

<b>Title</b>	<b>Draft Budget (1) and Explanatory Notes for Financial Year 1 July 2021 – 30 June 2022 (FY 67)</b>
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<b>Mandate(s)</b>	Art. 5(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: Scenarios for SC meetings and their budgetary impact Annex II: Fund Overview and Projections
<b>Related Documents</b>	N/A

## Table of Contents

I.	Introduction .....	1
II.	A challenging background.....	1
A.	The impact of the COVID-19 pandemic on envisaged SC meetings and the format in which they should be held.....	1
1.	The original plans.....	1
2.	The impact of the ongoing uncertainty.....	2
3.	A basic scenario and three variants .....	3
a.	Basic scenario .....	3
b.	Variant 1 (reflected in the actual draft Budget).....	3
c.	Variant 2.....	4
d.	Variant 3.....	4
e.	Other Variants.....	5
f.	CGAP and CDR meetings 2022 .....	5
B.	A Member State's reclassification under the UPU system .....	5
C.	Other factors.....	5
1.	Increases.....	5
2.	Reserve Funds & Revolving Fund .....	6
3.	Cuts and economies.....	6
4.	Use of Operational Surplus from FY 2019-2020.....	6
5.	Reimbursement iSupport .....	7
6.	Additional units .....	7
D.	Overall results .....	7
III.	The draft Budget for FY 2021-2022 (based on Variant 1) .....	8
IV.	Comments on Articles of the draft Budget for FY 2021-2022 .....	13
A.	Expenses .....	13
1.	Operation of the Permanent Bureau .....	13
a.	Article 1 Personnel .....	13
b.	Article 2 Office space and operation.....	15
c.	Article 3 IT .....	16
d.	Article 4 Copying, printing and publications .....	17
e.	Article 5 Library.....	17
f.	Article 6 External translations.....	17
g.	Article 7 PB missions.....	17
h.	Article 8 Financial operation.....	18
i.	Article 9 Representation (incl. for international meetings).....	18

j.	Article 10 Overhead reimbursement iSupport.....	18
k.	Article 11 Unforeseen .....	19
2.	Meetings.....	19
a.	Article 12 Off-site meetings (Hague Academy).....	19
b.	Article 13 On-site meetings (PB).....	21
c.	Article 14 Other costs relating to HCCH meetings .....	21
3.	Present and future pension liabilities .....	21
a.	Article 15 Retirement or survivor's pensions .....	21
b.	Article 16 Pension administration by the ISRP.....	22
B.	Revenues.....	22
1.	Article 17 Contribution of Member States .....	22
2.	Article 18 Use of reserves .....	22
a.	Article 18a, Allocation of reserves from FY 2018-2019 .....	22
b.	Article 18b, Exceptional transfer of funds for SC meeting from FY 20-21 .....	22
3.	Article 19 Contribution of Member Organisation.....	23
4.	Article 20 Income derived from sales of publications.....	23
C.	Article 21 Voluntary contributions.....	23
D.	Article 22 Accrued unfunded pension liabilities .....	23
E.	Explanation of contributions to be paid by Member States: Overview I and Overview II .....	24
	Annex I – Scenarios for SC meetings and their budgetary impact.....	26
	Annex II – Fund Overview and Projections.....	28

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

## I. Introduction

- 1 This draft Budget for Financial Year (FY) 2021-2022 is presented in three parts: the first part describes the general background against which this draft Budget has been 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.). In addition, for ease of reference, Annex I contains a chart summarising various scenarios for Special Commission (SC) meetings envisaged to be held during FY 2021-2022, and their budgetary impact. Finally, Annex II provides an overview of five existing reserve funds.

## II. A challenging background

- 2 Preparing a draft 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.). In addition, some operational costs have increased; on the other hand, 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.). The overall results (key indicators), including the new cost per budgetary unit, are provided at the end of this section (D.).

### A. The impact of the COVID-19 pandemic on envisaged SC meetings and the format in which they should be held

#### 1. The original plans

- 3 This draft Budget is based on the comprehensive work programme mandated by the Council on General Affairs and Policy (CGAP), including in relation to SC meetings. For FY 2021-2022, CGAP had mandated the PB to organise two SC meetings: one SC meeting on the practical operation of the *Apostille* Convention, to be held in conjunction with the 12<sup>th</sup> edition of the International Forum on the e-APP (these meetings are currently scheduled for 5-8 October 2021, coinciding with the 60<sup>th</sup> anniversary of the *Apostille* Convention),<sup>1</sup> and another SC meeting on the practical operation of the *Adults* Convention, to be held in May / June 2022.<sup>2</sup> These SC meetings were planned to follow two other SC meetings to be held in the current FY 2019-2020: one SC meeting on the practical operation of the *Adoption* Convention, and another SC meeting on the practical operation of the *Child Support* Convention and its Protocol; both these SC meetings were planned to take place in June 2021.

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<sup>1</sup> See CGAP 2019, C&R 35 and 36; CGAP 2020, C&D 32.

<sup>2</sup> See CGAP 2019, C&R 34; CGAP 2020, C&D 31.

