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**DRAFT BUDGET AND EXPLANATORY NOTES  
FOR FINANCIAL YEAR 1 JULY 2018 – 30 JUNE 2019 (FY LXIV)**

*submitted by the Permanent Bureau on 22 March 2018*

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**PROJET DE BUDGET ET D'EXPOSÉ DES MOTIFS  
POUR L'EXERCICE FINANCIER DU PREMIER JUILLET 2018 AU 30 JUIN 2019 (EF LXIV)**

*présenté par le Bureau Permanent le 22 mars 2018*

*Document drawn up for the attention  
of the meeting of the Council of Diplomatic Representatives on 12 June 2018*

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## Explanatory Notes

### Introduction

1. The draft Budget for Financial Year 2018-2019 (FY LXIV) is submitted in accordance with Article 5 of the 2016 Regulations on Financial Matters and Budgetary Practices of the Hague Conference.
2. This version of the budget has been adjusted following the meeting of the Council on General Affairs and Policy (CGAP) from 13 to 15 March 2018, to take into account the approximately € 18,000 increase for the resource implications of the work programme and related meeting days as determined by the CGAP. Following the Secretary General's announcement that these additional costs would be absorbed by the budget, costs have been cuts have been made to the budget lines for Salaries and Allowances (Art. 1a) and External design, lay-out (Art. 5a).
3. This draft Budget includes projections for the meetings of the CGAP (new 3.5 days), the Council of Diplomatic Representatives (CDR), the Standing Committee of the CDR, and a 1.5-day informal brainstorming meeting of the Members to discuss the challenges and future strategy of the Organisation, all to be held off-site (see Art. -12 for details)-. An additional 30 meeting days (approximate) are required -at the Permanent Bureau (PB) to reflect the work programme adopted by the CGAP at its 2018 meeting; 21 of these meeting days relate to legislative work and may generate additional costs (see Art.- 13 for details). With regards to the Diplomatic Session on the Judgments Project in mid-2019, it should be recalled that all meeting costs related to such Session will be borne by the Government of the Netherlands as per Article 11 of the Statute of the HCCH. These costs are thus not included in the draft Budget. It should also be recalled that it is for the Netherlands Standing Government Committee on Private International Law, after consultation with the Members of the Conference, to determine the date of the Diplomatic Sessions.
- 2-4. One of the fundamental targets of this draft Budget (in addition to covering the costs relating to the Organisation's ~~anticipated~~ work programme), is to enable the PB to hire at least one additional Diplomat Lawyer (DL), and possibly two, during the course of the Financial Year (FY). This (these) new position(s) would be established in addition to the two existing First Secretary positions (one of which is currently being filled). With a view to absorbing some of the costs relating to the new DL position(s), the Secretary General (SG) has decided to cut one of the existing Legal Officer positions (this position is currently vacant and thus will not be filled).
- 3-5. This draft Budget also includes higher costs for social benefits and insurances due to important increases in premiums to be paid for the PB's death, invalidity and long-term sickness insurance, which were anticipated in the previous FY and spread over two years.
- 4-6. Costs for consultants have also been increased to ensure that the work programme of the Organisation is met while vacant positions are filled or teams are re-structured to work on legislative projects (incl. the priority Judgments Project and voluntary agreements). The SG suggests that it will be more cost effective for legislative work to be carried out through short consultancies rather than through staff positions until such time as there is clarity about how some projects will evolve with the CGAP. The PB anticipates that these costs can ~~also~~ be reduced again in the future, once the new DLs have joined the PB and become fully operational.
- 5-7. This draft Budget also includes payments from the iSupport Project to the Budget of the Organisation to compensate for overhead costs, as well as for salary costs of staff members of the PB spending time working on iSupport. The total payment is estimated at € 60,000, and for technical reasons is reflected as "negative costs" (it is a reimbursement of costs incurred by the Budget).
- 6-8. This draft Budget also anticipates the use of reserves in the amount of € 30,000; these reserves originated in FY 2016-2017 (operational surplus). Their use remains subject to a separate decision from the CDR.

7.9. Following discussions during the budget cycle in 2017 and ongoing discussions about a framework for Regional Offices, the financing for the Regional Office for Asia and the Pacific (ROAP) (only human resource costs – based on the same model as the financing of the Regional Office for Latin America and the Caribbean (ROLAC) to ensure equal treatment of both existing Regional Offices) is not included in this draft Budget. However, these costs could be added to the draft Budget if Member States agree to this, also considering that the ongoing discussions about a framework for Regional Offices will only be applicable to future Regional Offices. These human resource costs for ROAP are estimated at € 114,000 for FY 2018-2019. If these costs are indeed not included in the Budget of the Organisation, they will have to continue to be covered by voluntary contributions – which in turn could thus not be used for operational projects of ROAP.

