

Title	Draft Budget (1) and Explanatory Notes for Financial Year 1 July 2022 – 30 June 2023 (FY 68)
Document	N/A
Author	SG/PB
Agenda Item	Item 1
Mandate(s)	Article 5(1) of the 2016 Regulations on Financial Matters and Budgetary Practices of the HCCH (Fin. Regs)
Objective	To present the Standing Committee of CDR with a draft Budget for FY 2022-2023, projecting 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)
Action to be Taken	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"/>
Annex	Annex I: Fund Overview and Projections
Related Documents	N/A

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Draft Budget (1) and Explanatory Notes for Financial Year 1 July 2022 – 30 June 2023 (FY 68)

I. Introduction

- 1 This draft Budget for Financial Year (FY) 2022-2023 is presented in three parts: the first part describes the general, challenging *background* against which this draft Budget has been prepared (II.); the second part contains the *actual draft Budget for FY 2022-2023*, allowing a comparison of expenditures and revenues with those of the previous FY (see Art. 5(4), first sentence, 2016 Fin. Regs), and providing an overview of Member States' assessed contributions (III.); the third part provides *short comments on each budget article* which explain the reasons for any proposed increase or decrease in expenditures and / or revenues (see Art. 5(4), second sentence, Fin. Regs) (IV.). Finally, Annex I provides an overview of the five existing *reserve funds*.

II. A challenging background

- 2 Preparing a draft Budget for FY 2022-2023 has been challenging for three main reasons. First, the significantly higher costs for Special Commission (SC) meetings at the Hague Academy resulting from the work programme established by the Council on General Affairs and Policy (CGAP), which includes three such SC meetings in the FY 2022-2023 (A.). Secondly, the inclusion of one new, part-time, staff position in the Budget to allow for a distinct HR role that is not combined with other operational functions to ensure the neutrality of this role (B.1.). Thirdly, the transferring of one position related to the iSupport project to the Budget, as this staff member will soon be reaching the maximum number of years allowed for fixed-term positions under the Staff Rules of the HCCH; this transfer is necessary to ensure continuing progress of this work, while at the same time allowing for a broadening of the scope of responsibilities related to this position (B.2.). Furthermore, the lasting impact of the COVID-19 pandemic on possible meetings and operational spending during the next FY continues to make for challenging budgeting.
- 3 Given the challenging environment for States' budgets resulting from the pandemic, and while some operational costs have increased, again every effort has been made to minimise the budgetary impact of the necessary changes and adjustments. 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.3.). Importantly, it is suggested that the overall increases be partially covered by using an important part of the net operational surplus from FY 2020-2021 (€ 110,000, see C.4.), and by the reimbursement the HCCH receives from the EU Action Grant for iSupport (€ 80,000, see C.5). The overall results (key indicators), including the new cost per budgetary unit, are provided at the end of this section (E.).

A. Envisaged SC meetings and their format

1. The original plans

- 4 For FY 2022-2023, CGAP has mandated the PB to organise *three* SC meetings: a SC meeting on the practical operation of the *Adoption* Convention (provisionally postponed to July 2022, considering the exceptional circumstances associated with the COVID-19 pandemic and CGAP's preference for an in-person meeting),¹ a first SC meeting on the practical operation of the *Adults*

¹ See CGAP 2021, C&D No 23.

Convention (rescheduled for the second half of 2022),² and a SC meeting on the practical operation of the *Service, Evidence, and Access to Justice* Conventions (provisionally rescheduled for the first half of 2023).³

2. Costs of these plans and the impact of the ongoing uncertainty

- 5 These original plans come at a significant cost. The total costs for the three SC meetings envisaged by CGAP amount to € 213,300. The plans are also affected by the ongoing COVID-19 pandemic and the resulting uncertainty. It is difficult to foresee how the pandemic will affect meetings and their format, including the possibility for participants to travel. At the time of preparing this draft Budget, it is not possible to determine whether any of the SC meetings planned for 2022 may be held in person. Additionally, if any of the SC meetings planned for the current FY (FY 2021-2022) or for FY 2022-2023 need to be deferred, the impact on the plans for FY 2022-2023 and FY 2023-2024 need to be assessed carefully.
- 6 The SG intends to put the matter of the timing and format of (at least) the envisaged SC meetings on the *Child Support and Adoption* Conventions (planned for May and July 2022 respectively) to CGAP at its March 2022 meeting. Depending on the outcome of these discussions, the draft Budget may have to be adjusted. It is important to note that if CGAP 2022 decides to delay the SC on the practical operation of the *Child Support* Convention beyond the current FY 2021-2022, this decision should be made based on the assumption that CDR would decide, upon CGAP's recommendation, that the funds allocated for this SC meeting in the budget for the current FY be transferred to the Budget for FY 2022-2023 (as was previously done when this SC was postponed twice).
- 7 While in-person attendance of meetings remains preferable, certainly for some of the meetings, the PB is of the view that the possibility of (also) attending HCCH meetings online should be preserved in the future (*i.e.*, even beyond the current pandemic). Experience over the last two years has shown that the online format allows for a broader, more representative participation in meetings (despite the challenges of organising sessions across multiple time-zones).⁴ This strengthens the HCCH's inclusiveness and universality.⁵ The SG thus suggests that, where relevant, the costs for online participation in meetings be reflected in the yearly budget of the HCCH.
- 8 Budgetary implications for online participation at meetings vary depending on what form of participation is offered. For "online-only" meetings at the PB (e.g., meetings of EGs and WGs or of the Standing Committee (StC), there are no extra technical 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 CGAP and CDR meetings costs for simultaneous interpretation, technical support, and other personnel costs need to be taken into account.⁶ 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 costs

² See CGAP 2021, C&D No 27.

³ See CGAP 2021, C&D No 36.

⁴ It is recalled that CGAP 2020 was held in a hybrid format, with most participants attending in person, and some participants joining online. Since then, all meetings of Experts' Groups (EG) and Working Groups (WG) were held in an online-only format. The 2021 SC on the Apostille Convention, the 2021 CGAP meeting, and the 2020 and 2021 CDR meetings were also all held exclusively online. The 2022 CGAP meeting will also be held online.

⁵ See Strategic Priority 3 of the [HCCH Strategic Plan 2021-2022](#). It is the PB's view, however, that the hybrid format should only be used if those attending in-person represent a balanced and representative portion of the overall attendance, and if in-person participants do not gain any major advantage over those not being able to be present in-person.

⁶ It should be noted that the [International Association of Conference Interpreters](#) recommends a 25% top-up for online interpretation; so far, the PB managed to negotiate with its interpreters that this substantial increase *not* be applied.

related to the venue (Hague Academy⁷), an external video-conferencing system needs to be hired and operated by a technical service provider (chosen by the Carnegie Foundation).