## 2. The impact of the ongoing uncertainty

- 4 However, these original plans are severely affected by the ongoing COVID-19 pandemic and the resulting uncertainty. It is impossible to foresee the end of the pandemic and the point in time in which regular operations, including travel for professional reasons, may be resumed at the global level. At the time of preparing this draft Budget, it is *not possible to ascertain whether any of the SC meetings planned for 2021 may indeed be held*, and if so, in what *format* they should be held, *i.e.*, in a *hybrid* format with both in-person and online participation or in an *online-only* format without any in-person participation (see below paras 6 and 7). Also, if either or both of the SC meetings planned for June 2021 need to be deferred, the impact on the plans for FY 2021-2022 need to be assessed carefully.
- 5 It is neither for the PB nor the Standing Committee (StC) to decide whether or not to go ahead with these original plans in the current pandemic. Rather, it is the SG's intention to put this matter to CGAP at its March 2021 meeting so that the HCCH Members may discuss, and, if possible, decide *which* SC meeting to hold *when* and in *what format*; it will then be for CDR in May 2021 to decide on the financial implications of these plans.
- 6 Since the beginning of the COVID-19 pandemic, meetings have mainly been held online. At the HCCH, since CGAP 2020 (which was held in a hybrid format, with the vast majority of participants attending in person, and some participants joining online), all meetings of Experts' Groups (EG) and Working Groups (WG) were held in an online-only format. Even the CDR meeting 2020 was held exclusively online. The experience with the online format of these meetings has been positive (despite the challenges of organising sessions across multiple time-zones). The PB thus is of the view that the possibility of attending HCCH meetings online should be preserved; given the positive experience over the last year, participants may even have an expectation to be able to attend HCCH meetings online. As no travel costs are incurred, online participation enables more people to take part in meetings, which in turn strengthens the HCCH's inclusiveness and universality.<sup>3</sup> This is not to say that *all* HCCH meetings should be held *exclusively* online (*i.e.*, in an online-only format) – again, this is a matter for Members to decide, but the PB is of the view that SC meetings in particular, whether on the practical operation of an existing Convention or on an ongoing legislative project, greatly benefit from in-person participation and thus, save in exceptional circumstances, should not be held online-only.
- 7 If online participation in HCCH meetings is indeed contemplated, the budgetary implications need to be considered. They vary depending on which form of online participation is offered. For “online-only” meetings at the PB (*e.g.*, meetings of EGs and WGs or of the StC), there are no extra video-conference costs per meeting as the PB uses its video-conference system and the related licenses are paid for on an annual basis. Similarly, for online-only CGAP and CDR meetings, the PB's video-conference can be used; however, for these meetings costs for simultaneous interpretation and other personnel costs need to be taken into account.<sup>4</sup> “Hybrid” meetings (which allow for both in-person and online participation) are more expensive if held off-site (*i.e.*, not at the PB), as in addition to the rent of the venue (Hague Academy<sup>5</sup>), an external video-conferencing system needs to be hired and operated; also, if a professional crew is hired to operate a moveable camera so that

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<sup>3</sup> See Strategic Priority 3 of the [HCCH Strategic Plan 2021-2022](#).

<sup>4</sup> It is worthwhile noting that the [International Association of Conference Interpreters](#) recommends a 25% top-up for online interpretation; for CGAP 2021, the PB managed to negotiate with its interpreters that this substantial increase *not* be applied.

<sup>5</sup> The PB wishes to recall that it has recently conducted a comprehensive and time-consuming research to find possible alternative venues in The Hague and its wider surrounding. As indicated, based on this extensive research, the PB has concluded that the Hague Academy remains the best possible, and indeed most advantageous, venue for the HCCH to use for its larger (off-site) meetings. The PB may have to look again for another venue for the second half 2022 when the Hague Academy room may no longer be available due to the renovations of the Peace Palace and the International Court of Justice's intention to use the Hague Academy building for its hearings and other meetings.

speakers on the floor may be spotlighted for the benefit of those participating online, additional costs are incurred. This type of hybrid meetings, held with the support of a professional crew, are referred to in this draft Budget as the “full hybrid” format (this is the hybrid model used by other Intergovernmental Organisations for their governing meetings, including UNCITRAL and UNIDROIT, as well as the ICC and the OPCW here in The Hague). This contrasts with the “basic hybrid” format, in which no professional crew is hired and thus no spotlighting is possible; online participants only see the large view of the meeting room but do not have the benefit of seeing the actual speaker in close-up mode (this basic hybrid format was used for the CGAP meeting in 2020).<sup>6</sup>

- 8 With a view to enabling Members to take informed decisions on how best to go about upcoming SC meetings, this draft Budget provides *various scenarios* for these meetings and details their *budgetary implications* (see also the overview provided in Annex I). These scenarios are based on the following premises. First, with the current resources at its disposal, it is *not possible for the PB to organise more than three SC meetings in one FY*. Thus, if both SC meetings envisaged for June 2021 are to be postponed because of the pandemic, there necessarily is a knock-on effect on other meetings that can be held during FY 2021-2022. Secondly, should one or indeed both of the SC meetings planned for June 2021 need to be postponed, the budgetary models reflected in this draft are based on the assumption that CDR would decide, upon CGAP’s recommendation, that the *funds allocated for these SC meetings in the budget for the current FY be transferred to the Budget for FY 2021-2022* (as was the case for the first postponement of the SC meeting on the practical operation of the Child Support Convention from the previous FY to the current FY). Thirdly, and without prejudging the Members’ decision on this point, the PB is of the view that if only *one* of the SC meetings envisaged for June 2021 is to be postponed, it should be the SC on the practical operation of the *Child Support Convention*, as no such SC meeting has been held on this Convention until now and that in-person discussions are more likely to allow for an open and effective dialogue and exchange of expertise (incl. through side-discussions), and to foster the network of operators of this Convention (this contrasts with the Adoption Convention, for which six SC meetings have already been held).

