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**Item No. 9 on the Agenda: Approval of the draft Budget for 2010 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 2010 and the proposed contributions of member States</i>
<i>Action to be taken</i>	<i>Approval of the draft budget for 2010 and fixing of the contributions of member States for that financial year</i>
<i>Related documents</i>	<i>A.G./Comm. Finances (66) 6</i>

***Introduction***

1. In accordance with Article 31 of the Regulations, as recently amended by the General Assembly at its 61<sup>st</sup> session, the Secretariat prepared first estimates for a draft Budget for the financial year 2010, which were submitted to Finance Committee at its 65<sup>th</sup> session, held in Rome on 25 February 2009. The Finance Committee expressed the following opinion:

*"The Finance Committee had a detailed discussion of the draft budget for 2010 put forward by the UNIDROIT Secretariat. It also warmly welcomed and thanked for the extra-statutory contribution of the UK for another and final year, as announced by the British member of the Finance Committee and the Secretary-General. The Finance Committee highly appreciates the efforts undertaken by the Secretariat to aim for zero increase in expenditures and is convinced that it will be possible even to achieve a zero increase regarding the contribution of member States, given the accession of two new member States and the special contribution of the British Government. Furthermore, the Committee would also support the recommendation of the Secretary-General that the Governing Council should bear in mind the financial and human resources of UNIDROIT when discussing the strategic programme and eventual new projects."*

2. The first estimates have been modified according to the opinion expressed by the Finance Committee and were thus submitted to the Governing Council at its 88<sup>th</sup> session, held in Rome from 20 to 23 April 2009. The Council, on the basis of these first estimates, and having also taken into account the opinion expressed by the Finance Committee, established the draft Budget for

2010, which now contemplates that the contributions of member States, other than Italy, will be maintained to the same level as 2009.

3. The draft Budget, 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 20 September 2008. Canada has sent observations on the draft Budget for the financial year 2010 (see Appendix II to this paper).

4. At its 66<sup>th</sup> session, the Finance Committee asked the Secretariat to amend the draft budget for 2010 with a view to producing a more prudent estimate of the Italian contribution and to adapting receipts and expenditure accordingly. After having received a revised draft budget, which took into account the suggestion formulated by the members of the Committee, the Finance Committee formulated its opinion to be transmitted to the General Assembly, as follows:

*"The Finance Committee recommends that the General Assembly adopt the draft 2010 Budget as proposed and stresses the importance of a conservative estimate of receipts in the preparation of future Budgets".*

5. The draft budget resulting from this procedure is appended to this document (Appendix I).

6. The Secretariat would like to inform the General Assembly that it has received in March 2009 a letter from Ms Sandby-Thomas, member of the Governing Council, offering an extra-statutory contribution of the Government of the United Kingdom of £ 50,000 towards the partial funding, for the fifth and final year, of the post of Deputy Secretary-General with function of Chief Administrator. The Secretariat wishes to express its gratitude for this generous contribution

7. The Accounts for the financial year 2008 confirm that there was some carryover to the financial year 2009, representing some savings that had been made and some member States having settled the arrears in the payment of their contributions.

### ***Expenditure***

8. As to Chapters 2 (Remunerations) and 3 (Social charges), the Secretariat considers that 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, thus permitting the harmonisation of the conditions of service of professional staff and the inclusion in the organigramme of the Institute of the members of the staff who are at the moment *hors cadre*.

9. As to the Budget allocations for items other than Chapter 2 and Chapter 3, the Secretariat will try to compensate cost rises with an effort to make savings, in particular by an increased recourse to new technologies. The Secretariat wishes to underline that many meetings are hosted with either complete or partial funding of the organisers, be this the case of the member Governments that kindly host diplomatic conferences for negotiation of draft UNIDROIT Conventions, or of institutions that kindly host sessions of UNIDROIT working groups and committees designed to build broader consensus around the Institute's drafts. It also receives gifts, i.e. books for the Library, and extra-budgetary contributions aimed at some specific projects, such as the scholarships and the databases.

10. Overall, the Secretariat would therefore propose expenditure for 2010 amounting to € 2,267,725.00, corresponding to a small reduction in comparison with the expenditure included in the Budget for 2009.

**Receipts**

11. The Secretariat would propose that the proposed expenditure for 2010 be covered as follows:

Estimated balance from the 2009 financial year	€	90,000.00
Statutory contribution of Italy	€	197,000.00
Statutory contributions of other member States (including two new members States)	€	1,825,250.00
Extra-statutory contribution of the United Kingdom	€	56,500.00
Other receipts	€	68,975.00
Various receipts	€	30,000.00

12. The balance that the Secretariat would anticipate being carried over from the 2009 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.

13. The contribution of Italy is an estimate made by the Secretariat, based on the contribution paid in 2009.

14. The Secretariat would propose that the statutory contributions of member States other than Italy for 2010 be calculated on the basis of a unit of contribution amounting to € 2,450, identical to the unit of contribution approved by the General Assembly for the statutory contributions of member States other than Italy for 2009.

