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Item No. 8 on the Agenda : Adjustments to the budget for the 2013 financial year

(prepared by the UNIDROIT Secretariat)

<i>Summary</i>	<i>Explanation of the adjustments proposed by the Secretariat to the 2013 Budget</i>
<i>Action to be taken</i>	<i>To take note of the expected actual level of receipts and expenditure for the year 2013</i>
<i>Related documents</i>	<i>UNIDROIT 2012 – Budget 2013; UNIDROIT 2013 - Accounts of receipts and expenditure for the 2012 financial year; UNIDROIT 2013 – F.C. (74) 3</i>

1. It is customary for the Secretariat to submit, first, to the Finance Committee and then to the General Assembly each autumn a document indicating any adjustments that may need to be made to the Budget for that financial year, on the basis of the Accounts available for the previous financial year, the partial accounts available for the current financial year and any other modifications due to exceptional circumstances.

2. At the time of writing, the Secretariat considers that it is necessary to introduce a few adjustments to the budget for the 2013 financial year, as indicated in the notes to the revised budget contained in the Appendix I to this document. The Secretariat deems it prudent to anticipate a shortfall in ordinary receipts (€ 69,600), but does not intend to request supplementary funding. The Secretariat proposes instead to compensate any shortfall in receipts or any unforeseen expenditure in 2013 with the surplus carried over from the financial year 2012 (€ 75,210.40). At the time of this writing, the Secretariat estimates that, even in the event of a shortfall in receipts, the accounts may show a positive balance of some € 11,071.99 due to reduction of expenditure under various chapters.

3. The Secretariat points out that, in the consultations via mail that followed an informal meeting of the Finance Committee held at the seat of UNIDROIT at 11 a.m. on 20 June 2013, the Finance Committee supported the request to authorise the Secretary-General, in accordance with Article 38(4)(a) of the Regulations, to use any part of the surplus carried over from the financial year 2012 for the purpose of covering the cost of expert review of the compensation package offered by UNIDROIT, including salaries, health and pension insurance, with a view to assessing the financial implications of a possible move to another pay scheme and also examine possible

alternatives to the Italian social security scheme for purposes of health and insurance for UNIDROIT staff. The Finance Committee requested the Secretary General to keep the cost of the proposed studies as low as possible (see Appendix II).

4. The Secretariat would draw the attention of the General Assembly to the need for urgent repair works and investment in the UNIDROIT premises and its furnishings, including purchase of new office equipment (discarding computer equipment older than five years or power inefficient air-conditioning and other electric equipment). The Secretariat is also studying alternatives for replacing old office furniture with workstations that meet current standards of ergonomics in the workplace and for carrying out long overdue repair works in the premises that have been postponed for several years for lack of resources.

5. In accordance with Regulations 38(4)(a), the Secretary-General requested the authorisation of the Finance Committee to use any balance of the surplus carried over from the financial year 2012 which may be shown at the closing of the 2013 accounts by 28 February 2014 for the purposes indicated in paragraphs 3 and 4 above. The Secretariat would report to the Finance Committee, at its 75th session, in the first quarter of 2014, on any expenditure made in accordance with such authorisation.

6. At its 72th session (Rome, 26 September 2013), the Finance Committee took note of the above information (UNIDROIT 2013 – F.C. (74) 7, para. 12).

7. *In the light of the foregoing, the General Assembly, at its 72nd session, may wish to take note of the expected level of receipts and expenditure for the financial year 2013, as set out in Appendix I.*

APPENDIX I

ADJUSTMENTS TO THE BUDGET FOR THE 2013
FINANCIAL YEAR

RECEIPTS (in Euro)

	2013		
	Budget	Estimate	Balance
Income			
Estimated balance on 1 January 2013 ¹	-	75,210.40	75,210.40
Ordinary Receipts			
Contributions of member States			
Italian Government	100,000.00	100,000.00	0.00
Other member States ²	2,031,050.00	1,961,450.00	-69,600.00
Other Receipts			
Interest	5,000.00	5,000.00	0.00
Contribution to overhead expenses	15,000.00	15,000.00	0.00
Sale of publications ³	54,000.00	13,182.50	-40,817.50
Total receipts	2,205,050.00	2,169,842.90	-35,207.10

EXPLANATORY NOTES TO THE ADJUSTED RECEIPTS

¹ The final accounts for the 2012 higher balance than originally anticipated, which was mainly due to reduction in expenditure in that year.

² On the basis of the recent pattern of arrears and delayed payment of assessed contributions, the Secretariat deems it prudent to anticipate a shortfall of some € 69,600 in contributions of member States other than Italy in 2013.