8.10. In light of the above, **the relevant overall increases in this draft Budget are:**

- (i) for Part A and Part B (operational budget): € 44,870 or 1.30%;
- (ii) for the total expenses of the Budget (operational budget plus Part C relating to present and future pension liabilities): € 68,270 or 1.73%;
- (iii) for the total Budget: € 68,270 or 1.64%;
- (iv) for the total contribution of the Member States: € 46,770 or 1.14%; and
- (v) the increase of the Member States' contributions *per unit*: € 75.44 or 1.10%.

If the estimated human resource costs for ROAP were to be added to the draft Budget, the increase of the Member States' contributions per unit would be € 259.31 or 3.79%.

## **PART I BUDGETARY PLANNING**

### **I. EXPENSES**

#### **A. OPERATION OF THE PERMANENT BUREAU**

##### **Article 1 Personnel costs**

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

9.11. This article increases by a total amount of € 112,250. This reflects a decrease of € 16,350 compared to the previous draft Budget; this cut is necessary to absorb the additional meeting costs referred to in paragraph 2. The overall increase of € 112,250 compared to the Budget of FY 2017-2018 is mainly due to the inclusion of costs for at least one additional DL as of 1 July 2018. The draft Budget could possibly also enable the PB to hire a second, more junior additional DL in the course of the FY (depending primarily on the actual level of the new DL and the overall expertise represented amongst all DLs). This (these) new position(s) would be established besides the two existing First Secretary positions (one of which is currently being filled). With a view to absorbing some of the costs relating to this (these) new DL position(s), the SG has decided to drop one of the existing Legal Officer positions (this position is vacant and thus will not be filled).

10.12. This article also includes the salary adjustments for staff progression and the Remuneration Adjustment Method (RAM) applied to salaries and allowances for Co-ordinated and Associated Organisations located in the Netherlands.<sup>1</sup> The salary projections for 2019 are calculated using the 2018 salary scales for the Netherlands (as determined by the International Service for Remunerations and Pensions (ISRP) and the Co-ordinating Committee on Remuneration), as well as an estimate RAM rate of 2.2% (an average of the general 2% inflation used for the Netherlands and the 2.4% RAM rate for 2018). This careful projection is necessary to avoid underfunding for salaries from January to June 2019.

<sup>1</sup> The RAM includes, but is not limited to, an inflation component; the adjustment is determined by the ISRP and is approved by the Co-ordinating Committee on Remuneration as well as the governing bodies of the Co-ordinated and Associated Organisations. 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.

~~11-13.~~ The PB continues the process of implementing the recommendations made by the ISRP in its Staff Remuneration Audit of February 2015. FY 2018-2019 is Year 4 of the implementation.

~~12-14.~~ The total personnel costs (incl. pension liabilities) amount to 81.65% of the total Budget (compared to 82.04% in the previous draft Budget).

*Article 1b, Social benefits and insurances*

~~13-15.~~ This article increases by € 33,000. 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. Due to the rise in the number of cases of temporary and long-term sick leave over the last years, premium costs rose as of July 2017. However, as approved by the CDR in May 2017 and as negotiated with the insurance provider in order to minimise the impact on the Budget, the second phase of the premium increase would be implemented as of FY 2018-2019. It should also be recalled that in its 2017 meeting the CDR approved the possible use of € 10,000 from the surplus for FY 2015-2016 to absorb costs beyond the budgeted amounts over the two FYs.<sup>2</sup>

~~14-16.~~ This article also covers partial reimbursement to staff for certain expenses relating to health insurance in keeping with mandatory statutory policies of the Host State Agreement with the Netherlands.

~~15-17.~~ An adjustment of this budget line was necessary to meet mandatory expenses at current market rates for medical and disability insurances (the contract with the insurance provider has been in place since the 1970s with little change, and this article has been underfunded in previous FYs).

*Article 1c, Home leave*

~~16-18.~~ This article remains unchanged. It covers travel expenses in respect to home leave for eligible officials and their dependants (approximately *30 persons*). While home leave is granted to eligible staff every two years, staff have a period of 18 months in which to use it.

