation rates. This is also the inflation rate used in the Net Present Value Analysis (NPV) presented to, and approved by, Members as part of the relocation process to Churchillplein 6b in 2014 to project the evolution of rent and services costs of the premises of the PB.<sup>16</sup> While the official inflation rate is currently below 2% in the Netherlands,<sup>17</sup> the SG is of the view that it is, in principle, reasonable to apply a 2% projection for expense planning as recommended by the Netherlands Bank to allow for the projection of a gradual increase to avoid the risk of underfunding operational expenses and more drastic escalations in the future.<sup>18</sup> However, despite inflation expectations for the next FY, *none of the Articles subject to inflation rates have actually been inflation-adjusted in the draft Budgets for FY 2021-2022*, meaning that, again, these articles actually decrease in real terms.

#### **Article 2a, Rent**

47 This article remains unchanged. It covers costs for rent of the PB premises at Churchillplein 6b. Although the NPV presented to the Members in 2014 reflects an estimated 2% inflation rate, this adjustment has been absorbed in the projected expenses.

#### **Article 2b, Service**

48 This article remains unchanged. Although the NPV presented to the Members in 2014, reflects an estimated 2% inflation rate, this adjustment has been absorbed in the projected expenses.

#### **Article 2c, Insurance**

49 This article decreases by € 1,500 to reflect current expenses. While an estimated 2% inflation rate is expected, this adjustment has been absorbed in the projected expenses. This budget line includes fire, theft, goods and equipment, liability, and travel insurance for the Organisation.

#### **Article 2d, Cleaning**

50 This article, which covers cleaning costs for the office, remains unchanged. While an estimated 2% inflation rate is expected, this adjustment has been absorbed in the projected expenses.

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<sup>16</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>17</sup> See < <http://www.inflation.eu/inflation-rates/the-netherlands/historic-inflation/cpi-inflation-the-netherlands-2020.aspx> >.

<sup>18</sup> See < <https://www.dnb.nl/en/interest-rates-and-inflation/#> >.



**Article 2e, Office Supplies**

- 51 This article increases by € 1,000. It includes costs for office supplies, stationary, etc., necessary for the operation of the PB during the FY 2021-2022.

**Article 2f, Postage / telecommunication**

- 52 This article remains unchanged. It covers telecommunication costs for the VOIP and telephone conference call system used at the PB, as well as postage costs.

**Article 2g, Fund maintenance / equipment**

- 53 This article remains unchanged. 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.

**c. Article 3 IT**

- 54 More than ever, a robust, secure, and efficient IT infrastructure is essential to enable smooth office operations, including via telework. The PB is pleased that its past efforts relating to its IT infrastructure enabled staff to work from home efficiently right after the outbreak of the COVID-19 pandemic. The continuing maintenance and updating of the IT infrastructure, including the PB's video-conference system, is of paramount importance. For the FY 2021-2022, the PB expects to be able to maintain its IT infrastructure at the required level without increasing its overall IT costs; it will, however, have to redistribute some of the funds allocated to specific articles.

**Article 3a, Support / maintenance**

- 55 This article increases by € 4,000. It covers the PB's external IT support and maintenance costs.

**Article 3b, Software licenses / hardware**

- 56 This article decreases by € 2,500 to reflect actual spending in this budget line. This budget line mainly includes costs for computer licenses.

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

- 57 This article decreases by € 1,500, as a result of the modernisation of the IT environment. It includes costs for Internet and HCCH website(s).

**Article 3d, Fund IT / equipment**

- 58 This article remains unchanged. This Fund is used as a reserve for updates to IT infrastructure and equipment that are required but that cannot be absorbed by the other lines in Article 3 (e.g., to replace servers). Based on expected projections this Fund will not require a top-up through the Budget in FY 2021-2022.

- 59 The PB recommends, however, increasing the minimum target for this Fund from € 20,000 to € 22,500 so as to have slightly more means to ensure a stable and performing IT infrastructure, in particular for teleworking and videoconferencing. It is suggested to reappropriate (cross-fund) € 3,880 from the *Recueil* Fund to meet this target (see Annex I); no Budget funds are necessary to this effect. This proposal, however, remains subject to CDR approval at its May 2021 meeting.