3. Meetings reflected in the draft Budget

a. Special Commissions

- 9 This draft Budget intends to provide Members with comprehensive information on the costs for envisaged SC meetings. This will hopefully enable Members to take informed decisions at CGAP and eventually CDR. The starting point is to reflect the costs for the three SC meetings originally planned (Adoption, Adults and Service/Evidence/Access to Justice). As mentioned, the total costs of these meetings amount to € 213,300. These are the amounts reflected in the actual draft Budget (in part III.).
- 10 In order to reduce the significant impact of SC meeting costs on the Budget for FY 2022-2023, CGAP may wish to consider delaying one SC meeting till FY 2023-2024. For example, while the SC meetings on the practical operation of the *Adoption* and *Adults* Conventions could be held as envisaged in July 2022 and in September or November 2022, respectively, the SC meeting on the practical operation of the *Service, Evidence, and Access to Justice* Conventions could be delayed slightly from June to July 2023 (*i.e.*, to right after the beginning of the FY 2023-2024). In this case, the total costs of the SC meetings held during FY 2022-2023 would amount to € 136,000 (savings of € 77,300 or 36.24% of SC meeting costs).⁸

b. CGAP and CDR meetings 2023

- 11 The costs for an in-person CGAP meeting in the Hague Academy building in March 2023 amount to € 77,550. However, as a cost saving measure, and based on the positive experience made in the past two years, the meetings of the StC of the CDR, and CDR itself, are envisaged as online meetings (with online simultaneous interpretation provided for the CDR meeting). The total cost for CDR will thus be € 3,450. This is the amount reflected in the actual draft Budget (in part III.). If CDR were also held in-person at the Hague Academy (with the possibility to attend online), the total costs would be € 14,400 (increase of € 10,950 or 76.04% of SC meeting costs).

B. New staff positions

1. A distinct HR position

- 12 One new, part-time, staff position is included in the Budget to allow for a distinct HR role that is not combined with other operational functions.⁹ While the PB has ensured that this work has been properly conducted in the past, the SG feels that creating a distinct HR position is an important step in furthering good governance measures at the HCCH and ensuring a smooth operation of the PB in the long run. Over the last years, the HCCH has put in place a clear framework relating to HR, including the implementation on new Staff Rules. The new HR position is proposed to ensure the proper functioning of this framework, and to avoid having the same staff member cumulating positions. Such a cumulation might lead to delicate situations where the staff member may be

⁷ The PB wishes to recall that over the past years, it has conducted comprehensive and time-consuming research to find possible alternative venues for its larger (off-site) meetings in The Hague and its wider surrounding. As indicated, based on this extensive research, the PB has concluded that the Hague Academy building remains the best and indeed most advantageous venue for this purpose. The PB will, however, continue its efforts to see if any new, appropriate and less costly venue may become available.

⁸ The total costs for a 4-day SC meeting on the *Adoption* Convention amount to € 77,300. These costs, however, will be offset with funds that were budgeted for this meeting in FY 2020-2021 and held for use when this meeting was postponed (reflected in Art. 18b). The relevant costs for a 3-day SC meeting on the *Adults* Convention are € 58,700.

⁹ Currently, the Head of HR is also Head of Administration.

involved twice in the same decision-making process, first as Head of Administration, then as Head of HR. This may lead to a conflict of interest, or indeed a perception thereof.

- 13 Establishing a distinct HR position (envisaged as Head of HR, working part-time at 75%¹⁰) would also allow for an overall reorganisation of the HR functions at the PB. These functions are currently distributed over three staff members: a Head of HR, a Senior HR Officer, and a HR Coordinator. Each of them also has other, not HR-related responsibilities. With the new position, the overall HR functions would be distributed over two staff members only: a part-time Head of HR, who would exclusively focus on HR matters, and HR Coordinator, who would continue also to support the financial office. The Head of Finance, who currently also is the Senior HR Officer, would focus exclusively on financial matters. This would better reflect the increasingly important and time-consuming role that the Head of Finance fulfils throughout the year, working closely with the SG on all major financial matters (incl. the audit), assisting him in fulfilling his various responsibilities under the Financial Regulations. Under the new scheme, the former Head of HR would focus exclusively on operational matters (incl. the effective preparation and organisation of meetings and internal work processes of the PB), which have also become increasingly important and time-consuming. All these changes would lead to a more efficient and effective operation of the PB, while at the same time allowing for broader HR support towards PB staff.
- 14 The SG is mindful of the fact that in the current times, Member States may find it difficult to increase staff positions; the SG thus wishes to emphasise that he is making this recommendation based on an improvement towards best HR practice at an intergovernmental organisation, and to avoid any potential liability in this area in the future.

2. Transfer of the iSupport position to the Budget

- 15 This draft Budget also includes the transfer of one full-time position related to the iSupport project. This position, which was established more than seven years ago, has until now been financed through voluntary contributions. The transfer is proposed because the colleague currently occupying this position will soon be reaching the maximum number of years allowed for a fixed-term contract under the HCCH Staff Rules.¹¹ If the position is not transferred, the PB would have to let that colleague go, which would amount to a significant loss of expertise and competence in relation to important work which is meant to continue. Most importantly, after the transfer, the position would not only be the main resource for iSupport itself, but the staff member would also contribute to other work under the Child Support Convention (e.g., in relation to the (electronic) transfer of maintenance funds and other matters of administrative co-operation), and eventually also to work relating to other family and child protection Conventions (e.g., the implementation of electronic country profiles and the electronic collection of statistics). The transfer would thus enable the PB to secure a position that combines IT project management skills and legal expertise – a combination that has become increasingly relevant in various aspects of the work of the HCCH. Finally, it should be noted that this transfer is supported by the iSupport Governing Body.¹²

¹⁰ In the “Draft Zero Budget”, this position was included as a part-time position at 80%.

¹¹ See Art. 11.1.c.ii. of the Staff Rules. The Staff Rules do allow for SG to renew a fixed-term appointment beyond a period of five years in “very limited circumstances and when the Organisation’s interests warrant a further period not exceeding three years”. However, as this position has actually existed for almost 8 years, and given the long-term perspective of iSupport, it would be in the best interest of the Organisation to ensure continuity and progression in this area of work, all the more so as the position would come with a wider set of responsibilities that go beyond iSupport.

¹² The iSupport Governing Body is composed of the following Member States / Members: Austria, Belgium, Brazil, Croatia, Cyprus, Czech Republic, Estonia, Finland, France, Germany, Hungary, Netherlands, Norway, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, the United States of America, and the European Union. Amongst these Member States, two are already using iSupport, while 14 others are working towards its implementation. In addition, ten HCCH Member States (or jurisdictions in Member States) that are not members of the Governing Body have also shown an interest in implementing iSupport.

