HCCH
HAGUE CONFERENCE ON PRIVATE INTERNATIONAL LAW
CONFÉRENCE DE LA HAYE DE DROIT INTERNATIONAL PRIVÉ

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Overview of questions and responses – Standing Committee 20 February 2018 (based on the draft Budget of 31 January 2018)

1. An updated status of payments of assessed contributions was request.

An updated status of payments as of 28 February 2018 has been uploaded to the Secure Portal.

The outstanding contributions to be received for FY 2017 - 2018 amount to € 1,438,824.65 (35.12% of the total assessed contributions for FY 2017 – 2018). In addition to the above-mentioned amount, outstanding arrears amount to € 197,796.20 (Brazil, Burkina Faso, Egypt, Peru and Suriname have arrears of one year or more). This results in € 1,636,620.85 total outstanding contributions to be received, including arrears (30.65% of the total outstanding contributions to be received, including arrears).

2. What are the cost implications for meetings held at the Permanent Bureau (PB)?

The draft Budget is based on 16 meeting days at the PB, where 8 of these days are likely to generate overtime costs at approximately € 600 per day. The total number of meeting days at the PB and the number of days that may generate overtime remains subject to the work programme that will be determined by the Council of General Affairs and Policy (CGAP) in March 2018. It is likely that these costs will have to be increased in the draft Budget to be prepared after the CGAP meeting as the number of meeting days at the PB is probably going to increase. All efforts will be made to compensate a possible increase of this budget line by making further cuts in other budget lines.

3. Why aren't costs for a Diplomatic Session in 2019 related to the Judgment Project not included in the Budget?

As per Art. 11 of the Statue of the Organisation, all meeting costs related to a Diplomatic Session are to be borne by the Government of the Netherlands and they are, therefore, not included in the draft Budget.

4. Have the Staff Rules entered into force?

Following the written vote of approval of the Staff Rules on 1 February 2017, and the confirmation of the validity of the successful outcome of the written vote by the Council of Diplomatic Representatives (CDR) on 23 May 2017, the PB was able to formalise an agreement with the Council of Europe to extend the jurisdiction of its Administrative Tribunal to the Hague Conference. The SG signed the relevant agreement on 24 November 2017. The Staff Rules applicable to Officials and Personnel of the Hague Conference thus entered into force on 1 January 2018. A Circular detailing this information was sent to Members on 27 February 2018.

5. How will the HR Fund be topped up during FY 2018-2019 since this is not foreseen through the draft Budget?

As in the current FY, the HR Fund will not need funding though Art. 1d of the Budget for FY 2018-2019. The SG will instead propose to use part of an exceptional operational surplus from

FY 2016-2017 for this purpose; he envisages allocating an amount of € 25,000 for this purpose (a formal proposal will be submitted separately to the CDR for its meeting in June 2018).

The HR Reserve Fund is used to cover costs in each FY relating to the application of certain human resources and governance provisions associated with the Staff Rules (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 relating to HR matters and management more generally. This Fund includes a sub-fund specifically for possible payment of an indemnity for loss of employment (see Art. 13 of the Staff Rules and the Budget for FY 2017-2018). Any balance in this Fund remains as part of this Fund and is not part of an operational surplus.

It is anticipated that expected costs for the next FY can be covered by the amount allocated to the Fund at the last CDR (€ 106,863 of which € 25,000 is reserved in the sub-Fund for a loss of employment indemnity). The PB has currently spent under €10,000 from the Fund, but will need to cover costs over the next months for confidentiality counsellors and possibly mediators or legal counsel. Depending on spending over the next year, this will be budgeted for again in the future.

6. Why have costs for social benefits and insurances increased (Art. 1b)?

Art.1b includes higher premium costs that were anticipated as part of a two-part raise in the contract costs for temporary absences / long term disability and death with the insurance provider (see also Budget for FY 2017-2018), as well as costs for medical insurance for staff. An adjustment was necessary to meet mandatory expenses at current market rates for medical and disability insurances (the contract with the insurance provider has been in place since the 1970s with little change, and this article has been underfunded in previous FYs). The social benefits covered through this article for staff are limited to the mandatory statutory policies under the Host State Agreement and Staff Rules, and insurance for temporary absences / long term disability and death these costs are also important to ensure the organisations operation given its resources and it is a widely used system for international organisations.

7. Why have cost for consultants increased by € 31,400 (Art. 1g)?

The additional €31,400 is to cover possible short consultancies to ensure work programme of the Organisation is met while positions are filled or teams are restructured for legislative work. Additionally, depending on how CGAP envisages the work programme going forward (also for projects that will have to be considered at its 2019 meeting), it will be more cost effective for some work to be carried out through short consultancies rather than through staff positions till there is clarity about how some projects will evolve. Depending on what work contribution will be required, the PB will either pay the consultants a daily fee or a lump sum for delivery of a punctual product or service. It is envisaged that this amount will cover work in the areas of Voluntary Agreements and the Judgements Project, in particular.

8. Why is the travel budget unchanged the draft Budget, even though the travel budget was not fully spent in FY 2016-2017?

Art.6 is used to pay for travel expenses for approximately 15 members of the PB who may travel for missions. The SG continues to apply a strict travel policy, and 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 (all contributions are disclosed on as part of reporting of Voluntary Contributions received). Therefore, while efforts for savings for the Organisation are made for travel related to missions, this budget line also ensures that mission costs can be covered without external contributions. In the second half of FY 2016-2017, it should be noted that some travel did not materialise due to unforeseen changes in staff (which also required the SG to remain at the PB). Once the vacant DL position is filled, it is expected that some travel will be required relating to work for the Judgements Project again. It is thus necessary to keep this line at least at last year's level.