### 3. A basic scenario and three variants

#### a. Basic scenario

- 9 The *basic scenario* (only) covers CGAP’s original mandate to organise SC meetings on the practical operation of the *Apostille* and *Adults* Conventions; thus, under this scenario, both the SC meetings on the Adoption and Child Support Conventions scheduled for June 2021 would indeed take place as originally planned.<sup>7</sup> The total costs (incl. moving costs and breakdown time, rent of the Hague Academy room under the new fee structure, simultaneous interpretation, personnel and costs for online participation) for a 2.5-day SC meeting on the *Apostille* Convention, and the combined 1-day International Forum on the e-APP, amount to € 86,200 for a meeting in “full hybrid” mode, € 68,200 for a meeting in “basic hybrid” mode, and € 44,200 for a meeting in “online-only” mode. The relevant costs for a 3-day SC meeting on the *Adults* Convention are € 73,600 (full hybrid), € 55,600 (basic hybrid) and € 39,800 (online-only) respectively.

#### b. Variant 1 (reflected in the actual draft Budget)

- 10 Should the 3-day SC meeting on the Child Support Convention, originally envisaged for June 2021, have to be postponed and take place in FY 2021-2022, the relevant costs to be covered by this

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<sup>6</sup> While in a basic hybrid format, online participants do not benefit from spotlighting and from the support of a professional crew providing the live coverage from the meeting room, there is no other major disadvantage; in particular, even in a basic hybrid format, online participants may listen to the full discussion of the meeting and intervene orally.

<sup>7</sup> Whether these latter two SC meetings would be held in full hybrid, basic hybrid, or online-only format would be for CGAP to discuss and, if possible, decide at its March 2021 meeting.

Budget would amount to € 16,900 (full hybrid), - € 1,100 (basic hybrid) and € 2,500 (online-only) respectively,<sup>8</sup> based on the understanding that € 37,300 allocated for this meeting in the Budget for the current FY 2020-2021 would be transferred to the Budget for FY 2021-2022 (Art. 18b), upon a decision taken by CDR at its May 2021 meeting (the *total* costs for this meeting thus are € 54,200, € 36,200, or € 39,800, depending on its format). Under this Variant, the original plans for the SC meetings on the *Apostille* and *Adults* Conventions would be maintained; thus, there would be three SC meetings held during FY 2021-2022.

- 11 *Importantly, the actual draft Budget provided under III. is based on Variant 1, with the SC meetings on the Apostille, Adults and Child Support Conventions all being held in a full hybrid format. At this stage, it does not seem likely that both SC meetings envisaged for June 2021 may go ahead as planned. If one of the SC meetings originally planned for June 2021 can be held, it is more likely to be the one on the Adoption Convention, as it seems more likely that, if needed, this meeting could be held in an online-only format (as opposed to the SC meeting on the Child Support Convention, which in the PB's view should only be held if there is a meaningful in-person presence, see para. 8 in fine).*

**c. Variant 2**

- 12 Should both the SC on the Child Support Convention *and* the SC meeting on the Adoption Convention be postponed, the PB strongly recommends delaying the SC meeting on the *Adults* Convention from FY 2021-2022 to FY 2022-2023. As mentioned, in addition to significant budgetary concerns relating to four SC meetings in one FY, the PB does not have the human resources to undertake four SC meetings in one year. Thus, under Variant 2, there would be SC meetings on the *Apostille*, *Child Support* and *Adoption Conventions* during FY 2021-2022. For the latter meeting, the total costs to be covered by this Budget would amount to € 22,100 (full hybrid), € 4,100 (basic hybrid) and - € 24,100 (online only) respectively, based on the understanding that € 68,300 allocated for this meeting in the Budget for the current FY would be transferred to the Budget for FY 2021-2022 (Art. 18b),<sup>9</sup> upon a decision taken by CDR at its May 2021 meeting (the *total* costs for this meeting thus are € 90,400, € 72,400, or € 44,200, depending on its format).