16 Again, while these changes in the staffing are necessary to maintain the smooth operation of the PB, every effort has been made to minimise their budgetary impact. € 80,000 of these costs can be covered from the reimbursement that the HCCH receives as part of the EU's voluntary contribution towards iSupport (see para. 26).

C. Other factors

1. Increases

17 This draft Budget also 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:	+ € 232,900 ¹³
▪ Article 1b Social benefits and insurances:	+ € 14,500
▪ Article 2a Rent:	+ € 3,400
▪ Article 2b Services:	+ € 900
▪ Article 8a Bank fees:	+ € 3,400
▪ Article 8b Audit fees:	+ € 1,500
▪ Article 9 Representation (incl. for international meetings):	+€ 1,500
▪ Article 14a Supplies and facilitation:	+ € 3,500
▪ Article 15 Retirement or survivors' pensions :	+ € 29,000

18 The total of these other increases amount to € 290,600.

2. Reserve Funds & Revolving Fund

19 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 2021-2022, the desired targets can still be met. An overview of all the reserve funds for operational expenses is provided in Annex I.

20 This draft Budget does not include any contribution to the Revolving Fund. The SG will propose to top-up the Revolving Fund by using € 8,500 from the net operational surplus from FY 2020-2021 (also see para. 24). This will be included in the SG's formal proposal to CDR in this regard.

3. Cuts and economies

21 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 2022-2023 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):	- € 6,000
▪ Article 2c Insurance:	- € 1,000
▪ Article 2d Cleaning:	- € 4,000
▪ Article 2f Telecommunication / postage:	- € 1,000
▪ Article 4b External design, lay-out:	- € 500
▪ Article 13 On-site meetings (PB):	- € 400

22 The total of these cuts and economies amount to € 12,900.

¹³ This represents the overall increase of the Article, including the two new staff positions mentioned in Section II.B above.

4. Use of Operational Surplus from FY 2020-2021

- 23 The SG foresees that, subject to CDR's approval, an amount of € 110,000 may be used from the net operational surplus from FY 2020-2021 as additional revenue (technically an allocation of reserves, as reflected in Art. 18a) to absorb some of the increases in this draft Budget.¹⁴ 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 2022-2023, 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.
- 24 As mentioned (para. 20), at this time it is further suggested that a part of the surplus, amounting to € 8,500, be used to maintain the Revolving Fund at 14.99% of the total assessed contributions to FY 2021-2022 (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 2020-2021 (see Art. 13(2) Fin. Regs) for decision at its May 2022 meeting.
- 25 Finally, as explained (para. 6), should any amount previously allocated to the SC meeting on the practical operation of the *Child Support* Convention be transferred to the Budget for FY 2022-2023 as a result of a rescheduling of this meeting, the relevant amount (€ 37,300) will be added to Article 18b to reflect the exceptional transfer. This draft Budget already includes the amount of € 68,300 in Article 18b reflecting funds that were approved to be transferred by CDR in May 2021 from FY 2020-2021 for the SC meeting on the practical operation of the *Adoption* Convention that was postponed in that FY.

5. Reimbursement iSupport

- 26 The reimbursement for iSupport from the European Union to cover some costs incurred by the HCCH Budget during FY 2022-2023 (*i.e.*, salary costs of some staff members working on iSupport, overhead costs for operation, and salary cost for the position transferred to the Budget for FY 2022-2023) is reflected in Article 10. The reimbursement that may be used in the budget for FY 2022-2023 amounts to € 80,000.¹⁵ For technical reasons, this reimbursement is reflected as a "negative cost".

6. Additional units

- 27 This draft Budget includes two additional units as Mongolia became a Member of the HCCH in July 2021, and Honduras became a Member in September 2021 (each contributing one unit to the Budget under the UPU system). It also includes one additional unit in anticipation of a new Member joining the Organisation prior to the end of the current FY. This draft Budget thus includes three additional units.
- 28 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 2022-2023.
- 29 As a result of these developments, the total number of units in the HCCH Budget is **620.5**.

¹⁴ The surplus from FY 2020-2021 is not the result of inadequate or otherwise unrealistic budgeting, but mainly the result of the broad impact of the Covid-19 pandemic.

¹⁵ In the "Draft Zero Budget", this reimbursement amounted to € 50,000. In the Budget for FY 2021-2022, the reimbursement amounted to € 10,000. The HCCH may use this reimbursement for any purpose, incl. towards salary costs. A minimum of € 20,000 may be used for that purpose in FY 2023-2024. That said, the PB will continue to explore possibilities for further voluntary contributions towards iSupport, incl. through further EU Action Grants.

D. Staff Audit

30 The “Draft Zero Budget” included approximately € 10,000 in article 1a (salaries and allowances) to contribute towards the costs of a staff audit.¹⁶ The total costs of this audit amount to approximately € 20,000. In the “Draft Zero Budget”, the balance of these costs were envisaged to be paid out of the Staff Rules Reserve Fund. With a view to limiting the overall increase, this draft Budget does no longer include costs for the staff audit. It is suggested that the full costs of the audit instead be covered by the Staff Rules Reserve Fund, possibly over two years, and that the Fund be replenished when necessary.

E. Overall results

31 As a result of all the above, compared to the Budget for FY 2021-2022, the key indicators of the Budget for FY 2022-2023, *with the inclusion of the SC meeting on the practical operation of the Service, Evidence, and Access to Justice Conventions* (and the CDR meeting held online), are:

- Operation of the PB and International Meetings: increase of € 293,900 or 8.14%;
- Total expenses of the Budget (Operation of the PB, International Meetings plus Present and Future Pension Liabilities): increase of € 322,900 or 7.74%;
- Total Budget: increase of € 322,900 or 7.39%;
- Total assessed contribution of the Member States: increase of € 270,900 or 6.47%;
- Value of the Member States’ assessed contributions per budgetary unit: increase of € 405.34 or **5.77%**.¹⁷

32 *Without the inclusion of the SC meeting on the practical operation of the Service, Evidence, and Access to Justice Conventions*, these key indicators are:

- Operation of the PB and International Meetings: increase of € 213.100 or 5,90%;
- Total expenses of the Budget (Operation of the PB, International Meetings plus Present and Future Pension Liabilities): increase of € 242,100 or 5.80%;
- Total Budget: increase of € 242,100 or 5.54%;
- Total assessed contribution of the Member States: increase of € 190,100 or 4.54%;
- Value of the Member States’ assessed contributions per budgetary unit: increase of € 275.12 or **3.91%**.