15. The extra-statutory contribution of the United Kingdom is based on a letter from Ms Rachel Sandy-Thomas, member of the Governing Council, announcing that she is prepared to offer, from the budget of the Department for Business Enterprise and Regulatory Reform, the amount of £ 50,000 towards the partial funding, for the fifth and final year, of the post of Deputy Secretary-General carrying the function of Chief Administrator.

16. Under this proposal, the statutory contributions of member States would not rise in comparison with the year 2009 and would be as follows:

Category I	€ 122,500
Category II	€ 53,900
Category III	€ 44,100
Category IV	€ 31,850
Category V	€ 26,950
Category VI	€ 22,050
Category VII	€ 19,600
Category VIII	€ 12,250
Special Category	€ 2,450

17. The statutory contributions of member States other than Italy include the contributions of the new member States, Indonesia and Saudi Arabia.

18. The miscellaneous receipts (Chapter 2) that the Secretariat would anticipate receiving in 2010 are made up of € 5,000 by way of interest, € 15,000 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 € 48,975 by way of sales of the Uniform Law Review and the other Institute's publications.

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

20. At its 66<sup>th</sup> session, the Finance Committee gave its favourable opinion on that the General Assembly approve the draft budget.

\* \* \*

21. *In the light of the foregoing considerations, the General Assembly is invited to approve the draft budget for 2010, as it appears in Appendix I, and the proposed contributions of member States for the financial year 2010.*

**APPENDIX I**

**DRAFT BUDGET FOR 2010**

### RECEIPTS (in Euro)

	Budget 2009	Budget 2010
<b>Estimated balance on 1 January</b> <sup>1</sup>	80,000.00	90,000.00
<b>Chapter 1: Contributions of member States</b>		
Art. 1 (Italian Government) <sup>2</sup>	265,000.00	197,000.00
Art. 2 (Other member States) <sup>3</sup>	1,778,700.00	1,825,250.00
Extra-statutory contribution from United Kingdom	65,450.00	56,500.00
<b>Chapter 2: Other receipts:</b>		
Art. 1 (Interest)	5,000.00	5,000.00
Art. 2 (Contributions to overhead expenses) <sup>4</sup>	12,000.00	15,000.00
Art. 3 (Sale of publications) <sup>5</sup>	49,700.00	48,975.00
<b>Chapter 3: Various receipts</b> <sup>6</sup>	30,000.00	30,000.00
<b>Total of receipts</b>	<b>2,285,850.00</b>	<b>2,267,725.00</b>

#### EXPLANATORY NOTES TO THE DRAFT BUDGET - RECEIPTS

1. The balance that the Secretariat would anticipate being carried over from the financial year 2009 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 2009.
3. The Secretariat has calculated this receipt on the basis of a unit of contribution amounting to € 2,450, identical to that of 2009. This receipt includes the contributions of two new member States, i.e. Indonesia and Saudi Arabia.
4. This receipt is based on an offer of extra-statutory contribution made by Ms Sandby-Thomas, member of the UNIDROIT Governing Council, on behalf of the Government of the United Kingdom (cf. § 6 and 15 of the document).
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 activities of the Institute, i.e. the databases.

## EXPENDITURE (in Euro)

	2009	2010
<b>Chapter 1 – Reimbursement of expenses</b>		
Art. 1 (Governing Council and Permanent Committee) <sup>1</sup>	55,000.00	50,000.00
Art. 4 (Auditor)	3,500.00	3,500.00
Art. 5 (Committees of Experts) <sup>2</sup>	65,000.00	65,000.00
Art. 6 (Official journey of representatives and staff) <sup>3</sup>	28,000.00	28,000.00
<b>Total</b>	<b>151,500.00</b>	<b>146,500.00</b>
<b>Chapter 2 – Salaries and allowances</b>		
Art.1 (Salaries of Categories A, B and C staff and consultant) <sup>4</sup>	1,305,000.00	1,307,875.00
Art. 2 (Remuneration for occasional collaborators) <sup>5</sup>	20,000.00	20,000.00
<b>Total</b>	<b>1,325,000.00</b>	<b>1,327,875.00</b>
<b>Chapter 3 – Social security charges</b>		
Art. 1 (Insurance against disablement, old age and sickness) <sup>6</sup>	390,000.00	390,000.00
Art. 2 (Accidents' insurance) <sup>7</sup>	8,500.00	8,500.00
<b>Total</b>	<b>398,500.00</b>	<b>398,500.00</b>
<b>Chapter 4</b>		
<b>Compensation retired members of staff<sup>8</sup></b>	<b>2,500.00</b>	<b>2,500.00</b>
<b>Chapter 5</b>		
<b>Publications' printing costs<sup>9</sup></b>	<b>31,500.00</b>	<b>31,500.00</b>
<b>Chapter 6 – Administrative expenses</b>		
Art. 1 (Stationery)	21,000.00	21,000.00
Art. 2 (Telephone, fax and Internet) <sup>10</sup>	30,000.00	28,000.00
Art. 3 (Postage) <sup>11</sup>	25,000.00	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
<b>Total</b>	<b>114,850.00</b>	<b>112,850.00</b>
<b>Chapter 7 – Maintenance costs</b>		
Art. 1 (Electricity) <sup>12</sup>	14,500.00	12,500.00
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) <sup>13</sup>	24,000.00	22,000.00
Art. 6 (Upkeep of building, local taxes) <sup>14</sup>	20,000.00	20,000.00
Art. 7 (Labour costs) <sup>15</sup>	27,000.00	27,000.00
<b>Total</b>	<b>124,000.00</b>	<b>120,000.00</b>
<b>Chapter 9 - Library</b>		
Art. 1 (Purchase of books) <sup>16</sup>	92,000.00	82,000.00
Art. 2 (Binding)	9,000.00	9,000.00
Art. 3 (Software)	22,000.00	22,000.00
<b>Total</b>	<b>123,000.00</b>	<b>113,000.00</b>
<b>Chapter 10</b>		
<b>Promotion of UNIDROIT instruments</b>	<b>5,000.00</b>	<b>5,000.00</b>
<b>Chapter 11</b>		
<b>Legal co-operation programme<sup>17</sup></b>	<b>10,000.00</b>	<b>10,000.00</b>
<b>Total ordinary expenditure</b>	<b>2,285,850.00</b>	<b>2,267,725.00</b>