**d. Article 4 Copying, printing and publications**

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

60 This article, which covers all costs to lease copiers and printers for the PB, as well as costs for supplies for the machines needed for special publications, remains unchanged. While an estimated 2% inflation rate is expected, this adjustment has been absorbed in the projected expenses.

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

61 This article remains unchanged. With a view to reducing costs, the PB is now handling almost all this work internally. This line primarily includes costs for photo credits in publications.

**Article 4c, Fund Recueil**

62 This article remains unchanged. This Fund is a reserve for the publication of the Collection of HCCH Instruments (*Recueil*). As the most recent edition of the Collection of HCCH Instruments was published in March 2020, this Fund will be used for possible reprints of the 2020 edition or the publication of a subsequent new edition. The Fund is at a sufficient level and will not require a top-up through the Budget in FY 2021-2022. In fact, the PB recommends *decreasing* the minimum target for this Fund from € 31,000 to € 20,000 and reappropriating (cross-funding) € 3,880 to the IT / equipment Fund in order to meet this target (see Annex I). This proposal remains subject to CDR approval at its May 2021 meeting.

**e. Article 5 Library**

**Article 5a, Subscriptions**

63 This article decreases by € 1,000. It covers costs for subscriptions that are necessary to maintain an up-to-date HCCH library and to enable the legal staff to conduct its work. As a result of a newly negotiated agreement with the Peace Palace Library, which provides access to their Library to the entire staff of the PB (incl. interns), the costs for this article could be reduced by € 1000.

**Article 5b, Purchases**

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

**f. Article 6 External translations**

65 This article decreases by € 5,000 as the PB expects that it will use slightly less external translator recourses in the FY 2021-2022. 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 CGAP, CDR and SC meetings, circulars, presentations, factsheets, promotional materials, and speeches. External translators are used for Handbooks, Guides to Good Practice and other more voluminous or very technical documents (e.g., Explanatory Reports) 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.

**g. Article 7 PB missions**

66 For exceptional reasons linked to COVID-19, this article decreases again for FY 2021-2022 by € 7,500 (since the FY 2019-2020, this line has decreased by € 19,000). The SG hopes that, despite these exceptional cuts, the line will still enable the PB to conduct relevant missions once

travel can resume as these missions also serve the HCCH's strategic goal of universality and inclusiveness.

- 67 This article is used to pay for travel expenses (incl. daily subsistence allowances) in keeping with procedures outlined in the Staff Rules. There are currently approximately 15 members of the PB who may travel for missions. The SG continues to apply a strict travel policy and 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. Participation in meetings via videoconference (instead of travel) will continue to be used when possible and appropriate.

#### *h. Article 8 Financial operation*

##### **Article 8a, Bank fees**

- 68 This article remains unchanged. The article covers costs for operating PB bank accounts and PB transaction costs. It includes charges associated with a negative interest rate of (0.50) % on accounts with a combined total balance above € 2.5 million.

##### **Article 8b, Audit fees**

- 69 This article remains unchanged (following important increases in the past years due to additional work and analyses conducted by the auditors as part of their regulatory framework and obligations). The article includes the annual costs to audit the HCCH 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.

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

- 70 This article remains unchanged. Although higher costs for the SG reception (which, for cost efficiency reasons, is combined with the reception offered during CGAP) and other functions offered by the SG or the PB during HCCH meetings are expected, this Article has not been increased (see para. 16 above). Some basic expenses are also expected to increase as a result of services and suppliers raising prices due to COVID-19. Additionally, this article covers work-related lunch or dinner invitations during the FY, 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. They also serve the HCCH's strategic goal of universality and inclusiveness.

#### *j. Article 10 Overhead reimbursement iSupport*

- 71 This article reflects a negative expense (a payment to the HCCH) of at least € 10,000 expected from the "iSupport PM" project (compared to € 20,000 in the Budget for FY 2020-2021). This decrease is due to the scheduling of the successive iSupport projects, which are not in sync with the HCCH's FY. The budgeted payment compensates 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. 24).<sup>19</sup> It should be noted that the exact amount will only be known and received following the final delivery and approval of the project by the European Commission.