33 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 and the PB considering the work programme and priorities decided by CGAP.

¹⁶ From time to time, such an audit is necessary to ensure that all staff positions are correctly bench-marked with other intergovernmental organisations, and appropriately positioned in the PB structure (in terms job responsibilities, as well as classification in the salary scale). The last such audit took place in 2014. It is thus time to envisage a new audit.

¹⁷ This is reduced from 6.87% in the Draft ‘zero’ Budget, which included costs for three SC meetings, a lower reimbursement from the EU Action Grant for iSupport, and some other minor adjustments. As mentioned in para. 51, the inflation in the Netherlands in 2021 was 2.68%.

III. The draft Budget for FY 2022-2023

		Budget Financial Year 1 July 2021-30 June 2022 (FY 67)	Budget Financial Year 1 July 2022-30 June 2023 (FY 68)
EXPENSES			
OPERATION OF THE PERMANENT BUREAU			
Art	1	Personnel	
	1a	Salaries and allowances	2,515,500.00
	1b	Social benefits and insurances	179,000.00
	1c	Home leave	8,500.00
	1d	Fund relocation	-
	1e	Fund staff rules (HR matters not covered in other Articles)	-
	1f	ISRP administration	6,500.00
	1g	External support (operational / legal)	81,000.00
			<hr/>
			2,790,500.00
			<hr/>
			3,031,900.00
Art	2	Office space and operation	
	2a	Rent	166,300.00
	2b	Service	44,300.00
	2c	Insurance	12,500.00
	2d	Cleaning	34,000.00
	2e	Office supplies	12,000.00
	2f	Telecommunication / postage	11,000.00
	2g	Fund maintenance / equipment	-
			<hr/>
			280,100.00
			<hr/>
			278,400.00
Art	3	IT	
	3a	Support / maintenance	44,000.00
	3b	Software licenses / hardware	44,000.00
	3c	Internet / website(s)	13,500.00
	3d	Fund IT / equipment	-
			<hr/>
			101,500.00
			<hr/>
			101,500.00
Art	4	Copying, printing, and publications	
	4a	Lease / production supplies	73,500.00
	4b	External design, lay-out	1,500.00
	4c	Fund recueil	-
			<hr/>
			75,000.00
			<hr/>
			74,500.00
Art	5	Library	
	5a	Subscriptions	13,000.00
	5b	Purchases	6,500.00
			<hr/>
			19,500.00
			<hr/>
			19,500.00
Art	6	External translators	37,500.00
			<hr/>
			37,500.00
Art	7	PB missions	53,500.00
			<hr/>
			53,500.00
Art	8	Financial operation	
	8a	Bank fees	4,600.00
	8b	Audit fees	45,500.00
			<hr/>
			50,100.00
			<hr/>
			55,000.00

Art 9	Representation (incl. for international meetings)	16,500.00	18,000.00
Art 10	Overhead reimbursements iSupport	(10,000.00)	(80,000.00)
Art 11	Unforeseen	3,500.00	3,500.00
	SUBTOTAL	3,417,700.00	3,593,300.00

		Budget Financial Year 1 July 2021-30 June 2022 (FY 67)	Budget Financial Year 1 July 2022-30 June 2023 (FY 68)
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MEETINGS

Art 12	Off-site meetings (Hague Academy)		
	CGAP		
12a	Venue	48,450.00	53,400.00
12b	Interpretation (English and French)	15,050.00	15,050.00
12c	Additional personnel / moving	9,100.00	9,100.00
		72,600.00	77,550.00
	CDR		
12d	Venue	8,150.00	-
12e	Interpretation (English and French)	4,650.00	2,550.00
12f	Additional personnel / moving	1,400.00	900.00
		14,200.00	3,450.00
	Special Commissions and other meetings		
12g	Venue	44,400.00	145,700.00
12h	Interpretation (English and French)	30,100.00	41,900.00
12i	Additional personnel / moving	17,800.00	25,700.00
		92,300.00	213,300.00
	<i>subtotal</i>	179,100.00	294,300.00
Art 13	On-site meetings (PB) - incl. additional personnel	3,400.00	3,000.00
Art 14	Other costs relating to HCCH meetings		
14a	Supplies and facilitation	7,000.00	10,500.00
14b	Travel consultants and external experts	2,500.00	2,500.00
		9,500.00	13,000.00
	SUBTOTAL	192,000.00	310,300.00

		Budget Financial Year 1 July 2021-30 June 2022 (FY 67)	Budget Financial Year 1 July 2022-30 June 2023 (FY 68)
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PRESENT AND FUTURE PENSION LIABILITIES

	Paid by all Member States		
Art 15	Retirement or survivors' pensions	543,400.00	572,400.00
16	Pension administration by the ISRP	17,700.00	17,700.00
	SUBTOTAL	561,100.00	590,100.00

	TOTAL EXPENSES	4,170,800.00	4,493,700.00
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REVENUES		Budget Financial Year	Budget Financial Year
		1 July 2021-30 June 2022 (FY 67)	1 July 2022-30 June 2023 (FY 68)
Art 17	Contribution of the Member States	4,187,894.00	4,458,794.00
Art 18	Use of reserves		
18a	Allocation of reserves from FY 20-21	95,000.00	110,000.00
18b	Exceptional transfer of funds for SC meeting from FY 20-21	37,300.00	68,300.00
		<u>132,300.00</u>	<u>178,300.00</u>
Art 19	Contribution of a Member Organisation (to be confirmed)	37,000.00	39,000.00
Art 20	Income derived from sales of publications	11,000.00	15,000.00
	TOTAL REVENUES	4,368,194.00	4,691,094.00

VOLUNTARY CONTRIBUTIONS (V.C.)

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

TOTAL BUDGET **4,368,194.00** **4,691,094.00**

ACCRUED UNFUNDED PENSION LIABILITIES

Art 22	Paid, in addition to their contribution to the Budget, by all States that were Member on or prior to 1 July 2010 and which have not yet paid off their full share in these liabilities	197,394.00	197,394.00
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EXPLANATION OF CONTRIBUTIONS TO BE PAID BY THE MEMBER STATES

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

The total contribution to be paid by the Member States amounts to € 4,458,794 (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), €2,321,278, 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 € 2,518,672. The total per unit is € 7,435.73 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): € 1,940,122 to be divided by 282.5 units = € 6,867.69 per unit.

The increase per unit is **5.77%** or **€ 405.34** per unit compared to the previous Financial Year 2021-2022 (FY 67).