*Article 1d, Reserve Fund for costs relating to HR / Staff Rules*

~~17-19.~~ As in the previous FY, this article will not require funding though the Budget for FY 2018-2019. The SG will instead propose to use part of an exceptional operational surplus from FY 2016-2017 for this purpose (this proposal will be submitted separately to the CDR for its meeting in June 2018). This HR Reserve Fund is used to cover costs in each FY relating to the application of certain human resources and governance provisions associated with the Staff Rules, 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), etc. This Reserve Fund is also used to finance possible training of staff in matters relating to HR matters and management more generally. This Fund includes a sub-fund specifically for possible payment of an indemnity for loss of employment (see Art. 13 of the Staff Rules and the Budget for FY 2017-2018). Any balance in this Fund remains as part of this Fund and is not part of an operational surplus.

*Article 1e, Reserve Fund relocation*

~~18-20.~~ This article remains unchanged. It is to cover possible relocation costs during FY 2018-2019. It includes travel costs for current and future officials of the PB, as well as removal

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<sup>2</sup> The definitive premium is calculated at the end of each financial year as a percentage of actual salary and health insurance costs over the year. The use of the surplus, therefore, may or may not be necessary to absorb some costs over the two Financial Years.

costs and the relocation allowance. Any balance in this budget line will be added to this Fund for use in the future.

*Article 1f, OECD (International Service for Remunerations and Pensions)*

~~19-21~~. This article remains unchanged. It covers the costs of receiving the annual publication by the ISRP of the recommendations issued by the Co-ordinating Committee on Remunerations on the adjustments of salaries and pensions for Co-ordinated Organisations and the specific salary and pension charts applicable to the relevant countries, including the Netherlands.

*Article 1g, Consultants*

~~20-22~~. This article increases by € 31,400. To ensure that the work programme of the Organisation is met while vacant positions are filled or teams are re-structured to work on legislative projects (incl. the priority Judgments Project and voluntary agreements), the SG proposes to continue to work with consultants in these areas because it will be more cost effective for some work to be carried out through short consultancies rather than through staff positions till there is clarity about how some projects will evolve with the CGAP. The PB anticipates that these costs can be reduced again in the future, once the new DLs have joined the PB and become fully operational.

~~21-23~~. This article continues to include funding for an external publications consultant to assist with the preparation of the HCCH Proceedings (*Actes et documents*). This consultant is working to complete outstanding Tomes before the next Diplomatic Session, which is expected to take place in mid-2019.

~~22-24~~. As in previous years, funding to hire the part-time services of a qualified accountant is also incorporated. This support is invaluable for the effective operation of the financial office of the PB and important to enable the SG to fulfil his increased responsibilities as defined in the 2016 Financial Regulations.

~~23-25~~. As mentioned above in paragraph 9, following discussions during the budget cycle in 2017 (see Budget for FY 2017-2018) and ongoing discussions about a framework for Regional Offices, human resources costs for ROAP are not included in this draft Budget. However, these costs could be added to the draft Budget if Member States agree to this, also considering that the ongoing discussions about a framework for Regional Offices would only be applicable to future regional offices and that the human resources costs for ROLAC are in fact covered by the Budget of the HCCH. The human resource costs for ROAP are estimated at € 114,000 for FY 2018-2019. If these costs are not included in the Budget, they will continue to have to be covered by voluntary contributions.

**Article 2      Costs relating to the office building**

~~24-26~~. 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.<sup>3</sup> The NPV includes a projection of the evolution of rent and services costs of the premises of the PB. Although the official inflation rate is currently below 2% in the Netherlands<sup>4</sup>, the PB applies a 2% rate for its expense planning as estimated and recommended by the Netherlands Bank<sup>5</sup> and as projected in the NPV document. For consistency, some other lines in the Budget (Art. 5b, Copying) also use the 2% inflation rate. This allows for the projection of a gradual increase in order to avoid the risk of underfunding operational expenses and more drastic escalations in the future.

<sup>3</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>4</sup> See < <http://www.inflation.eu/inflation-rates/the-netherlands/historic-inflation/cpi-inflation-the-netherlands-2017.aspx> >.

<sup>5</sup> See < <https://www.dnb.nl/en/interest-rates-and-inflation/#> >.

*Article 2a, Rent*

~~25-27~~. This article increases by € 3,245 in keeping with the NPV presented to the Members for Churchillplein 6b in 2014. These figures are based on an estimated 2% inflation rate and the PB suggests maintaining the prudent approach. Any savings will contribute to a possible budgetary surplus.

