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Item No. 10 of the Agenda: Approval of the draft Budget for 2009 and fixing of the contributions of member States for that financial year

(prepared by the UNIDROIT Secretariat)

<i>Summary</i>	<i>Explanation of the proposed expenditure and receipts under the draft Budget for 2009 and the proposed contributions of member States</i>
<i>Action to be taken</i>	<i>Approval of the draft budget for 2009 and fixing of the contributions of member States for that financial year</i>
<i>Related documents</i>	<i>None</i>

Introduction

1. In accordance with Article 31 of the Regulations, as recently amended by the General Assembly at its 61st session, the Secretariat prepared first estimates for a draft Budget for the financial year 2009, which were submitted to Finance Committee at its 63rd session, held in Rome on 11 March 2008.
2. The first estimates were thus submitted to the Governing Council at its 87th session, held in Rome from 21 to 23 April 2008. The Council, on the basis of these first estimates, and having taken into account the opinion expressed by the Finance Committee, established the draft Budget for 2009.
3. The draft Budget resulting from this procedure, as set forth in Appendix I to this paper, in line with the Institute's budgetary practice, has been submitted to the Governments of UNIDROIT member States with a view to their formulation of such observations as they might wish to make by the 30 September 2008. The Governments of Canada, Colombia, Latvia and Switzerland have sent observations on the draft Budget for the financial year 2009, which are annexed to this document. At its 64th session, held in Rome on 9 October 2008, the Finance Committee gave its favourable opinion that General Assembly of member States, at its 63rd session, approve the draft budget for the financial year 2009.

4. The Secretariat has received in March 2008 a letter from M. Anthony Inglese, member of the Governing Council, offering an extra-statutory contribution of the Government of the United Kingdom of £ 50,000 for the financing, for the fourth year running, of the post of Deputy Secretary-General with function of Chief Administrator. The Secretariat wishes to express its gratitude for this generous contribution.

5. The Accounts for the financial year 2008 confirm that there was some carryover to the financial year 2008, representing some savings that had been made and some member States having settled the arrears in the payment of their contributions.

Expenditure

6. The Secretariat proposes an increase in expenditure for 2009, on the following grounds.

7. As to Chapters 2 (Remunerations), the Secretariat does not propose any increase in Article 1, because the annual increase in staff remuneration (the Secretariat forecasts an increase of approx. 3%, one part of which covers the increases provided for by the system operated by the Co-ordinated Organisations to which the Institute belongs, the other part covering increases connected with career advances) will be compensated by a reorganization of the staff which should entail savings. The Secretariat recalls that the incumbent Secretary-General has left the Institute on 30 September 2008. The Governing Council at its 87th session appointed a new Secretary-General as from 1st October 2008. The first estimates were drafted prior to that appointment and therefore the Secretariat was not in a position to establish with certitude the amount of his remuneration to be included in Chapter 2. The Secretariat had therefore deemed it prudent to include in Chapter 2 a remuneration reflecting that of a non-resident, non-Italian Secretary-General, with two dependents (one spouse and one child). The new Secretary-General having no dependants, this implies a reduction of approx. € 5,000 of what had been foreseen; the draft budget has thus been modified accordingly. The Secretariat proposes a small increase in Article 2 (Remuneration for occasional collaborators, i.e. external technical collaborators) to meet the rise of costs.

8. As to Chapter 3, the Secretariat had deemed it wise to include in the first estimates the social security expenditure that would be due if the new Secretary-General were to be included in the Italian social security system (INPS); the new Secretary-General has been in fact included in a similar system, whereas the institution of origin of the former Secretary-General took on his social security expenses. The Secretariat has also calculated an increase of approx. 3% to meet the increases of the staff remunerations. For these reasons, Chapter 3 shows an increase in comparison with the 2008 Budget.

9. As to changes in the Budget allocations for items other than Chapter 2, Article 1, and Chapter 3, the Secretariat has been compelled to propose increases in respect of certain Chapters. Inflation and cost rises have gradually, indeed, in some cases, dramatically, increased certain items of expenditure over the past few years. The Secretariat accordingly believes that certain Chapters need adjusting.

10. In Chapter 6, the Secretariat proposes an increase concerning Articles 2 and 3. Article 2 concerns telephone, fax and Internet expenditure; mindful of the need for a reliable Internet communications system, including public IP access for the Library and other services, the Institute has entered into a new, more efficient contract. The Institute has, however, also implemented a system to reduce the cost of telephone communications, in particular with correspondents abroad, the results of which still need to be assessed. Article 3 concerns postal charges. The Institute having exceeded the ceiling for these two items for two years running due to tariff increases, the Secretariat accordingly proposes to raise these ceilings. It should be recalled that postal charges

include postage for the dispatch of the Institute's publications to depository libraries in the member States and to subscribers, who also generate income.