**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 2022-2023 (FY 68)
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	6,867.69	7,435.73
ARGENTINA	3	1,704.12	20,603.06	22,307.18
AUSTRALIA	20	11,360.81	137,353.74	148,714.55
AUSTRIA	5	2,840.20	34,338.44	37,178.64
BELARUS	1	568.04	6,867.69	7,435.73
BOSNIA AND HERZEGOVINA	1	568.04	6,867.69	7,435.73
BRAZIL*	10	11,360.81	68,676.87	80,037.68
BULGARIA	3	1,704.12	20,603.06	22,307.18
CHILE	3	1,704.12	20,603.06	22,307.18
CYPRUS	1	568.04	6,867.69	7,435.73
CZECH REPUBLIC	5	2,840.20	34,338.44	37,178.64
ECUADOR	1	568.04	6,867.69	7,435.73
EGYPT	5	2,840.20	34,338.44	37,178.64
ESTONIA	1	568.04	6,867.69	7,435.73
FRANCE	33	18,745.33	226,633.67	245,379.00
FYR OF MACEDONIA	1	568.04	6,867.69	7,435.73
GEORGIA **	1	284.02	6,867.69	7,151.71
GREECE	3	1,704.12	20,603.06	22,307.18
HUNGARY	5	2,840.20	34,338.44	37,178.64
INDIA	20	11,360.81	137,353.74	148,714.55
ISRAEL	3	1,704.12	20,603.06	22,307.18
JAPAN	33	18,745.33	226,633.67	245,379.00
JORDAN	1	568.04	6,867.69	7,435.73
LATVIA	1	568.04	6,867.69	7,435.73
LUXEMBOURG	3	1,704.12	20,603.06	22,307.18
MALAYSIA	3	1,704.12	20,603.06	22,307.18
MONTENEGRO	1	568.04	6,867.69	7,435.73
MOROCCO	5	2,840.20	34,338.44	37,178.64
NEW ZEALAND	5	2,840.20	34,338.44	37,178.64
NORWAY	10	5,680.40	68,676.87	74,357.27
PERU	1	568.04	6,867.69	7,435.73
POLAND	5	2,840.20	34,338.44	37,178.64
REPUBLIC OF KOREA	15	8,520.60	103,015.31	111,535.91
RUSSIAN FEDERATION	15	8,520.60	103,015.31	111,535.91
SERBIA	1	568.04	6,867.69	7,435.73
SLOVENIA	1	568.04	6,867.69	7,435.73
SOUTH AFRICA	10	5,680.40	68,676.87	74,357.27
SPAIN	25	14,201.01	171,692.18	185,893.18
SURINAME	1	568.04	6,867.69	7,435.73
SWEDEN	15	8,520.60	103,015.31	111,535.91
SWITZERLAND	15	8,520.60	103,015.31	111,535.91
TURKEY	5	2,840.20	34,338.44	37,178.64
UKRAINE	5	2,840.20	34,338.44	37,178.64
UNITED STATES OF AMERICA	33	18,745.33	226,633.67	245,379.00
URUGUAY	3	1,704.12	20,603.06	22,307.18
		197,393.99	2,321,278.21	2,518,672.20
<i>rounding differences</i>		0.01	(0.21)	(0.20)
Total taken into account for Financial Year FY 68	338.0	197,394.00	2,321,278.00	2,518,672.00

(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 2022-2023 (FY 68)
Under the system of the Universal Postal Union (1)**

MEMBERS	units	contribution to the operational Budget (= total contribution to be paid)
ANDORRA	1	6,867.69
ARMENIA	1	6,867.69
AZERBAIJAN	1	6,867.69
BELGIUM	15	103,015.31
BURKINA FASO	0.5	3,433.84
CANADA	33	226,633.67
CHINA	25	171,692.18
COSTA RICA	1	6,867.69
CROATIA	1	6,867.69
DENMARK	10	68,676.87
DOMINICAN REPUBLIC	1	6,867.69
FINLAND	10	68,676.87
GERMANY	33	226,633.67
HONDURAS	1	6,867.69
ICELAND	1	6,867.69
IRELAND	5	34,338.44
ITALY	25	171,692.18
KAZAKHSTAN	1	6,867.69
LITHUANIA	1	6,867.69
MALTA	1	6,867.69
MAURITIUS	1	6,867.69
MEXICO	10	68,676.87
MOLDOVA	1	6,867.69
MONACO	1	6,867.69
MONGOLIA	1	6,867.69
NAMIBIA	1	6,867.69
NETHERLANDS	15	103,015.31
NEW MEMBER *	1	6,867.69
NICARAGUA	1	6,867.69
PANAMA	1	6,867.69
PARAGUAY	1	6,867.69
PHILIPPINES	1	6,867.69
PORTUGAL	5	34,338.44
ROMANIA	3	20,603.06
SAUDI ARABIA	20	137,353.74
SINGAPORE	1	6,867.69
SLOVAK REPUBLIC	3	20,603.06
SRI LANKA	3	20,603.06
THAILAND	3	20,603.06
TUNISIA	5	34,338.44
UNITED KINGDOM	33	226,633.67
UZBEKISTAN	1	6,867.69
VENEZUELA	1	6,867.69
VIET NAM	1	6,867.69
ZAMBIA	1	6,867.69
		1,940,121.58
<i>rounding differences</i>		0.42
Total taken into account for Financial Year 68	282.5	1,940,122.00

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

* One new Member is expected to join the Organisation before the end of the current Financial Year. Its contribution is projected in this draft Budget.

IV. Comments on Articles of the draft Budget for FY 2022-2023

A. Expenses

1. Operation of the Permanent Bureau

a. Article 1, Personnel

Article 1a, Salaries and allowances

34 This article increases by € 232,900. It covers costs for 30 employees (28.50 FTEs). This is compared to 28 employees (26.60 FTEs) in the current FY. As mentioned in paragraphs 2, 12, and 15, two new positions have been included in this draft Budget (related to HR and iSupport). An additional 0.1 reflects the fact that one staff member will work on a full-time basis again. The article also 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.¹⁸ The salary projections for 2023 are calculated using the 2022 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 2023.

35 The total personnel costs, including pension liabilities and related administration costs, amount to 81.42% 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 62.89% of the total Budget.¹⁹

36 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 will 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

37 This article increases by € 14,500. 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.²⁰

38 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 article is necessary to meet expenses for medical and disability insurance (based on annual premiums).

Article 1c, Home leave

39 This article remains unchanged. It covers travel expenses in respect to home leave for eligible officials and their dependants (approx. 25 persons in total). While home leave is accrued by eligible

¹⁸ 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.

¹⁹ According to information received from ISRP for comparison, active staff costs at the OECD amount to approximately 80%.

²⁰ The definitive premium is calculated at the end of each FY as a percentage of actual salary and health insurance costs over the year.