*Article 2b, Service costs*

~~26-28~~. This article increases by € 900 in keeping with the NPV presented to the Members for Churchillplein 6b in 2014. These figures are based on an estimated 2% inflation rate and the PB suggests maintaining the prudent approach. Any savings will contribute to a possible budgetary surplus.

*Article 2c, Insurance costs*

~~27-29~~. This article increases by € 200 based on an estimated 2% inflation rate. This budget line includes fire, theft, goods and equipment, liability and travel insurance for the Organisation.

*Article 2d, Cleaning*

~~28-30~~. This article increases by € 700 based on an estimated 2% inflation rate. It covers cleaning costs for the office.

*Article 2e, Reserve Fund for office maintenance / equipment*

~~29-31~~. 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, etc.). Any balance in this budget line will be added to this Fund for use in the future.

**Article 3 Office and financial operation***Article 3a, Office supplies, postage, telecommunications*

~~30-32~~. This article remains unchanged. It covers costs for office supplies, postage and telecommunications.

*Article 3b, Bank fees*

~~31-33~~. This article remains unchanged. It covers costs for operating PB bank accounts and PB transaction costs.

*Article 3c, Audit fees*

~~32-34~~. This article remains unchanged. It includes the annual costs to audit the Organisation 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.

**Article 4 IT expenses**

~~33-35~~. The PB commissioned an IT / information management study in June 2016 in order to determine how best to improve its IT infrastructure for robustness, security and efficiency after many years of use of the existing equipment. Based on findings of the study, which strongly suggested a move to "the Cloud" and modernising of tools and practices, the PB has started to undertake the improvements; this process will continue during FY 2018-2019. While this is a difficult and costly exercise, the PB is careful to limit its impact on

the Budget and operations of the PB. The PB also hopes to continue to benefit from voluntary contributions towards this effort.

*Article 4a, IT support and maintenance*

~~34-36~~. This article remains unchanged. It covers the PB's external IT support and maintenance costs.

*Article 4b, IT equipment (incl. licenses)*

~~35-37~~. This article increases by € 2,500. See above paragraph- 35 related to IT improvements. This budget line includes costs relating to computer equipment and licenses that are incurred through the year.

*Article 4c, Internet / website(s)*

~~36-38~~. This article remains unchanged. It includes costs for Internet and HCCH website(s).

*Article 4d, Reserve Fund new equipment*

~~37-39~~. This article remains unchanged. This Fund is used to build a reserve for IT equipment that cannot be absorbed by Article 4b (for example to replace servers in the past). Any balance in this budget line will be added to this Fund for use in the future.

**Article 5      Publications / printing**

*Article 5a, External design, lay-out*

~~38-40~~. This article decreases by € 2,950. This reflects an additional decrease of € 1,500 in this line compared to the previous draft Budgets to absorb the additional meeting costs referred to in paragraph 2. As the PB is producing more of this work internally, it anticipates that this saving can be made for external design costs. It is hoped that some design work to commemorate the 125<sup>th</sup> Anniversary of the HCCH may be covered by voluntary contributions and the expense is, therefore, not included in the Budget.

*Article 5b, Copying and in-house printing, publications*

~~39-41~~. This article increases by € 1,510 based on an estimated 2% inflation rate, as stated in paragraph- 26 above. It covers all printing and publication costs, as well as annual rental costs for printers.

*Article 5c, Reserve Fund Recueil*

~~40-42~~. This article remains unchanged. This Fund builds a reserve for the publication of the next edition of the collection of Hague Conventions foreseen in late 2019 / early 2020. Any balance in this budget line will be added to this Fund for use in the future.

**Article 6      Travel expenses for missions of Permanent Bureau officials**

*Article 6, Travel expenses for missions of Permanent Bureau officials*

~~41-43~~. This article remains unchanged. It is used to pay for travel expenses for approximately 15 members of the PB who may travel for missions. The SG continues to apply a strict travel policy. 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.

## Article 7 Library and research

### *Article 7a, Subscriptions*

~~42-44.~~ This article decreases by € 2,000. This is due to the cancelation of some subscriptions in favour of tailored purchases for the HCCH library.

### *Article 7b, Purchases*

~~43-45.~~ This article increases by € 1,000. The article funds necessary purchases to maintain an up-to-date library for HCCH research and work.