**k. Article 11 Unforeseen**

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

**2. Meetings**

73 As mentioned above (paras 6 et seq.), the uncertainty generated by the COVID-19 pandemic makes it very challenging to budget for meetings to be held during FY 2021-2022. However, following the CGAP meeting of March 2021 and discussions held in light of the comprehensive information provided in Draft Budget 1, this Draft Budget 2 includes the relevant meeting costs for FY 2021-2022. First, they include costs for the CGAP and CDR meetings, which are planned to be held in person, but which will also allow for remote participation (the latter will be facilitated in a cost-effective manner, which in Draft Budget 1 was referred to as basic hybrid format). It is also envisaged to hold an Informal Brainstorming meeting within the margins of CGAP in March 2022 to consider strategic developments of the HCCH and the upcoming change in the leadership of CGAP. No additional costs have been added for this informal meeting during CGAP. Secondly, they include costs for two SC meetings on the practical operation of the *Apostille* and *Child Support Conventions* respectively; while the SC meeting on the *Apostille Convention* will be held in an *online only* format (see para. 7), the SC meeting on the *Child Support Convention* will be held in person, allowing for a cost-effective remote participation (see para. 9).

74 Although rental costs for use of the Hague Academy building have dramatically increased due to a new pricing scheme implemented by the Carnegie Foundation as of 2020, the PB anticipates that the cheaper rental fees that would have applied to the SC meeting on the *Child Support Convention* if it had been held when it was originally planned, will still apply in FY 2021-2022. As explained in paragraph 10, following CGAP's explicit recommendation, the € 37,300 allocated for this meeting in the Budget for the current FY 2020-2021 should be transferred to the Budget for FY 2021-2022 (Art. 18b), upon a decision to be taken by CDR at its May 2021 meeting.

75 This draft Budget also includes costs for 24 days of Experts' Groups or Working Groups meetings relating to normative work at the PB. These meeting days at the PB may generate additional costs (see Art. 13 for details). As in previous FYs, the PB will do its best to limit overtime, and it has projected a lower amount for these costs, if required in FY 2021-2022 (approx. € 140 per meeting day instead of € 350 per meeting day like in the current FY). Any governance related meeting days to be held at the PB generally do not generate meeting costs.

**a. Article 12 Off-site meetings (Hague Academy)**

**CGAP / CDR**

**Article 12a, Rent (incl. interpretation equipment, booths, workspace for personnel, small meeting room)**

76 This article remains unchanged. It 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 2022 meetings of both CGAP and CDR. Costs to facilitate Member State participation

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<sup>19</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. Indirect costs are distinguished from compensation to the HCCH for the services to iSupport of PB staff members whose salaries are paid out of the HCCH Budget. The exact final value depends on the European Commission accepting the costs and the amount of the costs actually incurred.

by video-conference in basic hybrid format are also included for CGAP and CDR. This inclusion is made in light of ongoing COVID-19 restrictions and the positive experience with the videoconference system during the 2020 and 2021 meetings of CGAP and CDR.

77 Rental costs for CGAP are based on a 3.5-day meeting of CGAP (four rental days), and one additional day for setting-up and dismantling the meeting room and the Secretariat. Rental costs for CDR are based on one rental day in the Academy Building (incl. costs for setting-up and dismantling the meeting room).

78 The rent for CGAP, including basic hybrid video-conference facilities, is estimated to cost € 48,450. The rent for CDR, including basic hybrid video-conference facilities, is estimated to cost € 8,150.

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

79 This article increases by € 2,650. This budget line covers interpretation costs for a 3.5-day CGAP meeting and a one-day CDR meeting. Interpretation fees have increased due to technical complexities for interpretation of online meetings.

**Article 12c, Additional personnel / moving**

80 This article remains unchanged. The PB is maintaining costs by not hiring additional personnel for catering and other assistance during meetings of both CGAP and CDR. Overtime expenses of some administrative staff members of the PB, costs for Recording Secretaries during these meetings, and costs for movers are included.