9. Can translation costs be lowered further? Is there a risk to lowering the budget line?

The PB has been cautious to lower Art. 8 significantly, even though this budget line has been underspent in previous years, as the amount of external translation depend on numerous factors (timing of meetings, number of documents, internal translation priorities, etc.) While some documents that require translation can be foreseen by CGAP (publications, etc.) other documents evolve based on needs and request through the year. Additionally, the PB is currently recruiting a new Translator / Reviser which may also impact external translation costs. Given the two official languages of the Organisation, the PB needs to ensure bilingual documents can be produced for formal meetings of the Organisation.

10. Clarification was requested about funding for the envisaged Diplomat Lawyer (DL) positions.

The draft Budget takes into account costs for at least one additional DL as of 1 July 2018. The draft Budget could possibly also enable the PB to hire a second, more junior additional DL in the course of the FY (depending primarily on the actual level of the new DL and the overall expertise represented amongst all DLs). This (these) new position(s) would be established besides the two existing First Secretary positions (one of which is currently being filled). With a view to absorbing some of the costs relating to this (these) new DL position(s), the SG has decided to drop one of the existing LO position in the family law area. Although budgeted for in the current FY, this position is vacant and the SG, therefore, prefers to remove the LO position and use these funds for the additional DL position(s)). Depending on the future work programme of the Organisation, a LO position may be added to the Budget in future years. Based on the rules for appointment of a DL, an initial contract will be offered for a period of three years with a probationary period. It is also envisaged that the extra consultant costs that have been added to the draft Budget, (€30,000 referred to in Ques. 7 above) can be dropped in future Budgets when this work can be absorbed again by the DLs.

In the Budget for FY 2015- 2016, although funding for a DL position was considered in previous drafts, in the final Budget funding was only included for a (senior) LO due to the high costs for the implementation of the first phase of the Staff Audit. These unspent funds contributed to the savings for the respective FY. In the Budget for FY 2016-2017, funding for a possible (junior) DL or (senior) LO position was removed from the final Budget. In the Budget for FY 2017-2018, a buffer of €7,500 was included for a possible reorganisation at the DL level. This restructuring has not materialised, and the proposal for DL positions has been modified as per the above.

11. How do the total personnel costs of 82.04% compare to previous years?

This percentage includes personnel costs in Art. 1, present and future pension liabilities in Art. 15, as well as the accrued unfunded liabilities in Art. 22. In the current FY this amounts to 78.17%, and in FY 2016-2017 this amounted to 77.20%. The PB strives for stay close to general benchmark of approximately 80% for these costs.

12. Can home leave costs be reduced?

Art. 1c has remained unchanged because it covers travel expenses in respect to home leave for eligible officials and their dependants (approximately 30 persons). While home leave is granted to eligible staff every two years, staff have a period of 18 months in which to use it. Therefore, these costs remain relevant for the next FY.

13. Why have retirement or survivor's pension costs increased (Art. 15)?

The HCCH established a modified version of the Co-ordinated Pension Scheme (CoPS) on 1 June 1981. From 1981 until 2010, the CoPS operated primarily as a budgeted system where pensions were exclusively paid out of the Budget (from contributions from both the employer and employees). In 2010, the CDR approved a change in the financing of the pension system and created a Pension Reserve Fund (PRF). When the PRF was created, in addition to implementing a funding scheme for past accrued unfunded pension liabilities for applicable members, increased pension contributions from staff, and the New Pension Scheme (NPS) for *staff hired after 2012, the CDR decided that pensions would remain partially funded through the Budget of the Organisation in order to allow the PRF to grow in viability and sustainability for the future. Therefore, both the current and previous Strategic Asset Allocation (SAA) are based on a funding policy for the PRF where a part of the pension expenses will remain funded through the Budget of the organisation (Art.15).*

Pension costs relating to both CoPS and the 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 Art. 15 of the Budget which is based on the Organisation's (employer's) contribution to cover present and future liabilities to the pension schemes. Currently the HCCH has seven pensioners (all under the CoPS). In addition, there are 17 active staff members who fall under the CoPS, and 11 staff members would fall under the NPS.

Art. 15 is determined in correlation with Article 1a, Salaries and allowances. It represent 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. This article increases by € 16,600 to ensure the full collection of Member States' mandatory contributions to the pension schemes currently in force for FY 2018-2019. All pension expenses beyond the budgeted amount in Art. 15 are absorbed by the PRF each year.

The Orgnaisaiton is required to provide pension benefits to all eligible staff of the Orgnaisation under the pension schemes currently in force. It is recalled that all Member States have to 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.

14. Why is there an increase pension administration costs (Art. 16)?

This article has been increased to reflect actual costs for the administration of pensions by the International Service for Remunerations and Pensions (ISRP). Spending in previous years shows that this article has been underfunded.

15. Can further cuts be proposed to other budget lines?

Once the CGAP has determined the work programme for the Organisation at its meeting in March 2018, the PB will submit a new draft Budget to Members taking into account resource implications for this work programme and any possible further cuts to budget lines.

16. Will a proposal for the allocation of the surplus for FY 2016-2017 be submitted?

The SG will submit a proposal to the CDR for the allocation of the net operational surplus for FY 2016-2017. The net operational surplus that remains to be allocated is € 146,749. A tentative proposal is: €68,000 for the Revolving Fund, which would amount to 14% of assessed contributions (see Art. 12 of the Financial Regulations); €25,000 for the HR Fund; €30,000 allocated to Art. 18 of the Budget; and €23,749 for the PRF.