**d. Variant 3**

- 13 Under this Variant, the SC meeting on the *Child Support* Convention would be postponed from June 2021 to FY 2021-2022; in addition, both the SC meeting on the *Adoption* Convention *and* the SC meeting on the *Adults* Convention would be postponed to FY 2022-2023. This would (also) enable the PB team working on both the Adoption Convention and the PISA legislative project to have more time to prepare the relevant meetings and reports. Under this Variant 3, the SC meeting on the Adoption Convention would be held relatively soon after the beginning of the FY 2022-2023 and thus would not take place much later than if held in FY 2021-2022.
- 14 Thus, under Variant 3, only the SC meetings on the *Apostille* and the *Child Support* Conventions would take place during FY 2021-2022. The costs of these two meetings would be the same as under Variant 1 (assuming a transfer of € 37,300 allocated for the SC meeting on the Child Support Convention from FY 2020-2021 to FY 2021-2022). Variant 3 is the *cheapest* of all the scenarios

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<sup>8</sup> At first sight, it might be surprising that it would be cheaper to hold this meeting in a basic hybrid format in the Hague Academy building, as opposed to hold it in an online-only format. This is because in this particular case the rent of the Academy Building would be cheaper (approx. € 16,000 based on the old fees) than the € 20,000 needed for the online-only format, which requires significant set-up costs of temporary equipment at the PB to allow for simultaneous interpretation (with all interpreters physically present at the PB).

<sup>9</sup> In this case, the fact that the Hague Academy building would not have to be rented, would more than outweigh the set-up costs at the PB for an online-only meeting.

detailed in this draft Budget and would lead to the smallest increase of the overall Budget for FY 2021-2022 (see Annex I).

#### e. Other Variants

15 The SG is aware that many more variants could be considered. For example, CGAP could reach the conclusion that *no SC meeting at all* can reasonably be held with a meaningful and representative in-person attendance during the entire next FY. As regards the *Apostille Convention*, all that might be possible to envisage for October 2021 is a *special online event* to mark the anniversary of the Convention. It could also be envisaged that only one (or possibly more) SC meeting(s) take place and be held in an online-only format. At the time of preparing this draft Budget, it is simply not possible to advise or imply what the best or most likely plan for upcoming SC meetings may be. Also, with its current resources, it is not possible for the PB to submit detailed Budgets for more Variants than the ones included in this first draft. The SG looks forward to discussing plans for upcoming SC meetings at CGAP in March 2021.

#### f. CGAP and CDR meetings 2022

16 In the basic scenario, and indeed in any of the variants described above, both the CGAP and CDR meetings for 2022 are budgeted to be held in *basic hybrid* format. The costs for these meetings amount to € 72,600 and € 14,150 respectively.

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

17 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.

18 This draft Budget gives effect to Brazil's reclassification. In doing so, approximately € 67,000 that would have previously been part of Brazil's contribution to the HCCH Budgets needs to be redistributed among all HCCH Members. 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

19 In addition to the increases 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 9 Representation (incl. for international meetings):	+€ 2,000
▪ Article 15 Retirement or survivors' pensions :	+ € 23,900

20 The total of these other increases amount to € 153,400.

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<sup>10</sup> As regards Brazil's share of *accrued unfunded pension liabilities*, see para. 113.



## 2. Reserve Funds & Revolving Fund

- 21 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 II. 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.
- 22 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. 26). This will be included in the SG's formal proposal to CDR in this regard.

## 3. Cuts and economies

- 23 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 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:

▪ Article 1g External support (operational / legal):	- € 24,800
▪ 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:	- € 3,000
▪ Article 13 On-site meetings (PB):	- € 4,800
▪ Article 14a Supplies, refreshments and facilitation costs:	- € 500
▪ Article 14b Travel consultants and external experts:	- € 1,900

- 24 The total of these cuts and economies amount to € 46,500.

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

- 25 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.
- 26 As mentioned (para. 22), 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 2019-2020 (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.

27 As explained (para. 8), 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, based on *Variant 1*, this amount is € 37,300.

## 5. Reimbursement iSupport

28 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

29 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 two additional units as a result of Nicaragua becoming a Member of the HCCH on 21 October 2020, and Namibia becoming a Member on 19 January 2021 (each contributing one unit to the Budget under the UPU system). Thirdly, it also includes three additional units in anticipation of Thailand becoming a Member prior to the end of the current FY.

30 While the PB is in contact with other admitted States regarding the completion of their membership process, at the time of preparing this draft Budget 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 next draft or the final version of the Budget for FY 2021-2022.

31 As a result of these developments, 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

32 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, based on *Variant 1* (and holding the envisaged SC meetings in *full* hybrid format, see paras 10-11), as well as the CGAP and CDR meetings in *basic* hybrid format (see para. 16), are:

- Operation of the PB and International Meetings: increase of € 208,750 or 5.89%;
- Total expenses of the Budget (Operation of the PB, International Meetings plus Present and Future Pension Liabilities): increase of € 232,650 or 5.70%;
- Total Budget: increase of € 232,650 or 5.44%;
- Total assessed contribution of the Member States: increase of € 197,650 or 4.78%;
- Value of the Member States’ assessed contributions per budgetary unit: increase of € 366.19 or **5.31%**.

33 For the increases per budgetary unit under the *basic scenario* and *Variants 2 and 3*, see Annex I.

34 Despite the challenging circumstances explained above (under II.), which are beyond the PB’s control, 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.

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<sup>11</sup> As regards Georgia’s share of *accrued unfunded pension liabilities*, see para. 113.

