

## **Comments of the Federal Republic of Germany on the Draft HCCH Budget for FY LXIII dated 20 January 2017**

### **1. General matter: balancing of expenses and revenues**

*The budget provides for total expenses in the amount of € 4.091.125,00 while the total revenues amount to € 4.302.720,00 (the regular contributions of Member States already make up € 4.261.720,00 of that sum). As a general matter, we kindly request adapting to budget to the effect that expenses and revenues become equal. The regular budget should neither serve to build up reserved nor to mitigate outstanding payments by Member States.*

The difference between the amount listed for total expenses and total revenues is due to the fact that the accrued unfunded liabilities are included in the amount for total revenues. As accrued unfunded liabilities are only applicable to some Member States, they are not added to the total expenses to be divided between all Member States. The following breakdown is, therefore, applied in the draft Budget: € 4,091,125 for total expenses + € 211,595 accrued unfunded liabilities to be paid by some Member States = € 4,302,720 total revenue. The total Member State contributions of € 4,261,720 (broken down in Annex 1 and Annex 2 in the draft Budget depending on whether there are outstanding accrued unfunded liabilities to be settled) plus additional revenue of € 35,000 for the membership contribution from the EU and €6,000 from the sales of publications equals the total revenue amount of € 4,302,720 listed in the draft budget. The difference between the amount for total expenses and total revenue is not used to build a reserve or mitigate outstanding payments by Member States in any way.

### **2. Int-1 / Int-8: Revolving Fund**

*We suggest limiting the funds contained in the Revolving Fund to those strictly necessary for ensuing a smooth transition from one financial year to the next. We kindly request the Permanent Bureau to illuminate the underlying calculations.*

The amount of the Revolving Fund is set by Article 12 of the Regulations on Financial Matters and Budgetary Practices, at 12-16% of the Assessed Contributions in the budget of the previous Financial Year. According to this measure, the Revolving Fund is currently underfunded. The Revolving Fund was increased to € 356,134 following the 2016 decision of the Council of Diplomatic Representatives to move €220,000 of surpluses from previous Financial Years to the Revolving Fund. For Financial Year 2017-2018, the Revolving Fund should be between € 475,619 and € 634,159. This leads to underfunding of € 278,025 (using the 16% figure as the targeted amount).

### **3. Int-4 / 5a-1: 125<sup>th</sup> anniversary of the HCCH**

*Will the additional funding for the celebration of the 125<sup>th</sup> anniversary of the Hague Conference have to be incurred in their full amount in 2018 or could they be spread out over several years? Could the event be fully or partially financed with the HCCH's own resources without resorting to additional Members States' contributions?*

As discussed during the Standing Committee meeting on 9 February, the Permanent Bureau proposes to divide the expenses of the 125<sup>th</sup> celebrations over FYs LXIII and LXIV. However, additional funding will certainly be necessary. Additional information regarding the plans for the celebrations in 2018 are included in Preliminary Document No 14 for the attention of the meeting of the Council on General Affairs

and Policy of March 2017, to be distributed in the coming days. The Permanent Bureau would like to stress that it current has no financial resources to devote to the event, although it would be possible to divert human resources to the preparation of activities relating to the 125<sup>th</sup> anniversary. The plans are for appropriate (but not lavish) activities. The Permanent Bureau counts on Member support to adequately support this important milestone, which will also hopefully enable the development of the future strategic direction of the Organisation.

#### **4. 1b-1 Social benefits and insurances**

*We kindly request the Permanent Bureau to further explain the nature and necessity of this insurance. Which specific risks are covered by the insurance (e.g. payments that would have to be made by the HCCH to the employees and their families or damages)?*

The Permanent Bureau has a policy for death and disability insurance with Cigna (formerly Van Breda). This covers situations where employees are on long-term sick leave (the Permanent Bureau is required to pay their salary but we also need to engage additional staff to cover their work). The insurance allows us to hire additional staff and still ensure salary payments to those out on extended sick leave as well as payments made to survivors should a staff member die in service. This line of the Budget also covers payments to staff to defray the cost of monthly premiums for health insurance. The Permanent Bureau does not provide health insurance to staff, but requires each employee to arrange for their own insurance and them reimburses 2/3 of the monthly premium (with a cap of 4% of the base salary per employee annum).

#### **5. 1d-2: Reserves for indemnity payments for loss of employment**

*Following up on the discussions during the last meeting of the Council of Diplomatic Representatives in May 2016, Germany reiterates its position in three respects.*

*First, reserves for indemnity payments for loss of employment must be built in a separate fund as opposed to including them in a budget line which also relates to a number of other expenses.*

*Second, these reserves must be built up through a one-time payment. Replenishment of these funds should only be envisaged if and to the extent that the reserves were actually used to make indemnity payments for loss of employment.*

*Third and as a consequence of the aforementioned, the funds allocated for indemnity payments for loss of employment should be reserved exclusively for this purpose.*

*We are not sure whether the Permanent Bureau aimed at implementing at least some of these points in the current draft. In any case, the explanations under 1d-2 should reflect them in a more explicit way.*

The Permanent Bureau is currently discussing with the auditors how to establish a fund for the payment of indemnities for loss of employment and is committed to the establishment of such a fund. The fund would be reserved for payments of indemnities and not used for other purposes. The desired approach is to build up the fund to a targeted amount and then only replenish it in the event that a payment needs to be made to a departing staff member. The Permanent Bureau wishes to underline that Member contributions are essential in order to establish the fund and that a one-time payment will not be sufficient to endow the fund with the necessary amount. However, contributions will be put on hold once the fund is robust enough to handle possible payments. Were the fund to be used for payments, Members would

again be asked to contribute until the fund reaches the desired amount. The Permanent Bureau will endeavor to reflect these details more clearly in the notes of the next version of the draft Budget.

**6. Administrative costs relating to measures relying on voluntary contributions**

*We suggest reserving the voluntary contributions for the purposes for which they are provided by the contributors. For reasons of budgetary transparency, the indirect administrative costs in question should rather be included in the regular budget instead of deducting them from the voluntary contributions.*

While the Permanent Bureau is not opposed to this approach in theory, in practice this would mean an increase in the Budget in order to cover staff and other expenses associated with the management of voluntary contributions. Given the other increases envisaged in the coming year, the Permanent Bureau suggests that this change be considered for a future Financial Year.