**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 2010. A slight reduction is predicated on the assumption that some members of the Council will generously take care of their own expenses, and that all the members of the Council will try to make efforts to reduce their travel expenses.
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, and that many meetings are hosted with either complete or partial funding of the organisers, be this the case of the member Governments that kindly host diplomatic conferences for negotiation of draft UNIDROIT Conventions, or of institutions that kindly host sessions of UNIDROIT working groups and committees designed to build broader consensus around the Institute's drafts. In 2010 the Secretariat has planned the 5<sup>th</sup> and final session of the Working Group for the preparation of a 3<sup>rd</sup> edition of the UNIDROIT Principles of International Commercial Contracts as well as the 4<sup>th</sup> (and hopefully final) session of the Committee of governmental experts for the preparation of a draft Protocol to the Convention on International Interests in Mobile Equipment on Matters specific to Space Assets. Other meetings will be organized according to the Work Programme.
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, the two Deputy Secretaries-General, four full-time and one part-time professional members of staff, 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 36<sup>th</sup> 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 38<sup>th</sup> 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.
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.).



7. This Article covers the insurance of all Categories A, B and C members of staff against accidents 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. In 2010 the Secretariat envisages the publication of the Official Commentary to the Convention on substantive rules regarding intermediated securities and of the French versions of the Official Commentary to the Capetown Convention and the Aircraft Protocol (revised edition), of the Official Commentary to the Luxembourg Rail Protocol and of the Official Commentary to the Model Law on Leasing.
10. This Article includes the cost for telephone, fax and the Internet. The slight reduction takes in account the efforts made by the Secretariat on adopting systems capable of entailing savings, although the special needs of the Institute (reliability of the communications, recourse to public IPs for the Library catalogue, the website and the databases, as well as for some on-line services, like Westlaw) oblige it to select high level solutions.
11. This Article covers expenditure for posting the Institute's correspondence and publications, including the publications sold by the Institute, which produce receipts. The Secretariat has entered an agreement with "Poste Italiane" which will permit important savings in the cost of posting the *Uniform Law Review*.
12. The small reduction in this Article is based on the adoption of a more efficient system of lighting in the headquarters of the Institute, in particular in the Library.
13. The Secretariat considers that in 2010 it is possible to envisage a small reduction in the expenses included in this Article.
14. This Article covers also the local taxes, which the Institute is held to pay since the headquarters agreement only exempts the Institute from national taxes.
15. 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.
16. 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. The Secretariat is currently seeking to obtain private donations aimed at compensating the reduction in Article 1 of this Chapter. 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*, and that the Library has received gifts from private donors.
17. 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.

**APPENDIX II****Comments of Canada on UNIDROIT'S draft Budget  
2010 financial year**

Canada would like to thank the Secretariat for preparing the First Estimates for the Draft Budget for 2010. We especially appreciate its efforts to provide more specific information on the planned experts meetings and publications for 2010, and we encourage the Secretariat to expand this approach to other items of the Draft Budget.

Canada also welcomes the information provided by the Secretariat on the extra-budgetary contributions received by UNIDROIT in the years 2008/2009, and on their allocation to the activities and projects of the Institute. We feel that obtaining clear and precise information on financial matters, including sources of revenue, greatly assists Member States in meeting their responsibilities with respect to the approval of the Institute's annual budget.

Overall, Canada supports the draft Budget. We welcome the establishment of a contingency reserve fund to accommodate unforeseen events before the finalisation of projects, and agree that this should be done within the current budgetary framework rather than through an increase in statutory contributions of Member States.

With respect to the expenditures, Canada asks that the Secretariat provide further clarification regarding the estimated costs for some of the items, which we believe may be underestimated. In particular, the estimated printing costs (31,500 euros) appear quite low given the actual expenditure for this item in 2008 (51,090 euros) and the number of substantive documents the Secretariat is planning to publish in the upcoming year. The estimated expenditures for heating and postage also seem to be underestimated in view of actual expenditures in the past financial years.