## Article 8 External translations

### *Article 8, External translations*

~~44-46.~~ This article decreases by € 3,200 because most translation work can be completed by the internal Translator / Reviser. However, in times of intense document preparation, the need to use external translators remains (especially prior to the CGAP and Special Commission meetings). Given the cuts made to this budget line in the past years, the PB expects that there may at times be limits to the possibility of producing and releasing all documents (simultaneously) in both official languages. However, this budget line is important to ensure that bilingual documents can be produced for formal meetings of the Organisation.

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

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

~~45-47.~~ This article increases by € 3,000. It is used to cover the costs of the annual SG reception and other functions offered by the SG to the local legal / diplomatic community (for cost efficiency reasons, this reception is combined with the PB's reception offered during the meeting of the CGAP), lunch or dinner invitations, working lunches, 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.

## Article 10 Overhead reimbursement iSupport

~~46-48.~~ This article reflects a negative expense (in fact a payment towards the HCCH) of € 60,000 expected from the iSupport 2.0 project for overhead expenses incurred by the Organisation for the use of office space and equipment for this project. The amount also includes an estimated pro-rata reimbursement of salary costs for two staff members occasionally contributing to the project. It should be noted that while the reimbursement reflected in this article was included in the grant proposal for iSupport 2.0 with the European Commission, the exact amount will only be known and received following the final delivery and approval of the project by the European Commission (expected in the second half of 2019).

## Article 11 Unforeseen

~~47-49.~~ This article decreases by € 110 and is used to cover any unforeseen expenses during the FY.

## B. INTERNATIONAL MEETINGS

50. This draft Budget includes costs for planned meetings during FY 2018-2019, as approved by the CGAP at its March 2018 meeting. Projections are included for the meetings of the CGAP (new a 3.5-day meeting), the CDR, two Standing Committee meetings of the CDR, and a 1.5-day informal brainstorming meeting of the Members to discuss the challenges



and future strategy of the Organisation (similar to the one held in 2013); all these meetings will be held off-site (see Art. 12 for details). Costs for approximately 30- additional meeting days at the PB have also been included, of which 21 meeting days relate to legislative work and may generate additional costs (see Art. 13 for details). It should once more be recalled that all meeting costs related to the Diplomatic Session on the Judgments Project in mid-2019 will be borne by the Government of the Netherlands as per Article 11 of the Statute of the Organisation. These costs are thus not included in the draft Budget.

## **Article 12 Off-site meetings (Hague Academy)**

*Article 12a, Rent (incl. interpretation and other equipment, booths, workspaces for staff, and small meeting rooms)*

48-51. This article increases by € 5,300. This budget line 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 meetings of both the CGAP and the CDR. The total rental costs are: € 3,000 per day for the large conference room, interpretation and other equipment, booths, and workspaces for staff; € 450 per half day for the Historic Reading Room; € 350 per half day for the Seminar Room. All prices remain very competitive for The Hague.

49-52. Rental costs for the CGAP are based on five days (after consultations with the Chair of the CGAP, this draft Budget now makes projections for a 3.5-day meeting of the CGAP; 1.5 days are required for the installation of the Secretariat in the Academy Building and its transfer back to the PB, respectively). The CDR is covered by one day of rent. Rent for two days of Standing Committee meetings at the Hague Academy building are included to accommodate the large number of participants at these meetings.

50-53. The actual costs for the large conference room, interpretation and other equipment, booths, and workspaces for staff are thus for a total of eight days. The costs for additional meeting spaces are only projected for the meeting days of the CGAP, and use of the Seminar Room or the Historic Reading Room is assessed on a strict case-by-case basis and approved only when absolutely necessary. All attempts are made to avoid the rental of rooms and meeting spaces other than those listed.

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

51-54. This article increases by € 4,375. This budget line covers interpretation costs for 3.5 meeting days of the CGAP and a meeting of the CDR. Compared to previous years, an additional interpreter is required for the meeting of the CDR given the expected duration of this meeting.

*Article 12c, Additional personnel and moving costs*

52-55. This article increases by € 7,000. This budget line covers moving costs and costs for additional personnel hired for catering and other assistance, technical support staff as well as security personnel of the Peace Palace during both Council meetings. It also covers overtime expenses of some administrative staff members of the PB during Council meetings, as well as costs for Recording Secretaries during these meetings. The increase in this article mainly stems from the extension of the meeting of the CGAP and higher compensation required for overtime under the new Staff Rules.