**Special Commissions and other meetings**

**Article 12d, Rent (incl. interpretation equipment, booths, workspace for personnel, small meeting room at the Hague Academy and equipment at the PB)**

81 This article decreases by € 16,200 based on plans for two SCs, as explained in paragraphs 6 et seq. and 73 et seq.

82 This budget line covers the rent of the large meeting room, the interpretation and other equipment, booths, workspaces for staff, two additional meeting rooms at the Hague Academy, as well as costs for setting-up and dismantling the conference room and the Secretariat, and costs for enabling cost-effective remote participation by video-conference facilities for a 3-day SC meeting on the *Child Support* Convention (and Protocol) (€ 16,400). The PB will continue to strictly assess the use of any extra meeting spaces during meetings for use only when absolutely necessary. This article also includes costs for equipment to hold a 4-day SC meeting on the *Apostille* Convention and a 1-day International Forum on the e-APP in *online only* format, conducted from the PB (€ 28,000).

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

83 This article increases by € 6,750. This budget line covers interpretation costs for a 4-day SC meeting on the *Apostille* Convention and a 1-day International Forum on the e-APP, and a 3-day SC meeting on the *Child Support* Convention (and Protocol). Interpretation fees have increased due to technical complexities for interpretation of online meetings.

**Article 12f, Additional personnel / moving**

84 This article increases by € 750. It covers overtime expenses of some administrative staff members of the PB, costs for Recording Secretaries during these meeting, as well as costs for movers. The PB has cut costs for additional personnel hired for catering and other assistance during SC meetings.

**b. Article 13 On-site meetings (PB)**

85 This article decreases by € 5,000. These costs mainly cover overtime expenses of some administrative staff members of the PB during meetings of Working / Experts' Groups. As stated in paragraph 75, costs are projected based on 24 meeting days at the PB. As a result of its strict overtime policy and efforts to limit overtime, these costs are now estimated at € 140 per day.

86 Any meeting days related to governance matters are generally not expected to generate additional costs.

**c. Article 14 Other costs relating to HCCH meetings**

**Article 14a, Supplies and facilitation costs**

87 This article decreases by € 2,500. As of March 2020, with a view to saving costs, coffee service is no longer provided for free during CGAP and SC meetings (this also allows some cuts in Arts 12c and 12f). Refreshments will be available for purchase from the Peace Palace caterer. This budget line is also used to cover costs for the supplies and materials (incl. folders, badges, USB sticks) used and distributed at any of the HCCH meetings. Additionally, during meetings and other events light working lunches and small preparatory working dinners are sometimes covered through this budget line. This Article only relates to costs that may arise during HCCH meetings and events.

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

88 This article decreases by € 2,000. It may be used to offset (some) travel costs for external experts who contribute to the work of the HCCH, such as experts chairing Working / Experts' Group meetings and whose costs are not covered by their relevant authorities. This budget line is used for both 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.

**3. Present and future pension liabilities**

**a. Article 15 Retirement or survivors' pensions**

89 This article increases by € 23,900 to cover the full, mandatory contribution of Member States to the pension schemes currently in force at the HCCH.

90 This article is determined in correlation with Article 1a. It represents 23.6% of salaries for those staff members who fall under the Co-ordinated Pension Scheme (COPS), and 18.8% of salaries for those staff members who fall under the New Pension Scheme (NPS) (as per the rules that govern these pension schemes). There are 13 active staff members who fall under the COPS, and 15 staff members who fall under the NPS.

91 Currently the HCCH has 10 pensioners (all under the COPS).

92 Pension costs relating to both COPS and NPS are currently financed through the contributions of staff, the payments of the accrued unfunded liabilities, the return on the investments of the Pension Reserve Fund (PRF), and Article 15 of the Budget which represents the Organisation's (employer's) contributions to the pension schemes (Art. 15 covers present and future liabilities).

93 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 they had or still have to pay their full share of the accrued unfunded liabilities.

**b. Article 16 Pension administration by the ISRP**

94 This article remains unchanged. It covers costs for the verification and administration of pensions for all officials and retirees of the HCCH by the ISRP.

**B. Revenues**

**1. Article 17 Contribution of Member States**

95 This article increases by € 66,850. It reflects the total assessed contribution of all Member States to cover the operating budget of the HCCH (*i.e.*, costs relating to the Operation of the PB, International Meetings, and Present and Future Pension Liabilities). The total assessed contributions from Member States is 1.62% higher than in the previous FY. The value of one budgetary unit and the full amounts to be paid by each Member State are briefly explained below under E (see below paras 108 *et seq.*), and then listed in *Overview I* and *Overview II*, respectively.