³ At the time of this writing, income from publications sales amounts to € 65,877,20. The bulk of income derives from sales of the 3rd edition of the Official Commentary to the Convention on International Interests in Mobile Equipment and Protocol thereto on Matters Specific to Aircraft Equipment, which appeared in 2013. The lower total sales figure indicated in the estimates already reflects royalties payable to the author of the official commentary, Professor Sir Roy Good, which he regularly pledges nearly entirely to UNIDROIT through the Uniform Law Foundation in the following calendar year.

EXPENDITURE (in Euro) ¹

	Budget	Estimate	Balance
Chapter 1 – Reimbursement of expenses			
Art. 1 (Governing Council and Permanent Committee)	48,000.00	36,653.00	11,347.00
Art. 4 (Auditor)	3,605.00	3,642.26	-37.26
Art. 5 (Committees of Experts)	80,000.00	66,561.58	13,438.42
Art. 6 (Official journey of representatives and staff)	40,000.00	20,543.89	19,456.11
Total	171,605.00	127,400.73	44,204.27
Chapter 2 – Salaries and allowances			
Art.1 (Salaries of Categories A, B and C staff and consultant)	1,197,350.00	1.197.808,22	-458.22
Art. 2 (Remuneration for occasional collaborators)	20,000.00	20.000,00	0.00
Total	1,217,350.00	1.217.808,22	-458.22
Chapter 3 – Social security charges			
Art. 1 (Insurance against disablement, old age and sickness)	403,895.00	401,845.62	2.049.38
Art. 2 (Accidents' insurance)	8,500.00	8,786.53	-286.53
Total	412.395,00	410,632.15	1,762.85
Chapter 4 - Compensation to retired staff members	2,500.00	1,860.66	639.34
Chapter 5- Publications' printing costs	20,500.00	22,850.50	-2,350.50
Chapter 6 – Administrative expenses²			
Art. 1 (Stationery)	21,000.00	17,000.00	4.000.00
Art. 2 (Telephone, fax and Internet)	21,000.00	21,000.00	0.00
Art. 3 (Postage)	16,000.00	17,746.00	-1,746.00
Art. 4 (Representation)	5,000.00	5,000.00	0.00
Art. 5 (Interpreters)	32,000.00	28,696.36	3,303.64
Art. 6 (Miscellaneous)	6,700.00	6,700.00	0.00
Total	101,700.00	96,142.36	5,557.64
Chapter 7 – Maintenance costs³			
Art. 1 (Electricity)	13,000.00	20,000.00	-7,000.00
Art. 2 (Heating)	22,000.00	24,000.00	-2,000.00
Art. 3 (Water)	7,000.00	6,000.00	1,000.00
Art. 4 (Insurance of premises)	12,000.00	12,000.00	0.00
Art. 5 (Office equipment)	23,000.00	23,363.01	-363.01
Art. 6 (Upkeep of building, local taxes)	24,000.00	25,000.00	-1,000.00
Art. 7 (Labour costs)	45,000,00	45,220.00	-220.00
Total	146,000.00	155,583.01	-9,583.01
Chapter 9 – Library			
Art. 1 (Purchase of books)	82,000.00	82,000.00	0.00
Art. 2 (Binding)	9,000.00	9,000.00	0.00
Art. 3 (Software)	22,000.00	22,892.43	-892.43
Total	113,000.00	113,892.43	-892.43
Chapter 10 - Promotion of UNIDROIT instruments	10,000.00	2,600.86	7,399.14
Chapter 11- Legal co-operation programme	10,000.00	10,000.00	0.00
Total expenditure	2,205,050.00	2,158,770.92	46,279.08

EXPLANATORY NOTES TO THE ADJUSTED EXPENDITURE

¹ Savings in expenditure have been achieved – or are expected to be realised – under most chapters of the budget as a result of various factors, including, in some cases, tight expenditure control by the Secretariat: lower attendance of meetings by participants whose travel costs the Secretariat is liable to reimburse; assumption of travel costs by third parties; extra-statutory contributions to cover meetings costs; departure of staff members; cancellation of meetings; inventory control etc. The figures provided in this document are in most cases merely best estimates by the Secretariat and should not, at this point in time, be understood as a guarantee that a certain amount of savings will indeed be realised. For ease of reading, the Secretariat refrains from providing detailed explanation on the particular nature of every such savings. The Secretariat points out, however, that in many instances savings have been achieved or sought solely for the purpose of coping with the anticipated shortfall of receipts and at the cost of full implementation of the Work Programme.