*Article 12d, Rent (incl. interpretation equipment, booths, workspaces for staff, and small meeting rooms)*

53-56. This article decreases by € 37,500. As specified in paragraph 50 above, it includes the use of the large conference room (see costs in para. 51) for an informal brainstorming meeting with Members which will likely be held over 1.5 days in September 2018. A half day ceremony is also envisaged on 12 September for the 125<sup>th</sup> Anniversary of the HCCH. This results in a total of four rental days (including for moving).

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

~~54-57~~. This article decreases by € 39,600 and covers interpretation for the half day ceremony envisaged for 12 September 2018 for the 125<sup>th</sup> Anniversary of the HCCH. It remains subject to the work programme as determined by the CGAP in March 2018.

*Article 12f, Additional personnel and moving costs*

~~55-58~~. This article decreases by € 21,300. This budget line covers moving costs and costs for additional personnel hired for catering and other assistance, technical support staff as well as security personnel of the Peace Palace for a possible brainstorming meeting in September 2018 and a ceremony on 12 September 2018 for the 125<sup>th</sup> Anniversary of the HCCH. It also covers overtime expenses of some administrative staff members of the PB during these meetings.

**Article 13 On-site meetings – Permanent Bureau***Article 13, Additional personnel costs – On-site meetings*

~~56-59~~. This article increases by € 8,150. This reflects an increase of € 7,650 in this line compared to the previous draft Budget s-to cover the costs for additional meetings to be organised at the PB, as determined by the CGAP. These costs mainly covers overtime expenses of some administrative staff members of the PB during meetings of Working / Experts' Groups and Committees. This budget line is based on a total of 30-meeting days at the PB.

~~57-60~~. Of the 30 meeting days that are expected, the PB projects that 21 of these meetings relate to legislative work<sup>6</sup> and may generate overtime costs at approximately € 600 per day.

~~58-61~~. The remaining nine meeting days related to governance matters<sup>7</sup> are not expected to generate additional costs.

**Article 14 Other costs relating to Hague Conference meetings***Article 14a, Supplies, refreshments and facilitation costs*

~~59-62~~. This article decreases by € 3,000. This budget line is used to cover all costs for the supplies and materials (incl. folders, badges, newspapers, hire of additional glassware, USB sticks, etc.) used and distributed at any of the HCCH meetings (incl. seminars). Additionally, during meetings and other events, refreshments are served during breaks, and sometimes light working lunches and small preparatory working dinners are offered to the participating experts and delegates and are funded through this budget line.

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

~~60-63~~. This article remains unchanged. It is used to offset some travel costs for those who contribute to the work of the PB, such as experts chairing Working / Experts' Group meetings. This budget line is used both for 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.

<sup>6</sup>. Envisaged meetings: EG on Tourist Protection - 4 days; WG on Art. 13(1)(b) - 4 days; EG Parentage / Surrogacy 7 days (for two meetings); WG Illicit Practices 1993 - 3 days (this meeting remains subject to the overall workload of the PB); EG Transfer of Funds 2007 - 3 days.

<sup>7</sup>. Envisaged meetings: WG Rules of Procedure – possibly 4 days (quarterly); WG appointment SGs - possibly 4 days (quarterly); Standing Committee – possible extra day for any CDR bilateral meetings or other issues.

## C. PRESENT AND FUTURE PENSION LIABILITIES

### Article 15 Retirement or survivor's pensions

*Article 15, Retirement or survivor's pensions*

~~61-64~~. This article increases by € 16,600 to ensure the full collection of Member States' mandatory contributions to the pension schemes currently in force at the PB.

~~62-65~~. Pension costs relating to both the Co-ordinated Pension Scheme (CoPS) and the New Pension Scheme (NPS) are currently financed through the contributions of staff, the payments of the accrued unfunded liabilities, the return on the investments of the PRF, and Article 15 of the Budget which represents the Organisation's (employer's) contributions to the pension schemes (Art. 15 covers present and future liabilities).

~~63-66~~. Currently the HCCH has seven pensioners (all under the CoPS). In addition, there are 17 active staff members who fall under the CoPS, and 11 staff members would fall under the NPS.

~~64-67~~. This article is determined in correlation with Article 1a, *Salaries and allowances*. It represent 21.9% of salaries for those staff members who fall under the CoPS and 18.8% of salaries for those staff members who fall under the NPS.

~~65-68~~. 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 have to cover the costs relating to present and future pension liabilities, independently of when they became a Member of the HCCH and whether or not they had or still have to pay their full share of the accrued unfunded liabilities.