96 This article gives effect to Brazil's reclassification under the UPU system (10 units instead of the previous 20 units, see paras 12 and 13); it also includes an additional 0.5 unit as a result of Georgia's reclassification in the UPU system (increasing from 0.5 to 1 full unit).<sup>20</sup> Furthermore, five additional units are included as a result of Nicaragua's, (one unit) Namibia's (one unit), and Thailand's (three units) new membership.

97 As a result, this draft Budget is based on a new total of 617.5 units (compared to 622 units for the current FY 2020-2021). The increase per unit amounts to € 154,36 or 2.24%.

**2. Article 18 Use of reserves**

**a. Article 18a, Allocation of reserves from FY 2018-2019**

98 To partially offset the increase in operation expenses, the SG foresees that an amount of € 95,000 may be used from the net operational surplus from FY 2019-2020 as additional revenue in the Budget for FY 2021-2022.<sup>21</sup>

99 This approach also allows for part of the surplus to be redistributed to Member States by lowering Member States' assessed contribution for FY 2021-2022 by € 95,000, without undertaking the time and resource-intensive burden of calculating, setting-up and executing reimbursements by way of more than 80 bank transfers of relatively low amounts. The SG will submit a formal proposal to CDR on the allocation of the net operational surplus from FY 2019-2020 (see Art. 13(2) Fin. Regs) for decision at its May 2021 meeting.

**b. Article 18b, Exceptional transfer of funds for SC meeting from FY 20-21**

100 This article amounts to € 37,300. As explained in paragraphs 10 and 74, it is included to offset costs for having the SC meeting on the Child Support Convention in FY 2021-2022 instead of in June 2021. As proposed, and recommended by CGAP 2021, the € 37,300 allocated for this meeting in the Budget for the current FY 2020-2021 would be moved to the Budget for FY 2021-2022. This exceptional transfer remains subject to a decision by CDR at its May 2021 meeting.

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<sup>20</sup> As regards Brazil's and Georgia's shares of *accrued unfunded pension liabilities*, see para. 106.

<sup>21</sup> Although this amount has been presented as revenue in this draft 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 2021-2022 (it does not technically qualify as revenue or income).

### 3. Article 19 Contribution of Member Organisation

101 This article remains unchanged. 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.

102 FY 2021-2022 will be the third (and final) year under the current agreement (as confirmed by the EU in May 2019) and will be reviewed again in FY 2022-2023.

### 4. Article 20 Income derived from sales of publications

103 This article remains unchanged. While the PB exceeded the total revenue budgeted under this Article for the last FYs (in particular in relation to sales of the Practical Handbook on the Service Convention) and a new edition of the Evidence Handbook may generate additional revenue, the PB continues to take a cautious approach for the projection of income derived from the sale of publications as the revenue is not guaranteed. The sales of these publications remain, however, a noticeable source of revenue for the HCCH.

### C. Article 21 Voluntary contributions

104 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. In order to provide Members up-to-date information on all voluntary contributions received during the FY, both from Members and non-Member States, the PB provides an overview of all voluntary contributions received on a monthly basis.<sup>22</sup>

### D. Article 22 Accrued unfunded pension liabilities

105 This article remains unchanged. 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 of these liabilities (see decision of CDR dated 6 July 2010). Payments for accrued unfunded pension liabilities are 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).

106 Importantly, Brazil’s and Georgia’s reclassifications under the UPU system (see para. 96) do not affect their payment of their respective share of accrued unfunded pension liabilities. These shares were established in a fixed repayment scheme by CDR in 2010 and cannot be changed. Under this scheme, Brazil stays at 20 units, and Georgia stays at 0.5 unit. Until these States have paid their full share of accrued unfunded pension liabilities, the PB will thus have to apply two different unit schemes to calculate their full contribution to an HCCH Budget. The application of two different unit schemes to one Member is a time-consuming task for the PB.