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 2022-2023.

- 40 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 during FY 2022-2023. Additionally, flight tickets may be more expensive.

Article 1d, Fund relocation

- 41 This article remains unchanged. It covers possible relocation costs during FY 2022-2023 for current and future officials of the PB, as well as removal costs and the relocation allowance. An amount of € 7,100 is reappropriated (cross-funded) from the Office maintenance / equipment Fund to meet the Fund's target (see Annex I); no Budget funds are necessary to this effect.

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

- 42 This article remains unchanged. Based on expected projections, this Fund will not require a top-up through the Budget in FY 2022-2023.
- 43 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.
- 44 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 by CDR at its meeting in May 2019 and increased to € 32,500 by CDR in May 2021.²¹
- 45 Any balance in this Fund remains part of this Fund and is not part of an operational surplus.

Article 1f, ISRP administration

- 46 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)

- 47 This article decreases by € 6,000. This decrease is mainly possible because work on the outstanding Tomes of HCCH Proceedings (*Actes et documents*) is almost complete, so the related costs are reduced (they now represent approx. 47% 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

²¹ 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. € 38,000. 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. The ring-fenced amount may thus have to be increased in the future.

in the 2016 Financial Regulations (they now represent approx. 31% of the total article). This article also includes costs for *library support* (representing approx. 14% of the total article).

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

49 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 have been cut slightly and represent approx. 10% of the total article.

b. Article 2 Office space and operation

50 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.²² Some other articles in the Budget (e.g., 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.

51 While the average inflation rate of the Netherlands in 2021 was *above 2% (2.68%)*,²³ the SG is of the view that it is still reasonable to apply a 2% rate for expense planning as estimated and recommended by the Netherlands Bank.²⁴ The SG wishes to express a note of caution though and suggests that the developments of the inflation rate be monitored carefully. The need for future budgetary adjustments may not be excluded. That said, in this draft Budget, costs can remain neutral in some articles despite inflation projections because expenses are expected to be slightly lower in FY 2022-2023. This means that a total of 16 articles have also effectively decreased (in addition to the 9 articles that have actually decreased).

Article 2a, Rent

52 This article increases by € 3,400. 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 (see para. 51).

Article 2b, Service

53 This article increases by € 900. While keeping with the NPV presented to the Members in 2014, these figures reflect current expenses plus an estimated 2% inflation rate (see para. 51).

Article 2c, Insurance

54 This article decreases by € 1,000 to reflect current expenses, while still including an estimated 2% inflation rate (see para. 51). This article includes fire, theft, goods and equipment, liability and travel insurance for the Organisation.

Article 2d, Cleaning

55 This article decreases by € 4,000. It reflects current expenses plus an estimated 2% inflation rate (see para. 51). It covers cleaning costs for the office.

²² Available at http://www.hcch.net/upload/hidden/2014/dipl/20140124npv_en.pdf. The HCCH has an eleven-year lease for the current office space; negotiations will have to begin within the next two years for a new rental contract for office space.

²³ See <http://www.inflation.eu/inflation-rates/the-netherlands/historic-inflation/cpi-inflation-the-netherlands-2021.aspx>.

²⁴ See <https://www.dnb.nl/en/the-euro-and-europe/inflation/>.

Article 2e, Office Supplies

56 This article remains unchanged. It includes costs for office supplies, stationary, etc., necessary for the operation of the PB during the FY 2022-2023.

Article 2f, Telecommunication / postage

57 This article decreases by € 1,000. 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. An amount of € 7,100 has been reappropriated (cross-funded) to the Relocation Fund to meet the targets (see Annex I).

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 throughout the ongoing COVID-19 pandemic. The continued maintenance and updating of the IT infrastructure, including the PB's video-conference system, is of paramount importance. For the FY 2022-2023, the PB expects to be able to maintain its IT infrastructure at the required level without increasing its overall IT costs.

Article 3a, Support / maintenance

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

Article 3b, Software licenses / hardware

61 This article remains unchanged. It mainly includes costs for computer licenses.

Article 3c, Internet / website(s)

62 This article remains unchanged. 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 2022-2023.

d. Article 4 Copying, printing and publications

Article 4a, Lease / production supplies

64 This article remains unchanged. It reflects the lease contract plus an estimated 2% inflation rate (see paras 50-51). 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

65 This article decreases by € 500. With a view to reducing costs, the PB is now handling almost all of this work internally. This article primarily includes costs for photo credits in publications.

Article 4c, Fund Recueil

66 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 2022-2023.

e. Article 5 Library

Article 5a, Subscriptions

67 This article remains unchanged. It covers costs for subscriptions that are necessary to maintain a basic, up-to-date library at the PB and to enable the legal staff to conduct its work.

Article 5b, Purchases

68 This article remains unchanged. The article funds necessary purchases to maintain a basic, up-to-date library at the PB and to enable the legal staff to conduct its work.

f. Article 6 External translations

69 This article remains unchanged. 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

70 This article remains unchanged. Since FY 2019-2020, this article has decreased by € 14,500, and the SG hopes that despite these exceptional cuts, this article will still allow the PB to conduct relevant missions once travel can increase to serve the HCCH's strategic goal of universality and inclusiveness.

71 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

- 72 This article increases by € 3,400. 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

- 73 This article increases by € 1,500. The article includes the annual costs to audit the HCCH accounts and pensions. It also includes annual costs for preparatory actuarial pension work for the audit. As the current five-year offer for audit services will be expire in June 2022, CDR will have to approve a new offer for services at its meeting in May 2022. This article, therefore, includes a projected increase based on extra costs that have materialised in the past years due to additional work and analyses conducted by the auditors as part of their regulatory framework and obligations. However, projections remain subject to the new offer to be approved by CDR in May 2022. It should be noted that fees for the auditing of voluntary contributions are not included in this article and are covered directly by voluntary contributions.

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

- 74 This article increases by € 1,500. 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 have also increased 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

- 75 This article reflects a negative expense (a payment to the HCCH) of € 80,000 expected from the EU Action Grant for iSupport. The 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. Additionally, as mentioned above, it also contributes towards salary costs for a staff position that the SG proposes to transfer to the Budget (see paras 15-16, and 26).²⁵

k. Article 11 Unforeseen

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

2. Meetings

- 77 As mentioned above (paras 4 *et seq.*), the uncertainty generated by the COVID-19 pandemic makes it very challenging to budget for meetings to be held during FY 2022-2023. At this stage, it is uncertain whether or when meetings will take place, and, if they do, in what format they will be

²⁵ 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.

held. These plans will have to be discussed and decided by CGAP at its February / March 2022 meeting. For the purposes of this draft Budget (under III.), the relevant meeting costs are based on an in-person CGAP meeting, with the possibility for online participation, and an online CDR meeting as a cost saving measure (see para. 11). As of the Budget for FY 2022-2023, the costs for CGAP and CDR are reflected separately for clarity. Additionally, this draft Budget is based on *three* in-person SC meetings on the practical operation of the *Adoption, Adults and Service/Evidence/Access to Justice* Conventions, all with the possibility for online participation. However, it is suggested that the SC meeting on the *Service/Evidence/Access to Justice* Conventions may be postponed to FY 2023-2024 for cost-saving reasons (see para. 10).