### Article 16 Pension Administration costs of the International Section for Remunerations and Pensions

*Article 16, Pension Administration costs of the International Section for Remunerations and Pensions*

~~66-69~~. This article increases by € 6,800 to reflect actual costs. This budget line has been overspent in the last years. Costs are for the verification and administration of pensions for all officials and retirees of the Organisation by the ISRP.

## II. REVENUES

### Article 17 Contribution of the Member States

*Article 17, Contribution of the Member States*

~~67-70~~. This article increases by € 46,770. It reflects the total contribution of all Member States to cover the operating budget of the HCCH (*i.e.*, costs relating to part A: The Operation of the PB, part B: International Meetings, and part C: Present and Future Pension Liabilities). The total contributions from Member States is 1.14% higher than the previous FY. The value of one budgetary unit and the full amounts to be paid by each Member State are briefly explained in Part II of the draft Budget (see below paras 82 *et seq.*), and then listed in Annex I and Annex II, respectively. This draft Budget is based on an increase *per unit* amounting to € 75.44 or 1.10%.

### Article 18 Use of reserves

*Article 18, Use of reserves*

~~68-71~~. This article amounts to € 30,000. As stated in paragraph 8 above, these reserves are part of the operational surplus from FY 2016-2017. The SG will submit a separate proposal to the CDR for approval about the use of the surplus from FY 2016-2017. However, he provisionally proposes to allocate part of this surplus to this article. It is

envisaged that € 10,000 of this amount could be used for the improvements to the IT infrastructure referred to in paragraph 35. 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 amount will be presented as an allocation of a previous surplus through the use of reserves in the financial statements of 2018-2019 (it does technically not qualify as revenue (income)).

### **Article 19 Contribution of a Member Organisation**

*Article 19, Contribution of a Member Organisation*

~~69-72~~. 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.

~~70-73~~. As confirmed by the EU on 14 April 2016, the annual amount of € 35,000 for the EU contribution to the Budget is expected to be applied to FY 2018-2019, but will be re-confirmed annually with the EU. Subsequently, a new contribution will be discussed with the EU.

### **Article 20 Income derived from sales of publications**

*Article 20, Income derived from sales of publications of the Conference*

~~71-74~~. This article increases by € 4,000. The PB significantly exceeded the total revenues budgeted under this Article for the last few FYs (in particular the sales of the Practical Handbook on the Service Convention have generated higher than expected revenues). However, the PB anticipates that the surge in sales following some major publications may only have a short-term impact. The PB has, therefore, taken a cautious approach for the projection of income derived from the sale of publications. The PB sales of these publications remain an important source of revenue for the HCCH.

## **III. VOLUNTARY CONTRIBUTIONS**

~~72-75~~. 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. The inclusion of all voluntary contributions, including those of Members and non-Member States, in the financial statements of the HCCH is designed to present a more accurate and comprehensive picture of the total financial resources at the disposal of the Organisation.

~~73-76~~. The soliciting, accepting, managing, and expending of monetary and non-monetary contributions, whether pledged by, or received from, Members or non-Members, generates additional costs (overheads) which the PB otherwise would not face. Thus, a charge is levied on monetary voluntary contributions, including in FY 2018-2019, to offset (some) of these overheads. Overheads include, but are not limited to, banking fees, accounting and auditing fees, additional licensing fees, costs for supplies and utilities, but also rent, repair and maintenance costs. They are ongoing business expenses, required to run a particular part of the PB's operations. The charge is levied on the contributor.<sup>8</sup> Because monetary voluntary contributions are, both in terms of amount as well as when they are received, quite uncertain, the PB has taken a prudent approach by not including the charge as part of the foreseen Revenues for FY 2018-2019.

~~74-77~~. Article 21a reports on the monetary voluntary contributions made by Members, a total amount of € 134,340.38. This amount comprises both received and contractually pledged

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<sup>8</sup> Costs relating to the audit of voluntary contributions are also paid by overhead fees collected from voluntary contributions. No budgeted funds are used to pay for costs relating to the audit of voluntary contributions.

funds. Specifically, the amount includes € 125,714 allocated to current projects in progress (incl. Brazil's contribution to the HCCH's Tourism Project, and contributions of France and Norway for post-Convention assistance activities in the area of intercountry adoption).<sup>9</sup> In addition, the amount includes € 8,627 of general project funds, which will be reallocated in line with the HCCH's priorities. This approach has been taken following the recommendation of the final Audit of the Supplementary Budget 2014-2015. Monetary voluntary contributions have no impact on the calculation of the assessed contributions of Member States.