107 Despite appearing after *Revenues* in the Budget, 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 of *Expenses* (€ 4,182,450), equals the total Budget / total revenues at the end of *Revenues* (€ 4,379,844).

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<sup>22</sup> Available at < <https://www.hcch.net/en/secure-portal/governance1/voluntary-contributions>>



## E. Explanation of contributions to be paid by Member States: Overview I and Overview II

- 108 The following provides a brief explanation on the two schemes applied to the calculation of Member States' contributions.
- 109 **Overview I** lists the total (incl. the accrued unfunded liabilities mentioned in para. 105) 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, in addition to their annual contribution to the operating Budget (incl. the present and future pension liabilities), they must also pay their annual share in the total accrued unfunded pension liabilities. The contribution to the operating Budget (incl. the present and future pension liabilities), € 2,190,651, is divided by 338 units; the contribution to accrued unfunded liabilities, € 197,394, is divided by 347.5 units. The total in *Overview I* is € 2,388,045. The total per unit is € 7,049.26 (with the exception of Brazil and Georgia).
- 110 **Overview 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 Member States only contribute to the operating Budget (incl. the present and future pension liabilities). The total, € 1,811,500, is to be divided by 279.5 units = € 6,481.22 per unit.
- 111 Each Member State's contribution is listed in either **Overview I** or in **Overview II**, and Member States are invited to refer to their respective Overview for this information.

## **ANNEX**

## Annex I – Fund Overview and Projections

- 1 As a result of the application of Dutch Generally Accepted Accounting Principles (GAAP) to the operational Budget of the HCCH (CDR decision taken in 2017), the previously used system of *provisions* was abandoned and instead converted into a system of *reserve funds*. 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 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 may have to be replenished at the end of a FY, allows for more stable budgeting towards these expenses.

Established / continuous Funds	Relocation	Staff Rules*	Office maintenance / equipment	IT / equipment	Recueil
<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>22,500.00</b>	<b>20,000.00</b>
Balance at 30 June 2020	53,500.00	116,173.00	44,114.00	23,648.00	34,880.00
Appropriations from budget FY 19-20	-	-	-	-	-
Expenses covered FY 19-20	-	-	-	-	-11,000.00
<b>Balance at 30 June 2021</b>	<b>53,500.00</b>	<b>116,173.00</b>	<b>44,114.00</b>	<b>23,648.00</b>	<b>23,880.00</b>
CDR approved appropriations to be added from budget FY 20-21	-	-	-	-	-
CDR approved reappropriations from other funds (cross-funding) FY 20-21	-	-	-	-	-
Estimated expenses to be covered FY 20-21	-10,000.00	-10,000.00	-5,000.00	-5,000.00	-
<b>Expected balance at 30 June 2022 after reappropriation, top-up or expenses in FY 20-21</b>	<b>43,500.00</b>	<b>106,173.00</b>	<b>39,114.00</b>	<b>18,648.00</b>	<b>23,880.00</b>
<b>Difference between target and Fund</b>	<b>-13,500.00</b>	<b>-6,173.00</b>	<b>-14,114.00</b>	<b>3,852.00</b>	<b>-3,880.00</b>
<b>Proposed Fund reappropriations in FY 21-22 to reach target**</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,880.00</b>	<b>-3,880.00</b>
<b>Proposed top-up from Budget FY 21-22 to reach target</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expected balance at 30 June 2022</b>	<b>43,500.00</b>	<b>106,173.00</b>	<b>39,114.00</b>	<b>22,528.00</b>	<b>20,000.00</b>
<p>+ The PB recommends increasing the target of the IT / equipment Fund from € 20,000 to € 22,500. The PB recommends decreasing the target of the Recueil Fund from € 31,000 to € 20,000.</p> <p>* The Fund Staff Rules includes a sub-fund for a possible loss of employment indemnity payment. The PB recommends increasing the amount held in the sub-fund for this purpose from € 30,000 to € 32,500.</p> <p>** € 3,880 can be reappropriated from the Fund for the Recueil to the Fund for IT / equipment to reach the target levels for these Funds. Subject to CDR approval in May 2021.</p>					

