

STANDING COMMITTEE OF THE COUNCIL OF DIPLOMATIC
REPRESENTATIVES

February 2017



SUMMARY OF THE MEETING OF THE STANDING COMMITTEE

9 FEBRUARY 2017

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Draft Budget for Financial Year 2017-2018 (LXIII)

1. The Secretary General (SG) presented the main elements of the budget and the Chair opened the floor for comments.
2. Members made preliminary comments on the draft Budget. Some Members reiterated that they applied a policy of zero nominal growth (ZNG) and therefore could not accept the per unit increase of 4.6% in the draft Budget as presented. Other Members indicated that they could accept an increase greater than ZNG as long as the increases were as low as possible and the additional expenses could be justified.
3. The meeting discussed the following articles:
 - a. **Article 1a (Salaries and allowances):** Some Members asked why the increase for salaries was 2.4%, rather than the 2% inflation applied to other relevant budget lines. The SG explained that the salary scales are established by the International Service for Remunerations and Pensions (ISRP) and adjusted annually for the cost of living in the Netherlands. The ISRP establishes the percentage increase for this part of the Budget.
 - b. **Article 1b (Social benefits and insurances):** Some Members asked for more information on the insurances covered by this article, specifically whether additional insurances were included in the draft Budget compared to the previous Financial Years. The SG responded that this line includes a group policy for death and disability insurance, as well as reimbursements for health insurance premiums (staff make their own arrangements for insurance). This is in keeping with the obligation set out in the Host State Agreement. The amount included in the draft Budget reflects the real costs of these benefits and insurances.
 - c. **Article 1d (Other costs relating to Staff Rules):** Some Members noted that they were not aware that the implementation of the Staff Rules would entail additional expenses. Other Members who participated in the Working Group on Staff Rules said that the costs had been discussed at length in the Group's meetings and acknowledged that the new Staff Rules created legal obligations that the Permanent Bureau (PB) would need to fulfil. The SG recalled that the Budget for Financial Year 2016-2017 includes funds relating to the Staff Rules and that these funds have been ring-fenced until the Rules enter into force. One Member wondered whether the budgeted amount was for the whole year or for one specific case. The SG clarified that the amount was for an entire year.
 - d. **Article 1g (Consultants):** Several Members objected to the inclusion of salary expenses for the staff of the Asia Pacific Regional Office in the draft Budget, as this expense is currently covered by Voluntary Contributions. A few Members expressed a preference for a progressive approach to the inclusion of salary expenses. The SG stated that there was no formal decision by the Council on General Affairs and Policy (Council GAP) to include the salary expenses for the Asia Pacific Regional Office in the draft Budget, but underlined the need to treat the staff of both Regional Offices equally. He noted that the salary expenses for the staff of the Latin American Regional Office are included in the Budget. He noted that there was a preference for a progressive approach to adding these expenses to the Budget.
 - e. **Article 2 (Costs relating to the office building):** Some Members queried the interest rate applied in Article 2. The SG explained that the Council of Diplomatic Representatives (Council DR) approved the rental of the current premises of the PB in

2014 based on a projection for rental expenses that increased by 2% annually. Although the real inflation rate in the Netherlands has at times been lower than 2%, the draft Budget includes a 2% increase for rent, service costs, insurance costs, and cleaning costs. The SG stated that the PB would prepare a memo on the interest rates used in this Article as well as in Article 1 to be posted to the Secure Portal as soon as possible.

- f. **Article 6 (Travel):** One Member asked for more information on the Article relating to travel. The SG noted that this budget line includes *all* travel costs relating to a mission (local transportation, flight tickets, per diem for hotel, etc.). He stressed that this amount is low and that the PB applies a strict travel policy where all travel needs to be approved by him.
- g. **Article 19 (Interest on the Revolving Fund):** One Member queried why this had been removed from the draft Budget. The SG recalled that the Council DR had decided in 2016 that the interest on the Revolving Fund would no longer serve as a source of revenue for the Organisation's budget, but instead be used to contribute to replenishing the Fund itself until it reaches the targeted level established in the Financial Regulations (Fin. Regs.).
- h. **Article 22 (Accrued Unfunded Liabilities):** Several Members encouraged prompt payment of these liabilities in order to put the Pension Reserve Fund (PRF) on good footing. One Member asked for more information on the PRF and the liabilities in light of the recent sale of the old premises of the PB.