11. Article 6 of Chapter 7 includes local taxes. In particular, some local taxes, which the Institute is held to pay since the headquarters agreement only exempts the Institute from national taxes, have risen considerably over the past years. Accordingly, the Secretariat proposes to increase this item by € 5,000.

12. Article 7 of Chapter 7 covers the cost of external staff (specifically, two persons employed to clean the Institute's premises, including the Library, and the company which occasionally looks after the garden). These costs have risen, and the Secretariat accordingly suggests an increase of € 2,000 for this item.

13. Chapter 9, which concerns the Library, has not changed for years, as the Governments are aware. The Secretariat has attempted to preserve the holdings of the Library without increasing the Budget, by means of exchanges and gifts. The Secretariat is now proposing an increase of € 2,500 for Article 2, which covers the binding of volumes of journals. As to the Library software, the Library catalogue is now available on line and offers search options using different parameters, a most useful tool since it may be accessed from anywhere at any moment in time. However, this important achievement has increased costs, to cover data storage, updating, etc., all operations that are far more complex than those connected with a simple electronic catalogue that can only be accessed *in situ*. In 2007 part of the cost covered the purchase of software. The Secretariat accordingly proposes an increase of € 7,000 for this item.

14. Overall, the Secretariat would therefore propose for 2009 an expenditure amounting to € 2,285,850.00, representing an increase of 3.48% in comparison with the 2008 Budget. The Secretariat points out that although the inflation rate for the Euro went down to 3.2%, it remains 3.6% for the EU area and 3.6% for Italy (source: Eurostat, November 2008). The Secretariat recalls that, as UNIDROIT has always exercised restraint in its very small budget, member States reached a consensus that in the case of the Institute "zero growth" was to be understood in real terms.

Receipts

15. The Secretariat would propose that the proposed expenditure for 2009 be covered as follows:

Estimated balance from the 2008 financial year	€	80,000.00
Statutory contribution of Italy	€	265,000.00
Statutory contributions of other member States	€	1,778,700.00
Extra-statutory contribution of the United Kingdom	€	65,450.00
Other receipts	€	66,700.00
Various receipts	€	30,000.00

16. *The balance that the Secretariat would anticipate being carried over from the 2008 financial year is based on the fact that the Institute is striving to follow the recommendations of the Finance Committee and of the General Assembly to limit expenditure. The Secretariat is also seeking to obtain financing from private sources for particular projects, i.e. the scholarship programme, the library and the promotion of UNIDROIT instruments.*

17. The contribution of Italy is an estimate made by the Secretariat.

18. The extra-statutory contribution of the United Kingdom, as already recalled, is based on a letter from M. Anthony Inglese, member of the Governing Council, offering an extra-statutory

contribution of the Government of the United Kingdom of £ 50,000 for the financing, for the fourth year running, of the post of Deputy Secretary-General with function of Chief Administrator.

19. The Secretariat would propose that the statutory contributions of member States other than Italy for 2009 be calculated on the basis of a unit of contribution amounting to € 2,450 representing an increase of 3.29% over the unit of contribution approved by the General Assembly for the statutory contributions of member States other than Italy for 2008 (€ 2,372).

20. Under this proposal, the statutory contributions of member States would rise in comparison with the year 2008 as follows:

Category I	from € 118,600	to € 122,500	+ € 3,900
Category II	from € 52,184	to € 53,900	+ € 1,716
Category III	from € 42,696	to € 44,100	+ € 1,404
Category IV	from € 30,836	to € 31,850	+ € 1,014
Category V	from € 26,092	to € 26,950	+ € 858
Category VI	from € 21,348	to € 22,050	+ € 702
Category VII	from € 18,976	to € 19,600	+ € 624
Category VIII	from € 11,860	to € 12,250	+ € 390
Special Category	from € 2,372	to € 2,450	+ € 78

21. At the time of writing the Secretariat has been informed that a new member State has acceded to the UNIDROIT statute. The Secretariat, following the opinion expressed by the Finance Committee on this issue at its 64th session, proposes to allocate this additional member State's contribution to supplement the receipts.

22. The miscellaneous receipts that the Secretariat would anticipate receiving in 2009 are made up of € 5,000 by way of interest, € 12,000 by way of the contributions to overhead expenses to be made by the Office for Italy and San Marino of the International Labour Organization in return for use of certain services connected with the use of certain parts of its premises and € 49,700 by way of sales of the Institute's publications.

23. The Secretariat has included € 30,000 in the various receipts (Chapter 3), corresponding to sums given by private donors for some services rendered by the Institute, i.e. by the databases

24. At its 64th session, the Finance Committee gave its favourable opinion on that the General Assembly approve the draft budget.