### III. The draft Budget for FY 2021-2022 (based on Variant 1)

		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 other Articles)	-	-
1f	ISRP administration	6,500.00	6,500.00
1g	External support (operational / legal)	108,000.00	83,200.00
		<u>2,695,000.00</u>	<u>2,792,700.00</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	62,000.00
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	20,000.00
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>3,434,400.00</b>

		<b>Budget Financial Year</b>	<b>Budget Financial Year</b>
		<b>1 July 2020-30 June 2021 (FY 66)</b>	<b>1 July 2021-30 June 2022 (FY 67)</b>
<b>MEETINGS</b>			

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	150,200.00
12e	Interpretation (English and French)	23,300.00	38,900.00
12f	Additional personnel / moving	17,000.00	24,900.00
		100,900.00	214,000.00
	<i>subtotal</i>	185,000.00	300,750.00
Art 13	On-site meetings (PB) - incl. additional personnel	8,400.00	3,600.00
Art 14	Other costs relating to HCCH meetings		
14a	Supplies, refreshments and facilitation costs	10,300.00	9,800.00
14b	Travel consultants and external experts	5,500.00	3,600.00
		15,800.00	13,400.00
	<b>SUBTOTAL</b>	<b>209,200.00</b>	<b>317,750.00</b>

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

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>4,313,250.00</b>

		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	4,330,344.00
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 20-2	37,300.00	37,300.00
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>4,510,644.00</b>

<b>VOLUNTARY CONTRIBUTIONS (V.C.)</b>			
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>		-	-
<b>TOTAL BUDGET</b>		<b>4,277,994.00</b>	<b>4,510,644.00</b>

<b>ACCRUED UNFUNDED PENSION LIABILITIES</b>			
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

#### 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 € 4,330,344 (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), € 2,262,246, 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 € 2,459,640. The total per unit is € 7,261.08 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): € 1,870,704 to be divided by 279.5 units = € 6,693.04 per unit.

The increase per unit is **5.31%** or **€ 366.19** 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	6,693.04	7,261.08
ARGENTINA	3	1,704.12	20,079.11	21,783.23
AUSTRALIA	20	11,360.81	133,860.72	145,221.53
AUSTRIA	5	2,840.20	33,465.18	36,305.38
BELARUS	1	568.04	6,693.04	7,261.08
BOSNIA AND HERZEGOVINA	1	568.04	6,693.04	7,261.08
BRAZIL*	10	11,360.81	66,930.36	78,291.17
BULGARIA	3	1,704.12	20,079.11	21,783.23
CHILE	3	1,704.12	20,079.11	21,783.23
CYPRUS	1	568.04	6,693.04	7,261.08
CZECH REPUBLIC	5	2,840.20	33,465.18	36,305.38
ECUADOR	1	568.04	6,693.04	7,261.08
EGYPT	5	2,840.20	33,465.18	36,305.38
ESTONIA	1	568.04	6,693.04	7,261.08
FRANCE	33	18,745.33	220,870.19	239,615.52
FYR OF MACEDONIA	1	568.04	6,693.04	7,261.08
GEORGIA **	1	284.02	6,693.04	6,977.06
GREECE	3	1,704.12	20,079.11	21,783.23
HUNGARY	5	2,840.20	33,465.18	36,305.38
INDIA	20	11,360.81	133,860.72	145,221.53
ISRAEL	3	1,704.12	20,079.11	21,783.23
JAPAN	33	18,745.33	220,870.19	239,615.52
JORDAN	1	568.04	6,693.04	7,261.08
LATVIA	1	568.04	6,693.04	7,261.08
LUXEMBOURG	3	1,704.12	20,079.11	21,783.23
MALAYSIA	3	1,704.12	20,079.11	21,783.23
MONTENEGRO	1	568.04	6,693.04	7,261.08
MOROCCO	5	2,840.20	33,465.18	36,305.38
NEW ZEALAND	5	2,840.20	33,465.18	36,305.38
NORWAY	10	5,680.40	66,930.36	72,610.76
PERU	1	568.04	6,693.04	7,261.08
POLAND	5	2,840.20	33,465.18	36,305.38
REPUBLIC OF KOREA	15	8,520.60	100,395.54	108,916.14
RUSSIAN FEDERATION	15	8,520.60	100,395.54	108,916.14
SERBIA	1	568.04	6,693.04	7,261.08
SLOVENIA	1	568.04	6,693.04	7,261.08
SOUTH AFRICA	10	5,680.40	66,930.36	72,610.76
SPAIN	25	14,201.01	167,325.90	181,526.91
SURINAME	1	568.04	6,693.04	7,261.08
SWEDEN	15	8,520.60	100,395.54	108,916.14
SWITZERLAND	15	8,520.60	100,395.54	108,916.14
TURKEY	5	2,840.20	33,465.18	36,305.38
UKRAINE	5	2,840.20	33,465.18	36,305.38
UNITED STATES OF AMERICA	33	18,745.33	220,870.19	239,615.52
URUGUAY	3	1,704.12	20,079.11	21,783.23
		197,393.99	2,262,246.17	2,459,640.16
<i>rounding differences</i>		0.01	(0.17)	(0.16)
<b>Total taken into account for Financial Year FY 67</b>	<b>338.0</b>	<b>197,394.00</b>	<b>2,262,246.00</b>	<b>2,459,640.00</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	6,693.04
ARMENIA	1	6,693.04
AZERBAIJAN	1	6,693.04
BELGIUM	15	100,395.54
BURKINA FASO	0.5	3,346.52
CANADA	33	220,870.19
CHINA	25	167,325.90
COSTA RICA	1	6,693.04
CROATIA	1	6,693.04
DENMARK	10	66,930.36
DOMINICAN REPUBLIC	1	6,693.04
FINLAND	10	66,930.36
GERMANY	33	220,870.19
ICELAND	1	6,693.04
IRELAND	5	33,465.18
ITALY	25	167,325.90
KAZAKHSTAN	1	6,693.04
LITHUANIA	1	6,693.04
MALTA	1	6,693.04
MAURITIUS	1	6,693.04
MEXICO	10	66,930.36
MOLDOVA	1	6,693.04
MONACO	1	6,693.04
NAMIBIA	1	6,693.04
NETHERLANDS	15	100,395.54
NICARAGUA	1	6,693.04
PANAMA	1	6,693.04
PARAGUAY	1	6,693.04
PHILIPPINES	1	6,693.04
PORTUGAL	5	33,465.18
ROMANIA	3	20,079.11
SAUDI ARABIA	20	133,860.72
SINGAPORE	1	6,693.04
SLOVAK REPUBLIC	3	20,079.11
SRI LANKA	3	20,079.11
THAILAND *	3	20,079.11
TUNISIA	5	33,465.18
UNITED KINGDOM	33	220,870.19
UZBEKISTAN	1	6,693.04
VENEZUELA	1	6,693.04
VIET NAM	1	6,693.04
ZAMBIA	1	6,693.04
		1,870,703.56
<i>rounding differences</i>		<i>0.44</i>
<b>Total taken into account for Financial Year 67</b>	<b>279.5</b>	<b>1,870,704.00</b>