² The slightly higher expenditure under Chapter 6 (Administrative expenses), Article 3 (Postage), is due to the additional cost of shipping more than 270 copies of the 3rd edition of the Official Commentary to the Convention on International Interests in Mobile Equipment on Matters Specific to Aircraft Equipment, which appeared in 2013. These costs are largely offset by other economies within the same chapter.

³ The slightly higher expenditure under Chapter 7 (Maintenance costs), articles 1 (Electricity) and 2 (Heating) reflect unexpected price raises for gas and power by the local providers of those utilities, as well as the settlement of adjustment bills received in 2013 for actual consumption in previous billing cycles.

APPENDIX II**Summary of Informal Meeting of the Finance Committee on 20 June 2013**

(as summarized in the circular communication from the Chair, Ms Katharina Wieser (Austria) to the members of the Finance Committee of 10 July 2013)

At the 73rd session the Finance Committee (Rome, 13 March 2013), in connection with the Committee's review of the first estimates for the draft budget UNIDROIT for 2014 as contained in doc. F.C. (73) 2, the Chair of the Finance Committee commented that staffing cost could be an area of further review and requested a document detailing the remuneration process of the Institute and proposed holding an informal meeting in the summer of 2013 to look at the salary system of UNIDROIT.

The informal meeting was held at the seat of the Institute at 11 a.m. on 20 June 2013, preparatory documentation having been circulated on 7 June 2013 via e-mail by the Secretary-General.

The informal meeting was attended Ms Katharina Wieser, Ms Gilda Motta Santos Neves (Brazil), Mr Craig Weichel (Canada), Mr Wu Cong (China), Mr Marco Acquaticci (Germany), Mr Fernando Pallini Oneto (Italy), Ms Satoko Koike Masutani (Japan), Mr Lee Je-Hyoung (Republic of Korea), Mr Evgeny Egorov (Russian Federation), Mr Tiziano Balmelli (Switzerland), Mr Stetson A. Sanders (United States). Ms Amélie Duranton (France), Mr Vishwesh Negi (India), Mr Kamal Mirkhalaf (Islamic Republic of Iran), Mr Alan Romero Zavala (Mexico), Ms Lorea Arribalzaga (Spain), Ms Claudia Giunchiglia (United Kingdom) and Ms Alina Popescu (Romania) sent excuses.

At the meeting, the Secretary-General summarized the findings of a preliminary internal review of the personnel policies of the Secretariat and the measures that he and the Permanent Committee had taken to address problems in the structure and staffing needs of the UNIDROIT Secretariat, as described in the relevant document (UNIDROIT 2013 – P.C. (114) 2), which had been discussed by the Permanent Committee at its 114th session (Rome, 3 April 2012).

The attendants of the meeting took note of the information provided by the Secretary-General on the remuneration and social security schemes in place at UNIDROIT, including the inconsistencies among the various categories of staff and the limitations caused to staff mobility. There was a general feeling that the current system was complex, contradictory and inefficient. An initial outside review done in 2010 indicated that there might be long-term combined savings of some Euro 150,000 per annum by reforming the system. However, the attendants of the meeting also felt that any move to a different, more consistent and transparent system, would require thorough examination of all upfront term costs and long-term implications.

The attendants of the meeting also noted with some concern the lack of uniformity among the various pension and health insurance schemes currently used by UNIDROIT staff, and that changes introduced into the Italian social security scheme (INPS) in recent years might deprive several staff members of the Institute of the right to claim retirement benefits before they reach 67 years of age. The Committee took note of the content of a legal opinion, which had been obtained by the President, which confirmed that the particular status of the Institute's staff, as employees of an intergovernmental organisation voluntarily enrolled under the Italian social security scheme, did

not exempt them from those rules. The attendants of the meeting were also concerned about the relatively high cost of insuring staff members with INPS.

After consultation via mail, the Finance Committee supported the request to authorise the Secretary-General to (a) hire a consultant(s) to undertake a “Total Compensation Comparison” between UNIDROIT and the Coordinated Organisations and other Rome-based international organisations, including those of the UN system, with a view to assessing the financial implications of a possible move to another pay scheme and also examine possible alternatives to the Italian social security scheme for purposes of health and pension insurance for UNIDROIT staff; and (b) use part of the surplus carried over from the financial year 2012 for that purpose. The Secretary-General expects the cost of such studies not to exceed Euro 10,000 each. The Finance Committee requested the Secretary General to keep the cost of the proposed studies as low as possible.