**75-78.** The Regional Offices' annual operation is based on the receipt of monetary voluntary contributions. The Government of the People's Republic of China has agreed to provide the funding for the operation of ROAP in Hong Kong (HK\$ 3,300,000) until the end of 2018 (on the question of the human resource costs of ROAP and the impact of their possible inclusion, see paras 9 and 10). The Government of Argentina similarly provides funds for the operation of the ROLAC in Buenos Aires (US\$ 45,000).<sup>10</sup> At the time of preparing this draft Budget, neither Regional Office reported further monetary voluntary contributions for the operation of the offices for the period of FY 2018-2019.

**76-79.** Article 21b reports on the monetary voluntary contributions from non-Members, a total amount of € 22,725. This amount comprises both received and contractually pledged funds. Specifically, the amount includes € 3,359 allocated to current projects in progress. In addition, the amount includes € 11,195 of general project funds, to be reallocated following the recommendation of the Audit of the final Supplementary Budget 2014-2015. The pledged amount of US\$ 10,000<sup>11</sup> for the continuation and improvement of the International Child Abduction Database (INCADAT) beyond 1 July 2018 has not been received at the time of preparing this draft Budget.

#### IV. ACCRUED UNFUNDED PENSION LIABILITIES

##### *Article 22, Accrued unfunded pension liabilities*

**77-80.** 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 in these liabilities (see decision of the CDR of 6 July 2010); payments for accrued unfunded pension liabilities are of course to be made *in addition* to assessed contributions. The remaining *annual* amount of the accrued unfunded liabilities to be paid, € 211,595, will be divided among the Member States that continue to pay their share in these costs annually (372.5 units, *i.e.*, € 568.04 per unit).

**78-81.** Although reflected after Section II Revenues, the accrued unfunded pension liabilities are an additional *expense*. They are listed at the end of the draft Budget because they do not have to be paid by *all* Member States. The total of Article 22 (€ 211,595) added to the total expenses at the end of Section I Expenses (€ 4,007,385), equals the total revenues at the end of Section II Revenues (€ 4,218,980).

<sup>9</sup> The current EU action grant for iSupport, iSupport 2.0, will end on 31 August 2018. As of January 2018, € 28,239 of voluntary contributions have been received from Member States for the FY 2017-2018. This will allow to cover planned operational costs as well as costs for additional technical developments to improve the software's security even further. Upon completion of iSupport 2.0, expected in the autumn of 2018, the European Commission will transfer the remaining € 210,000 of the grant and € 10,000 of voluntary contributions will be received. In order to ensure the continuation of iSupport's operations beyond 31 August 2018, the PB submitted an application for a further EU grant in September 2017. Fifteen Member States pledged contributions as part of this application, as well as one non-Member. The outcome of this application should be known in March 2018. In addition, the PB is pursuing its efforts to extend iSupport's reach to other participating countries.

<sup>10</sup> Funding for the Regional Offices has been pledged / received in the local currency of the government making the voluntary contribution. The exchange rate applied is as of 18 January 2018. Hong Kong SAR contributes with a total of HKD 9,900,000 over the period of three years (2016-2018). The average income per year is HKD 3,300,000. For the period between July and December 2018, 50% of the average income per year is budgeted, as a new agreement with Hong Kong SAR for the period from 2019 onwards had not been concluded at the time of preparing this draft Budget. The Government of Argentina contributes with an amount of US\$ 45,000 annually (€ 36,766).

<sup>11</sup> € 8,170, following the exchange rate applied as of 18 January 2018.

## PART II CONTRIBUTIONS TO BE PAID BY THE MEMBER STATES: ANNEX I AND ANNEX II

~~79-82~~. Part II of the Budget explains in general terms how the individual contributions of Member States are calculated. The actual results are then presented in two separate Annexes.

~~80-83~~. **Annex 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. In other words, apart from their annual contribution to the operating Budget (incl. the present and future pension liabilities), they *also* have to pay their annual share in the accrued unfunded pension liabilities, which totals € 2,574,197 and is to be divided by 372.5 units = € 6,910.60 per unit.

~~81-84~~. **Annex 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 Members only contribute to the operating Budget (incl. the present and future pension liabilities). The total, € 1,569,783, is to be divided by 247.5 units = € 6,342.56 per unit.

~~82-85~~. Each Member State thus is listed in one Annex only (either in Annex I or in Annex II); Member States are invited to refer to the Annex that applies to their respective situation.