4. The SG indicated that in light of these first comments he would prepare the next version of the draft Budget before the meeting of the Council GAP in March, even though under the 2016 Fin. Regs. the second version of the draft Budget is only to be submitted after the Council meeting. The SG stressed that the discussion at the Council would benefit from an updated draft Budget reflecting the Standing Committee's first reactions. Several Members expressed their support for this approach.

5. Some Members asked about the expenses related to the assessment of the SG to take place in 2017. The SG responded that the Chair of the Council GAP was preparing more information on this topic to be shared prior to and / or during the meeting of the Council GAP in March 2017. He further noted that the Ministry of Foreign Affairs in the Netherlands had been approached to contribute towards or cover the associated expense and that the initial response was positive.

6. The SG stressed that holding the Standing Committee meetings in the Hague Academy building comes with extra costs (approx. € 2,500). He explained that the costs of this February 2017 meeting, and possibly another meeting in March 2017, had not been included in the budget for Financial Year 2016-2017. As a result, the budget line for off-site meetings will be overspend. He also explained that he could not say at this stage whether or not this would lead to an overspending of the total budget. Finally, the SG stressed that the next draft of the budget for Financial Year 2017-2018 would include the costs for two off-site meetings of the Standing Committee, leading to an additional increase of the overall costs of the budget.

7. The SG presented a brief overview of the plans to celebrate 125 years of the HCCH in 2018. One proposed element would be to postpone the meeting of the Council GAP to September (rather than March) in order to have it in the same month as the first Session of the HCCH. The draft Budget includes money for a Council GAP in March 2018, but the expenses for the meeting (approx. € 45,000) could be ring-fenced and used to pay for part of the planned festivities. The subsequent meeting of the Council GAP would then take place in March 2020. This plans for 2018 will be presented in more detail in Prel. Doc. No 14 for the attention of the Council GAP in March 2017.

Interrelation of Article 17(2) and 17(4) of the Financial Regulations

8. The Attaché presented a paper on this item, annexed to this document for information.

Preliminary Discussion on the future election of a Vice-Chair

9. The Chair expressed his support for the future election of a Vice-Chair in order to allow the work of the Standing Committee to proceed smoothly. The SG noted that there should be a fair geographic representation of leadership positions, and that, in light of the fact that the Chair of the Standing Committee is European and the incoming Chair of the Council GAP is from the Asia Pacific, a representative from Latin America would be an option for the Vice-Chair position. The SG noted that this would be further discussed at the next meeting of the Council DR on 23 May.

Results of the Activity of the Working Group on Staff Rules

10. The Chair opened the discussion by indicating that the Staff Rules had been approved by a written vote as agreed upon by the Working Group at its last meeting, and that the topic on the table was the appropriateness of electronic voting in certain situations. The Russian Federation stated that there was no consensus in the Working Group on Staff Rules (WG) on the procedure of the vote and that moreover the WG did not have the mandate to open the vote. Russia stated that with 21 Members voting, the process was not inclusive. Russia cannot accept that the Staff Rules are adopted.

11. Serbia expressed support for Russia's position and noted that they were not in favour of an electronic vote on the Staff Rules. Serbia stated that it is not good practice to open a vote before the WG has made a report to the appropriate governing body. Serbia expressed respect for the position of the States that voted but noted that only one quarter of Members participated in the vote. Spain noted that the vote should have taken place after the meetings of the Council GAP and the Council DR, saying that there was no urgency to open a vote immediately.

12. Several Members stated that the voting process was acceptable for the approval of the Staff Rules, noting that Members cannot be compelled to vote and that no one was excluded from the process. Members were given more than a month to review the final draft. Some Members noted that they were in favour of the approval of the Staff Rules but had concerns about the procedure employed.

13. Many Members expressed a need for procedural guidelines for voting, remarking that voting through electronic means is not specifically addressed in the Fin. Regs. or Rules of Procedure.

14. Some Members expressed a desire to establish a quorum for electronic votes. Other Members clarified that although they voted in favour of the approval of the Staff Rules, this was without prejudice regarding their position on voting procedures in general. One Member suggested that when WGs are established in the future, the Council GAP should establish the mandate for the WG and define the approval process for the matter, including a voting procedure should this be required. Some Members noted the increase in voting by electronic means in recent years and stressed the need for clear rules that can be followed in all circumstances.