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

\* Thailand is expected to become a Member prior to the end of the current Financial Year. Its contribution is already projected in this draft Budget.

## IV. Comments on Articles of the draft Budget for FY 2021-2022

### A. Expenses

#### 1. Operation of the Permanent Bureau

##### a. Article 1 Personnel

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

35 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.

36 The total personnel costs, including pension liabilities and related administration costs, amount to 78.73% 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 59.92% of the total Budget.<sup>13</sup>

37 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**

38 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>

39 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**

40 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.



41 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**

42 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)**

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

44 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.

45 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.

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

**Article 1f, ISRP administration**

47 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)**

48 This article decreases by € 24,800. 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).

49 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).

50 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. 10% of the total article.

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

51 As per 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 to project the evolution of rent and services costs of the premises of the PB.<sup>16</sup> 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. While the official inflation rate is currently below 2% in the Netherlands,<sup>17</sup> but noting that in previous years the actual inflation rate remained approximately 2%, the SG is of the view that it is reasonable to apply a 2% rate for expense planning as estimated and recommended by the Netherlands Bank.<sup>18</sup> Costs can remain neutral in some articles despite inflation projections because expenses are expected to be slightly lower in FY 2021-2022.

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

52 This article remains unchanged. It covers costs for rent of the PB premises at Churchillplein 6b. While keeping with the NPV presented to the Members in 2014, these figures reflect current expenses plus an estimated 2% inflation rate.

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

53 This article remains unchanged. While keeping with the NPV presented to the Members in 2014, these figures reflect current expenses plus an estimated 2% inflation rate.

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

54 This article decreases by € 1,500 to reflect current expenses, while still including an estimated 2% inflation rate. This budget line includes fire, theft, goods and equipment, liability and travel insurance for the Organisation.

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

55 This article remains unchanged. It reflects current expenses plus an estimated 2% inflation rate. It covers cleaning costs for the office.

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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**

56 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**

57 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**

58 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**

59 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**

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

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

61 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)**

62 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**

63 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.

64 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 in order to meet this target (see Annex II); 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**

65 This article remains unchanged. This budget line reflects the lease contract plus an estimated 2% inflation rate, as stated in paragraph 51 above. It covers all costs to lease copiers and printers for the PB, as well as costs for supplies for these machines needed for special publications.

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

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

**Article 4c, Fund Recueil**

67 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 II). This proposal remains subject to CDR approval at its May 2021 meeting.

**e. Article 5 Library**

**Article 5a, Subscriptions**

68 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**

69 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**

70 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**

71 For exceptional reasons linked to COVID-19, this article decreases again for FY 2021-2022 by € 3,000 (since the FY 2019-2020, this line has decreased by € 14,500). 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.