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25. *In the light of the foregoing considerations, the General Assembly is invited to approve the draft budget for 2009, as it appears in Appendix I, and the proposed contributions of member States for the financial year 2009.*

APPENDIX I

DRAFT BUDGET FOR 2009

RECEIPTS (in Euro)

	Budget 2008	Budget 2009
Estimated balance on 1 January ¹	70,000.00	80,000.00
Chapter 1: Contributions of member States		
Art. 1 (Italian Government) ²	270,000.00	265,000.00
Art. 2 (Other member States) ³	1,722,072.00	1,778,700.00
Extra-statutory contribution from United Kingdom ⁴	74,153.00	65,450.00
Chapter 2: Other receipts:		
Art. 1 (Interest)	5,000.00	5,000.00
Art. 2 (Contributions to overhead expenses) ⁵	10,000.00	12,000.00
Art. 3 (Sale of publications) ⁶	42,778.00	49,700.00
Chapter 3: Various receipts ⁷	15,000.00	30,000.00
Total of receipts	2,209,003.00	2,285,850.00

EXPLANATORY NOTES TO THE DRAFT BUDGET - RECEIPTS

- 1 The balance that the Secretariat would anticipate being carried over from the financial year 2008 is predicated on the assumption of the Institute making economies.
- 2 This receipt is an estimate of the Secretariat based on the contribution of the Italian Government in 2007.
- 3 The Secretariat has calculated this receipt on the basis of a unit of contribution amounting to € 2,450.00, representing an increase of 3,29% in comparison with 2008 (€ 2,372). The Secretariat has not deemed prudent to include the contribution of new member States, although interest in joining the Institute has been shown by some States. See § 21 of the Introduction.
- 4 This receipt is based on an offer made by from Mr Anthony Inglese, member of the UNIDROIT Governing Council, from the budget of the British Department of Trade and Industry; see § 4 and 18 of the explanatory introduction
- 5 This receipt represents the contribution to overhead expenses made by the Office for Italy and San Marino of the International Labour Organization in return for use of certain services connected with the use of parts of its premises.
- 6 This receipt includes the sale of the Uniform Law Review as well as the sale of other publications of the Institute.
- 7 These receipts are contributions from private donors for some services rendered by the Institute, i.e. the databases.

EXPENDITURE (in Euro)

	2008	2009
Chapter 1 – Reimbursement of expenses		
Art. 1 (Governing Council and Permanent Committee) ¹	55,000.00	55,000.00
Art. 4 (Auditor)	3,500.00	3,500.00
Art. 5 (Committees of Experts) ²	65,000.00	65,000.00
Art. 6 (Official journey of representatives and staff) ³	28,000.00	28,000.00
Total	151,500.00	151,500.00
Chapter 2 – Salaries and allowances		
Art.1 (Salaries of Categories A, B and C staff and consultant) ⁴	1,305,000.00	1,305,000.00
Art. 2 (Remuneration for occasional collaborators) ⁵	17,500.00	20,000.00
Total	1,322,500.00	1,325,000.00
Chapter 3 – Social security charges		
Art. 1 (Insurance against disablement, old age and sickness) ⁶	344,153.00	390,000.00
Art. 2 (Accidents' insurance) ⁷	8,500.00	8,500.00
Total	352,653.00	398,500.00
Chapter 4		
Compensation retired members of staff ⁸	2,500.00	2,500.00
Chapter 5		
Publications' printing costs ⁹	31,500.00	31,500.00
Chapter 6 – Administrative expenses		
Art. 1 (Stationery)	21,000.00	21,000.00
Art. 2 (Telephone, fax and Internet)	23,000.00	30,000.00
Art. 3 (Postage) ¹⁰	20,000.00	25,000.00
Art. 4 (Entertainment and representation)	4,650.00	4,650.00
Art. 5 (Interpreters)	27,500.00	27,500.00
Art. 6 (Miscellaneous)	6,700.00	6,700.00
Total	102,850.00	114,850.00
Chapter 7 – Maintenance costs		
Art. 1 (Electricity)	14,500.00	14,500.00
Art. 2 (Heating)	20,000.00	20,000.00
Art. 3 (Water)	7,000.00	7,000.00
Art. 4 (Insurance of premises)	11,500.00	11,500.00
Art. 5 (Office equipment)	24,000.00	24,000.00
Art. 6 (Upkeep of building, local taxes)	15,000.00	20,000.00
Art. 7 (Labour costs) ¹¹	25,000.00	27,000.00
Total	117,000.00	124,000.00
Chapter 9 - Library		
Art. 1 (Purchase of books) ¹²	92,000.00	92,000.00
Art. 2 (Binding)	6,500.00	9,000.00
Art. 3 (Software)	15,000.00	22,000.00
Total	113,500.00	123,000.00
Chapter 10		
Promotion of UNIDROIT instruments	5,000.00	5,000.00
Chapter 11		
Legal co-operation programme ¹³	10,000.00	10,000.00
Total ordinary expenditure	2,209,003.00	2,285,850.00