15. The SG confirmed that a Preliminary Document dealing with procedural guidelines for electronic voting was being prepared and would be distributed before the meeting of the Council GAP. He underlined that the procedure for voting on the Staff Rules was discussed and agreed to during the last meeting of the WG on 9 December 2016. He noted that other decisions have been subject to electronic voting, including the approval of the sale of the old premises of the Permanent

Bureau, the approval of the Fin. Regs., and the adoption of the Hague Principles. The method is used only when necessary for reasons of efficiency and expediency.

Other business

16. The Secretary General announced that additional payments of Membership contributions had been recently received, but that more than 32% of payments were still outstanding. There are five States that currently fall under Article 11(4) of the Financial Regulations (these States are Azerbaijan, Burkina Faso, Egypt, Surinam, and Venezuela) and six States that are on the verge of falling under this sanction if they do not make payments before 30 June 2017 (these States are Brazil, Iceland, Moldova, Peru, Tunisia and Uruguay). The total outstanding payments of Membership contributions is approximately € 1.5 million, exposing the Permanent Bureau to a real and significant risk of lack of liquidity, which could result in its inability to pay even the most basic costs such as salaries and the rent.

17. The next meeting of the Standing Committee will be on Thursday 23 March at 10.00 a.m. The location is still to be determined.

ANNEX

The interrelation between Article 17(2) and 17(4) of the 2016 Financial Regulations and reporting by the Permanent Bureau in case of monetary voluntary contributions made by private donors above € 10,000

A. The relevant provisions under the 2016 Financial Regulations

1. Article 17 sets out the conditions for the acceptance of monetary voluntary contributions (MVC), made by both Members and non-Members, including private contributors. It relevantly provides:

PART 6 – VOLUNTARY CONTRIBUTIONS

Article 17 – Conditions for acceptance

(2) The Permanent Bureau shall communicate all received monetary contributions above an amount to be determined by the Council of Diplomatic Representatives to the Member States. This communication shall include the identification of the contributor, whether the contribution is intended to be used for a specific subject matter, and whether the contribution is recurring.

(4) Any proposed monetary voluntary contribution by a non-Member shall be communicated by the Permanent Bureau to the Standing Committee before being accepted.

B. The relevant provisions under the 2016 Financial Regulations

2. Article 17(2) requires the PB to communicate to the Member States all received MVC above a certain communication threshold. At the 2016 Meeting of the Council of Diplomatic Representatives, the communication threshold has been set at € 10,000. The Permanent Bureau communicates the MVC it receives to the annual meetings of the Council on General Affairs and Policy and the Council of Diplomatic Representatives.
3. The communication to the Councils is based on the PB's internal bookkeeping records. For auditing purposes, these records include all MVC. Therefore, the PB's reports prepared for the Councils include all MVC, including those below the communication threshold. To share with the Councils the full list of MVC, as opposed to filter out those below the threshold, has proven less work-intensive for the PB. In taking this approach, the PB combines Article 17(2) and Article 17(3), and, as a result and from a practical point of view, the threshold set in 17(2) does not serve a real practical purpose.
4. Recalling the discussions during the Working Group on Budgetary and Financial Matters, Article 17(4) was conceived to ensure maximum transparency in relation all proposed monetary voluntary contributions to be made by *private* contributors. The provision thus requires the Permanent Bureau to communicate any such proposed contribution as soon as possible after gaining knowledge of them. It discharges this obligation by notifying the Chair of the Standing Committee, transmitting relevant information concerning the proposed contribution prior to such contributions being received by the Permanent Bureau. Article 17(4) is condition precedent to accepting private MVC.