- 72 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***

- 73 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***

- 74 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)***

- 75 This article increases by € 2,000. This increase is necessary in anticipation of 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. Some basic expenses are expected to increase as a result of services and suppliers raising prices due to COVID-19. This article also 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***

- 76 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. 28).<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**

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

**2. Meetings**

78 As mentioned above (paras 3 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. At this stage, it is uncertain whether or not meetings will take place at all, and, if they do, in what format they will be held. This draft Budget thus provides meetings costs for several possible variants (see paras 9 et seq.). These plans will have to be discussed, and, if possible, decided by CGAP at its March 2021 meeting. For the purposes of the actual draft Budget included in this document (under III.), the relevant meeting costs are based on CGAP and CDR meetings held in *basic* hybrid format, and three SC meetings on the practical operation of the *Apostille*, *Adults*, and *Child Support* Conventions respectively, all held in *full* hybrid format (*Variant 1*, see para. 32).

79 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 if CGAP decides to move the SC meeting on the Child Support Convention to FY 2021-2022, the cheaper rental fees that would have applied when the meeting was originally planned can still apply. As explained in paragraph 10, if this meeting is postponed 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 taken by CDR at its May 2021 meeting.

80 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 (€ 150 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)**

81 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 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 2021 meetings of CGAP and CDR.

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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.

82 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).

83 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)**

84 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 (see, however, also fn. 4).

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

85 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)**

86 This article increases by € 89,600 to take into account plans for three SCs, as explained in paragraphs 9 to 11.

87 This budget line covers the rent, under the new fee structure, of the large meeting room, the interpretation and other equipment, booths, workspaces for staff, two additional meeting rooms, costs for setting-up and dismantling the conference room and the Secretariat, and costs for full hybrid video-conference facilities for a 2.5-day SC meeting on the *Apostille* Convention combined with a 1-day International Forum on the e-APP (€ 62,000), a 3-day SC meeting on the *Adults* Convention (€ 53,800), and a 3-day SC meeting on the *Child Support* Convention (and Protocol) (€ 34,400)

88 As explained in paragraphs 10 and 79, should CGAP decide to move the SC meeting on the Child Support Convention from June 2021 to FY 2021-2022, its costs would be offset by transferring the € 37,300 allocated for this meeting in the Budget for the current FY 2020-2021 to the Budget for FY 2021-2022 (Art. 18b), upon a decision taken by CDR at its May 2021 meeting.

89 The PB will continue to strictly assess the use of any extra meeting spaces during these meetings for use only when absolutely necessary.

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

90 This article increases by € 15,600. This budget line covers interpretation costs for a 2.5-day SC meeting on the *Apostille* Convention combined with a 1-day International Forum on the e-APP, a 3-day SC meeting on the *Adults* Convention, 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 (see however also fn. 4).

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

91 This article increases by € 7,900. 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)**

92 This article decreases by € 4,800. These costs mainly cover overtime expenses of some administrative staff members of the PB during meetings of Working / Experts' Groups. As stated in paragraph 80, 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 € 150 per day.

93 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, refreshments and facilitation costs**

94 This article decreases by € 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 (incl. seminars). Additionally, during meetings and other events light working lunches and small preparatory working dinners are sometimes covered through this budget line (only related to costs that may arise during HCCH meetings and events).

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

95 This article decreases by € 1,900. 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 survivor's pensions**

96 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.

97 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.

98 Currently the HCCH has seven pensioners (all under the COPS). This will increase to nine as of July 2021.

99 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).

100 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.

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

101 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**

102 This article increases by € 197,650. 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 4.78% 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 115 *et seq.*), and then listed in *Overview I* and *Overview II*, respectively.

103 This article gives effect to Brazil's reclassification under the UPU system (10 units instead of the previous 20 units, see paras 17 and 18); 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, two additional units are included as a result of Nicaragua's and Namibia's new membership (one unit each). Finally, three additional units are included in anticipation of Thailand becoming a Member prior to the end of the current FY.

104 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). Based on Variant 1 for upcoming SC meetings, the increase per unit amounts to € 366.19 or 5.31%.

**2. Article 18 Use of reserves**

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

105 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>

106 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**

107 Based on *Variant 1*, this article amounts to € 37,300. As explained in paragraphs 10, 79 and 88, it is included to offset (partially) costs for having the SC meeting on the Child Support Convention

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<sup>20</sup> As regards Brazil's and Georgia's shares of *accrued unfunded pension liabilities*, see para. 113.

<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).

in FY 2021-2022 instead of in June 2021. As proposed, 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.

### **3. Article 19 Contribution of Member Organisation**

108 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.

109 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**

110 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**

111 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**

112 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).

113 Importantly, Brazil’s and Georgia’s reclassifications under the UPU system (see para. 103) 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 units. 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.

114 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

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

by all Member States. The total of Article 22 (€ 197,394) added to the total of *Expenses* (€ 4,313,250), equals the total Budget / total revenues at the end of *Revenues* (€ 4,510,644).

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

115 The following provides a brief explanation on the two schemes applied to the calculation of Member States' contributions.

116 **Overview I** lists the total (incl. the accrued unfunded liabilities mentioned in para. 112) 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), € 2,262,246, 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 € 2,459,640. The total per unit is € 7,261.08 (with the exception of Brazil and Georgia).

117 **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, € 1,870,704, is to be divided by 279.5 units = € 6,693.04 per unit.

118 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.