78 Meeting costs for 2023 are based on 2022 prices provided by the Hague Academy and may be subject to change. It is expected that the costs for the technical support required at the Hague Academy Building to enable online participation (and which is to be provided by a company selected by the Carnegie Foundation) will increase. At the time of preparing this draft Budget, the new fees for technical support at the Hague Academy building are not known to the PB.

79 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 in FY 2022-2023 (€ 125 per meeting day instead of € 150 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

Article 12a, Venue

80 This article increases by € 4,950. It covers setting-up and dismantling costs, the rent of the large meeting room in the Hague Academy building, the interpretation booths and other equipment, workspaces for staff, two additional meeting rooms (all under the new, higher fee structure), as well as the costs for technical support to enable online participation. 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.

Article 12b, Interpretation (English and French)

81 This article remains unchanged. It covers interpretation costs for a 3.5-day CGAP meeting. Interpretation fees have increased due to technical complexities for interpretation of online meetings (see, however, fn. 6).

Article 12c, Additional personnel / moving

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

CDR

Article 12d, Venue

83 This article decreases by € 8,150 because the CDR meeting for 2023 is envisaged as an online-only meeting, using the equipment of the PB. Experiences with holding online CDR meetings the

past two years have been largely positive. This draft budget thus does not include any rental and other venue-related costs for CDR at the Hague Academy, which would come at significant costs (in particular when considering that CDR meetings only last a few hours). The article is presented here for ease of comparison with previous and future FYs.

Article 12e, Interpretation (English and French)

- 84 This article decreases by € 2,100. This is the result of the PB's efforts to use remote simultaneous interpretation as much as possible. This form of remote interpretation does not require interpreters to travel or the setting-up of interpretation booths. It should be noted that the PB will use online interpretation as much as possible, although experiences with this format are still relatively scarce and not all interpreters are willing to perform their work remotely. This article covers interpretation costs for a one-day CDR meeting. Interpretation fees have increased due to technical complexities for interpretation of online meetings (see, however, fn. 6).

Article 12f, Additional personnel / moving

- 85 This article decreases by € 500. An online CDR meeting does not require any additional personnel. The article includes overtime expenses of some administrative staff members of the PB, and costs for Recording Secretaries during these meetings.

Special Commissions and other meetings

Article 12g, Venue

- 86 This article increases by € 101,300 to take into account CGAP's plans for three SC meetings. However, as suggested, CGAP may wish to postpone the SC meeting on the *Service/Evidence/Access to Justice Conventions* to FY 2023-2024 (see paras 9 and 10).
- 87 This article covers setting-up and dismantling costs, the rent of the large meeting room in the Hague Academy building, the interpretation booths and other equipment, workspaces for staff, two additional meeting rooms (all under the new, higher fee structure), as well as the costs for technical support to enable online participation. The costs are based on a four-day SC meeting on the *Adoption Convention* (€ 53,150), a three-day SC meeting on the *Adults Convention* (€ 39,450), and four-day SC meeting on the *Service/Evidence/Access to Justice Convention* (€ 53,150). However, as mentioned, it is suggested that the SC meeting on the *Service/Evidence/Access to Justice Conventions* may be postponed to FY 2023-2024 for cost-saving reasons (see para. 10). If this SC meeting is indeed postponed, the total costs under Article 12g would amount to € 92,600.
- 88 As explained in paragraphs 6 and 25, should CGAP decide to move the SC meeting on the *Child Support Convention* from May 2022 to FY 2022-2023, its costs should be offset by transferring the € 37,300 allocated for this meeting in the Budget for the current FY to the Budget for FY 2022-2023 (Art. 18b), following a decision to be taken by CDR at its May 2022 meeting, upon the recommendation of CGAP.
- 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 12h, Interpretation (English and French)

- 90 This article increases by € 11,800. It covers interpretation costs for a four-day SC meeting on the *Adoption Convention*, a three-day SC meeting on the *Adults Convention*, and a four-day SC meeting on the *Service/Evidence/Access to Justice Conventions*. Interpretation fees have increased due to technical complexities for interpretation of online meetings (see, however, fn. 6). These costs are based on in-person interpretation at the Hague Academy (not remote interpretation as for the CDR

meeting, see para. 84). The PB will, however, continue to make efforts to identify interpreters who are willing to perform their work remotely, including for SC meetings.

- 91 Should CGAP decide to postpone the SC meeting on the *Service/Evidence/Access to Justice* Conventions to July 2023 (see para. 10), the total interpretation costs under Article 12h would amount to € 26,950.

Article 12i, Additional personnel / moving

- 92 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)

- 93 This article decreases by € 400. These costs mainly cover overtime expenses of some administrative staff members of the PB during meetings of Working / Experts' Groups. As stated in paragraph 79, 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 € 125 per day (compared to € 150 in the current FY).

- 94 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

- 95 This article increases by € 3,500. 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 12i). Refreshments will be available for purchase from the Peace Palace caterer. This article 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 article (only related to costs that may arise during HCCH meetings and events).

- 96 Should CGAP decide to postpone the SC meeting on the *Service/Evidence/Access to Justice* Conventions to July 2023 (see para. 10), the total costs under Article 14a would amount to € 7,000.

Article 14b, Travel consultants and external experts

- 97 This article remains unchanged. 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 article 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

- 98 This article increases by € 29,000 to cover the full, mandatory contribution of Member States to the pension schemes currently in force at the HCCH.

99 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 17 staff members who fall under the NPS.

100 Currently the HCCH has ten pensioners (all under the COPS).

101 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).

102 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

103 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

104 This article increases by € 270,900. 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 6.47% 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 paras 116 *et seq.*), and then listed in *Overview I* and *Overview II*, respectively.

105 Two additional units are included as a result of Mongolia's and Honduras' new membership (one unit each), and one additional unit is also included in anticipation of a new Member joining the Organisation before the end of the current FY.

106 As a result, this draft Budget is based on a new total of 620.5 units. The increase per unit amounts to € 405.34 or 5.77% *with* the SC on the Service/Evidence/Access to Justice Conventions), and to € 275.12 or 3.91% without that SC meeting.