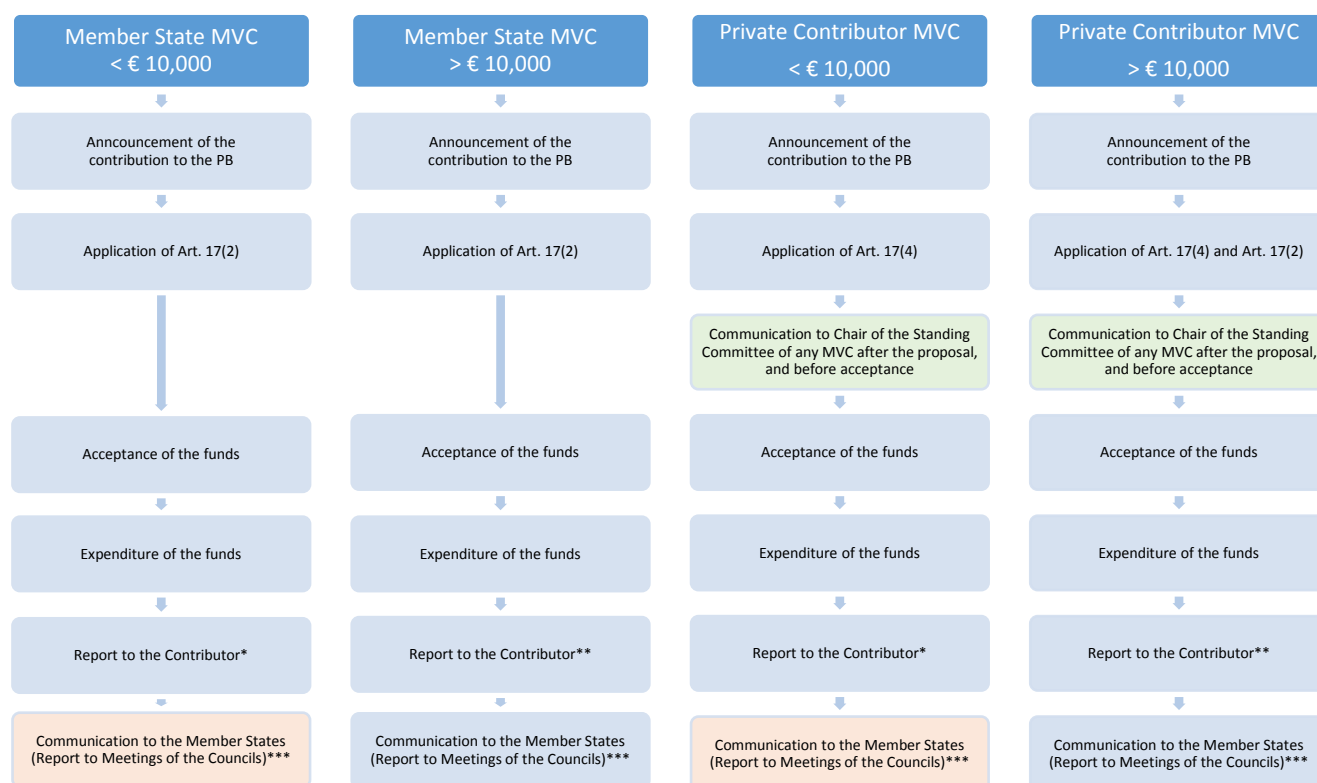
5. In addition to the communication requirements under Article 17, the PB does also report to the contributor after the expenditure. This is the case if specifically requested, or, in relation to MVCs above € 10,000, the report is prepared on the basis of a funding agreement. The funding agreement used by the PB includes a standardized reporting mechanism, which, if necessary, can be customized to suit the contributor's requirements.

C. Streamlining the communications to the Standing Committee and the Members

6. In December 2016, the Permanent Bureau, after having consulted the Chair of the Standing Committee, communicated jointly to the Standing Committee and the Members a significant contribution by a private contributor in a transparent, yet streamlined fashion. Subsequently, Canada queried the chosen approach, which the Secretary General explained in response. The PB refers to the Diplomatic Notes of the Permanent Bureau, L.c. ON No 57(16) of 9 December 2016; of the Embassy of Canada, No HAGUE-315 of 3 January 2017; and of the Secretary General of 26 January 2017 respectively.

D. Retaining the approved approach envisaged by Article 17

7. The PB suggests that it will continue to follow the approved approach envisaged in Articles 17(2) and (4). The process will comprise the following steps:



* If requested by the Contributor, including under a funding agreement, including with possible customization.

** Under a funding agreement, including with possible customization.

*** While the communication requirement under Art. 17(2) is subject to a communication threshold of € 10,000, in practice, the PB reports on all MVC, including those provided by Member States and private contributors both below and above the communication threshold, to the annual Meetings of the Council on Diplomatic Representatives (and on General Affairs and Policy) as required under Art. 17(3).