- 2 Due to the reassessment of targets for the funds decided in 2019, some funds will temporarily have higher balances than targeted. Dutch GAAP accounting principles do not allow for fund appropriations adopted by CDR to run through the income statement again (*i.e.*, they cannot be included in the Budget again). Therefore, subject to the actual balance of funds, reappropriations between funds (cross-funding) has been proposed as a mechanism that may be used for future FYs. This cross-funding approach will be used until the overall balance of the funds will not allow for it anymore and top-ups from the Budget will be required to meet the targets. For FY 2021-2022, the PB recommends reappropriating € 3,880 from the *Recueil* Fund to the IT / equipment Fund in order to meet the recommended targets for these Funds (see below paras 11-12, and 13-14).
- 3 It should be noted that when considering technical fund accounting, fund additions and withdrawals materialise only one year after the actual expense are incurred and once they have been processed through the income statement. For example, an expense that materialised in the course of FY 2019-2020 would only be covered by the relevant fund (withdrawn) in FY 2020-2021. Similarly, replenishment of a fund through the Budget would only materialise (*i.e.*, be credited to the fund) in the subsequent FY.

### The minimum targets for each of the funds

#### *Fund Relocation*

- 4 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 as well as entitlements (incl. family situations) of staff.
- 5 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 envisaged through the Budget for FY 2021-2022.

#### *Fund Staff Rules*

- 6 This Fund includes a sub-fund of € 30,000, as per the CDR decision in May 2019, which is ring-fenced and only to be used for a loss of employment indemnity, if materialised.<sup>23</sup> Given the potential costs of a loss of employment indemnity, the PB recommends slightly increasing the amount ring-fenced in this sub-fund to € 32,500.
- 7 Other expenses covered from the Staff Rules Fund (not from the sub-fund mentioned above) are projected at approximately € 10,000 annually as elaborated in the notes relating to Article 1e of the Budget. Additionally, approximately € 57,500 is held to mitigate the risk of unknown and exceptionally

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<sup>23</sup> In the hypothetical case of an Official at Grade A2, who is not entitled to any allowances (*e.g.*, family and/or child allowance) and who has been with the Organisation for any term between five and ten years, the amount would reach approx. € 37,000. Based on the actual staff data of the PB (incl. number of years spent at the PB), there is, however, a strong likelihood that a possible indemnity would be (significantly) higher.

high expenses in the event dispute procedures or indemnity payments (above the ring-fenced amount) are required. Without this reserve of € 57,500, all exceptional expenses would have to be absorbed in the financial accounts of that year.

- 8 The minimum (total) target for this Fund is set at € 100,000 (€ 32,500 for sub-fund; € 10,000 approx. annual expenses; € 57,500 approx. savings for exceptionally high / unexpected expenses). No payment to this Fund is envisaged through the Budget for FY 2021-2022.

#### *Fund Office maintenance / equipment*

- 9 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 office space.
- 10 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 envisaged through the Budget for FY 2021-2022 for this Fund.

#### *Fund IT / equipment*

- 11 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.
- 12 The PB recommends increasing the minimum target for this Fund from € 20,000 to € 22,500 given how crucial the IT infrastructure is to the operation of the PB in the current working environment, in particular as regards teleworking and videoconferencing. Based on projections, it is proposed to reappropriate (cross-fund) € 3,880 from the Fund for the *Recueil* in order to meet this target. This remains subject to CDR approval at its May 2021 meeting. No payment to this Fund is envisaged through the Budget for FY 2021-2022.

#### *Fund Recueil*

- 13 This Fund covers the cost for the publication and possible reprints of the Collection of HCCH Instruments (*Recueil*).
- 14 The PB recommends decreasing the minimum target for this Fund from € 31,000 to € 20,000. As the most recent edition of the Collection of HCCH Instruments was published in March 2020 without requiring the entire amount set aside in the Fund, the target can be lowered. The Fund remains at a sufficient level for FY 2021-2022 and would allow for a full reprint of the 2020 edition of the *Recueil* if needed, as well as making savings for the next edition. Based on projections, it is thus proposed to reappropriate € 3,380 (cross-funded) to the Fund for IT / equipment in order to meet its target. This remains subject to CDR approval at its May 2021 meeting. No payment to this Fund is envisaged through the Budget for FY 2021-2022.