EXPLANATORY NOTES TO THE DRAFT BUDGET - EXPENDITURE

- 1 This sum is designed to cover the travel and subsistence expenses incurred by the members of the Governing Council and of the Permanent Committee in their attendance of the sessions of those bodies, to be held in spring 2009.
- 2 This sum is designed to cover the expenditure that will be incurred by the Institute in organising the meetings of the committees of experts and other meetings associated with the current projects of the Institute. The Secretariat wishes to note that it makes every effort to obtain external financing to cover part of these expenses.
- 3 This sum is designed to cover the travel and subsistence expenses incurred by representatives of the Institute, members of staff and collaborators in connection with official travel on behalf of the Institute, in all cases other than those covered by Chapter 10 (Promotion of UNIDROIT instruments). These missions are accomplished for a number of purposes, whether to further awareness of the Institute's work in general and, where appropriate, to encourage accession to the Statute of the Institute, to attend meetings organised by the Institute's sister Organisations, the Hague Conference on Private International Law and the United Nations Commission on International Trade Law, or in respect of the Institute's ongoing work.
- 4 This Article covers the salaries and allowances of the Secretary-General (for the explanation of the method followed to calculate the retribution of the new Secretary General, see § 7 of the Introduction), the two Deputy Secretaries-General, three other full-time and one part-time Category A professional members of staff, one *hors cadre* officer in charge of the depositary function, eight full-time and one part-time Category B administrative, secretarial and library members of staff, three full-time Category C members of staff, as well as the salary of a consultant.

The salaries and allowances of Category A members of staff, pursuant to a decision taken by the General Assembly at its 36th session, held in Rome on 12 December 1983, follow the Salaries Scales of the Co-ordinated Organisations, albeit with increases being reduced by an amount equal to 20% and delayed in their application by six months, whereas the salaries and allowances of Categories B and C members of staff follow a scheme, involving amendment of Articles 41 and 67 of the Regulations, approved by the General Assembly at its 38th session, held in Rome on 28 November 1985. Under this scheme, the salaries and allowances of Categories B and C members of staff are closely modelled on the Salaries Scales of the Co-ordinated Organisations, albeit on a considerably reduced scale.
- 5 In recent years this Article has essentially covered the Secretariat's needs for external technical support, for the updating and maintenance of the Institute's stock of computers and software or for special collaborations in transcription of materials and translation.
- 6 This Article covers the insurance of all Categories A, B and C members of staff against disablement, old age and sickness. With a few exceptions, all members of staff are insured for these purposes with the Italian social security system (I.N.P.S.). The increase includes the social charges of the new Secretary General; see § 9 of the Introduction.
- 7 This Article covers the insurance of all Categories A, B and C members of staff against accidents. All members of staff are insured for this purpose with a private Italian insurance company.

- 8 This Chapter covers the payments made to certain retired members of staff to cover the periods, in the past, during which they were not covered for social security purposes. As time goes on and the members of staff in question become fewer and fewer in number, it will be possible to reduce expenditure under this Chapter. Currently, it covers the payments made to only two retired members of staff.
- 9 This Chapter is designed to cover the cost of printing both the four issues of the *Uniform Law Review* that appear annually and of some official documents of the legislative instruments of the Institute (Acts and Proceedings of Conferences etc).
- 10 This Article includes the cost for Internet. For the increase of this Article, see § 10 of the Introduction.
- 11 This Article covers expenditure for posting the Institute's correspondence and publications, including the publications sold by the Institute, which produce receipts.
- 12 The proposed increase is due to the considerable rise of local taxes, which the Institute is held to pay since the headquarters agreement only exempts the Institute from national taxes. See § 11 of the Introduction.
- 13 This Article covers the cost of the two cleaners and the company which occasionally looks after the garden. None of these are members of staff: they are all outside contractors.
- 14 This Chapter covers the cost of acquisitions for the library's stock of books and the maintenance of its subscriptions to law journals, as well as the cost of binding. It is to be noted that, with the ever escalating cost of both, the library is necessarily forced severely to restrict its new acquisitions. It has to be added that the publication of the *Uniform Law Review* permits the library to count on exchanges (170 publications) and on complimentary copies sent by the publisher and/or the author wishing to see a book-review published in the *Review*. The increase of expenditure for the software is due to the on-line catalogue; see § 13 of the Introduction.
- 15 This Chapter covers the cost of the Institute's contribution to its scholarships programme for lawyers from developing countries and countries engaged in the transition to a market economy. Some other scholarships are provided by special contributions of member States or of private donors.

Overall, the Secretariat proposes that the expenditure for 2009 amounts to € 2,285,850, which represents an increase of 3.48% as compared with the Budget for 2008.