## **ANNEXES**

## Annex I – Scenarios for SC meetings and their budgetary impact

Scenario <i>(in addition to CGAP &amp; CDR meetings in <u>basic</u> hybrid format)</i>	Full Hybrid		Basic Hybrid		Online Only	
	Costs SC meeting (€) <i>(incl. simultaneous interpretation)</i>	% increase per unit <i>(total budget, incl. reclassification BRZ &amp; GEO, and use of € 95k operational surplus, and transfer to Art. 18b where applicable)</i>	Costs SC meeting (€) <i>(incl. simultaneous interpretation)</i>	% increase per unit <i>(total budget, incl. reclassification BRZ &amp; GEO, and use of € 95k operational surplus, and transfer to Art. 18b where applicable)</i>	Costs SC meeting (€) <i>(incl. simultaneous interpretation)</i>	% increase per unit <i>(total budget, incl. reclassification BRZ &amp; GEO, and use of € 95k operational surplus, and transfer to Art. 18b where applicable)</i>
<b>Basic (reflecting mandate CGAP)</b>						
SC Apostille (incl. e-APP Forum)	86,200	4.04	68,200	3.19	44,200	2.26
SC Adults	73,600		55,600		39,800	
<b>Total</b>	159,800		123,800		84,000	
<b>Variant 1 (“Basic adjusted” – basis for Draft 1 of Budget)</b>						
SC Apostille (incl. e-APP Forum)	86,200	5.31	68,200	4.04	44,200	3.19
SC Adults	73,600		55,600		39,800	
SC Child Support <i>(with transfer of funds from FY 2020-2021)</i>	54,200*		36,200**		39.800***	
<b>Total</b>	214,000		160,000		123,800	
<b>Variant 2 (to consider possible need to postpone SC meetings planned for June 2021; max of 3 SC per FY; SC Adults in FY 2022-2023)</b>						
SC Apostille (incl. e-APP Forum)	86,200	5.71	68,200	4.44	44,200	3.30
SC Child Support <i>(with transfer of funds from FY 2020-2021)</i>	54,200*		36,200**		39,800***	
SC Adoption <i>(with transfer of</i>	90,400+		72,400**		44,200***	

Scenario <i>(in addition to CGAP &amp; CDR meetings in <u>basic</u> hybrid format)</i>	Full Hybrid		Basic Hybrid		Online Only	
	Costs SC meeting (€) <i>(incl. simultaneous interpretation)</i>	% increase per unit <i>(total budget, incl. reclassification BRZ &amp; GEO, and use of € 95k operational surplus, and transfer to Art. 18b where applicable)</i>	Costs SC meeting (€) <i>(incl. simultaneous interpretation)</i>	% increase per unit <i>(total budget, incl. reclassification BRZ &amp; GEO, and use of € 95k operational surplus, and transfer to Art. 18b where applicable)</i>	Costs SC meeting (€) <i>(incl. simultaneous interpretation)</i>	% increase per unit <i>(total budget, incl. reclassification BRZ &amp; GEO, and use of € 95k operational surplus, and transfer to Art. 18b where applicable)</i>
<i>funds from FY 2020-2021)</i>						
<b>Total</b>	230,800		176,800		128,200	
<b>Variant 3 (to consider possible need to postpone SC meetings planned for June 2021; SCs Adoption and Adults in FY 2022-2023)</b>						
SC Apostille <i>(incl. e-APP Forum)</i>	86,200		68,200		44,200	
SC Child Support <i>(with transfer of funds from FY 2020-2021)</i>	54,200*		36,200**		39,800***	
<b>Total</b>	140,400	3.58	104,400	2.74	84,000	2.26

\* To cover these costs, it is envisaged that € 37,300 previously allocated for this meeting in the current FY (2020-2021) would be transferred to Art. 18b in the Budget for FY 2021-2022, meaning that the actual expenses for this budget would amount to € 16,900.

\*\* To cover these costs, it is envisaged that € 37,300 previously allocated for this meeting in the current FY (2020-2021) would be transferred to Art. 18b in the Budget for FY 2021-2022, meaning that the actual expenses for this budget would amount to -€ 1,100.

\*\*\* To cover these costs, it is envisaged that € 37,300 previously allocated for this meeting in the current FY (2020-2021) would be transferred to Art. 18b in the Budget for FY 2021-2022, meaning that the actual expenses for this budget would amount to € 2,500.

+ To cover these costs, it is envisaged that € 68,300 previously allocated for this meeting in the current FY (2020-2021) would be transferred to Art. 18b in the Budget for FY 2021-2022, meaning that the actual expenses for this budget would amount to € 22,100.

++ To cover these costs, it is envisaged that € 68,300 previously allocated for this meeting in the current FY (2020-2021) would be transferred to Art. 18b in the Budget for FY 2021-2022, meaning that the actual expenses for this budget would amount to € 4,100.

+++ To cover these costs, it is envisaged that € 68,300 previously allocated for this meeting in the current FY (2020-2021) would be transferred to Art. 18b in the Budget for FY 2021-2022, meaning that the actual expenses for this budget would amount to -€ 24,100.

In *Variant 1* the total amount to be transferred to Art. 18b would be € 37,300.

In *Variant 2* the total amount the total amount to be transferred to Art. 18b would be € 105,600.

## Annex II – 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.