2. Article 18 Use of reserves

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

107 To partially offset the increase in operation expenses, the SG suggests that an amount of € 110,000 be used from the net operational surplus from FY 2020-2021 as additional revenue in the Budget for FY 2022-2023.²⁶

²⁶ 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 the HCCH auditors, this will be processed as an allocation of a previous surplus using reserves in the financial statements of 2022-2023 (it does not technically qualify as revenue or income).

108 This approach also allows for part of the surplus to be redistributed to Member States by lowering Member States' assessed contribution for FY 2022-2023 by € 110,000, 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 2020-2021 (see Art. 13(2) Fin. Regs) for decision at its May 2022 meeting.

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

109 This article amounts to € 68,300. As explained in paragraph 10, it partially offsets costs for postponing the SC meeting on the *Adoption* Convention to FY 2022-2023 as decided by CDR in May 2021.

3. Article 19 Contribution of Member Organisation

110 This article increases by € 2,000. It relates to the membership of the European Union (EU). According to Article 9(2) of the Statute of the HCCH, a Member Organisation is not required to contribute in addition to its Member States to the annual Budget of the HCCH but pays a sum to be determined by the HCCH, in consultation with the Member Organisation, to cover additional administrative expenses arising out of its membership. Consultations in this matter are ongoing.

4. Article 20 Income derived from sales of publications

111 This article increases by € 4,000. The PB has consistently exceeded the total revenue budgeted under this Article in previous FYs (in particular in relation to sales of the Practical Handbooks on the Service and Evidence Conventions). While the revenue is not guaranteed, based on past experiences and while still being cautious in his approach, the SG suggests a moderate increase of the budgeted revenue. The sales of these publications remain a noticeable source of revenue for the HCCH.

C. Article 21 Voluntary contributions

112 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.²⁷

D. Article 22 Accrued unfunded pension liabilities

113 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).

114 Importantly, while Brazil and Georgia were classified under the UPU system in the current FY, these reclassifications 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

²⁷ Available at < <https://www.hcch.net/en/secure-portal/governance1/voluntary-contributions>>

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 have to apply two different unit schemes to calculate these States' full contribution to an HCCH Budget.

115 Despite appearing after *Revenues* in the Budget, the accrued unfunded pension liabilities are an additional *expense*. They are listed at the end of the Budget because they do not have to be paid by all Member States. The total of Article 22 (€ 197,394) added to the total of *Expenses* (€ 4,493,700), equals the total Budget / total revenues at the end of *Revenues* (€ 4,691,094).

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

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

117 **Overview I** lists the total (incl. the accrued unfunded liabilities mentioned in para. 113) 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), € 2,321,278, 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 € 2,518,672. The total per unit is € 7,435.73 (except for Brazil and Georgia).

118 **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, € 1,940,122, is to be divided by 282.5 units = € 6,867.69 per unit.

119 Each Member State's contribution is listed in either **Overview I** or in **Overview II**, and Member States are invited to refer to their respective Overview for this information.

ANNEX

Annex I – Fund Overview and Projections

- 1 As a result of the application of Dutch Generally Accepted Accounting Principles (GAAP) to the operational Budget of the HCCH (CDR decision taken in 2017), the previously used system of *provisions* was abandoned and instead converted into a system of *reserve funds*. The five funds identified in the table below have been established for operational expenses that will be incurred in all these areas. Actual expenses in the fields covered by the respective funds are difficult to predict as they are subject to factual developments that may or may not occur. The fund structure, accompanied by targets (limits) for each of the funds and the recognition that the funds may have to be replenished at the end of a FY, allows for more stable budgeting towards these expenses.

Established / continuous Funds	Relocation	Staff Rules	Office maintenance / equipment	IT / equipment	Recueil
Minimum target for Funds proposed by SG	30,000.00	100,000.00	25,000.00	22,500.00	20,000.00
Balance at 30 June 2021	44,436.00	116,173.00	44,114.00	23,648.00	24,060.00
Appropriations from budget FY 20-21	-	-	-	-	-
Expenses covered FY 20-21	-	-	-	-	-
Balance at 30 June 2022	44,436.00	116,173.00	44,114.00	23,648.00	24,060.00
CDR approved appropriations to be added from budget FY 21-22	-	-	-	-	-
CDR approved reappropriations from other funds (cross-funding) FY 21-22	-	-	-	3,880.00	-3,880.00
Estimated expenses to be covered FY 21-22	-21,500.00	-15,000.00	-5,000.00	-5,000.00	-
Expected balance at 30 June 2023 after reappropriation, top-up or expenses in FY 21-22	22,936.00	101,173.00	39,114.00	22,528.00	20,180.00
<i>Difference between target and Fund</i>	<i>7,064.00</i>	<i>-1,173.00</i>	<i>-14,114.00</i>	<i>-28.00</i>	<i>-180.00</i>
Proposed Fund reappropriations in FY 22-23 to reach target*	7,100.00	-	-7,100.00	-	-
Proposed top-up from Budget FY 22-23 to reach target	-	-	-	-	-
Expected balance at 30 June 2023	30,036.00	101,173.00	32,014.00	22,528.00	20,180.00

* € 7,100 can be reappropriated from the Fund for Office maintenance / equipment to the Fund for Relocation to reach the target levels for these Funds. Subject to CDR approval in May 2022.

- 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. As two of the Funds are at the targeted level, and the remaining “surplus” in the three other Funds diminishes, top-ups may be necessary as of the next FY.

- 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 2020-2021 would only be covered by the relevant fund (withdrawn) in FY 2021-2022. 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. The amount of € 7,100 is reappropriated (cross-funded) from the Office maintenance / equipment Fund to meet the Fund’s target; no payment to this Fund is envisaged through the Budget for FY 2022-2023.

Fund Staff Rules

- 6 This Fund includes a sub-fund of € 32,500, as per the CDR decision in May 2021, which is ring-fenced and only to be used for a loss of employment indemnity, if materialised.¹
- 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 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 2022-2023.

¹ 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. € 38,000. 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.

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. An amount of € 7,100 has been reappropriated (cross-funded) to the Relocation Fund; no addition is envisaged through the Budget for FY 2022-2023 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 minimum target for this Fund is € 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. No payment to this Fund is envisaged through the Budget for FY 2022-2023.

Fund Recueil

- 13 This Fund covers the cost for the publication and possible reprints of the Collection of HCCH Instruments (*Recueil*).
- 14 The minimum target for this Fund is € 20,000. The Fund remains at a sufficient level for FY 2022-2023 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. No payment to this Fund is envisaged through the Budget for FY 2022-2023.