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**FINANCE COMMITTEE**  
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**Item No. 2 on the Agenda: Draft Budget for 2010 - First estimates**

(Memorandum of the Secretariat)

<i>Summary</i>	<i>First estimates of receipts and expenditure for 2010</i>
<i>Action to be taken</i>	<i>Opinion of the members of the Finance Committee with regard to the first estimates of the Secretariat prior to the formal establishment of the draft Budget by the Governing Council at its 88<sup>th</sup> session (Rome, 20/23 April 2009)</i>
<i>Related documents</i>	<i>None</i>

***Introduction***

1. In accordance with Article 31 of the Regulations, in its new version amended by the General Assembly at its 61<sup>st</sup> session, the Secretariat has prepared first estimates for a draft Budget for the financial year 2010, which are set out in Appendix I to this document. In the light of comments by the Finance Committee, these estimates will be submitted to the Governing Council at its 88<sup>th</sup> session, which will be held in Rome from 20 to 23 April 2009. The Council, on the basis of these first estimates, will establish the draft Budget for 2010, to be communicated to the member Governments for comments, to be submitted before 20 September 2009. The draft Budget will then be submitted, together with any comments by the Governments, to the Finance Committee at its 66<sup>th</sup> session in Rome, at the beginning of October 2009. The Committee will at that time give its opinion of the draft Budget before its submission to the General Assembly at its 64<sup>th</sup> session in Rome at the end of November 2009.

2. The Secretariat is pleased to inform the members of the Committee that two States, i.e. Indonesia and Saudi Arabia, have acceded on 1<sup>st</sup> January 2009 to the Institute, bringing to 63 the number of member States.

3. The first estimates have been drafted bearing in mind the recommendation expressed by the organs of the Institute, and in particular by the Finance Committee and the General Assembly, to envisage ways of reducing expenditure. The members of the Finance Committee will note that, notwithstanding the continuing rise of costs, the expenditure is maintained at the same level of the 2009 financial year.

4. The Secretariat is pleased to note that some member States have succeeded in considerably reducing their arrears compared to the situation in 2008 (see Appendix II to this document). This

encourages the Secretariat to persevere in its efforts vis-à-vis the competent authorities of Governments that have fallen behind to settle their dues; the position of one Government, Bolivia, remains critical and is a cause for keen concern. The Secretariat wishes to invite the Finance Committee to take note of these results, and of the Secretariat's determination to pursue this course of action in the months to come.

5. At the time of writing (end January 2009), the final accounts for the 2008 financial year are not yet available. It is however possible to affirm that there will be a sum carried forward from that financial year to 2009, some member States having settled the arrears in the payment of their contributions.

### ***Expenditure***

6. The Secretariat does not propose any increase in expenditure for 2010, on the following grounds.

7. As to Chapters 2 (Remunerations) and 3 (Social charges), the Secretariat does not propose any increase, 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, thus permitting to harmonise the conditions of service of professional staff.

8. 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 organizers, 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 (see Appendix III).

9. Overall, the Secretariat would therefore propose expenditure for 2010 amounting to € 2,285,850.00, corresponding to the expenditure included in the Budget for 2009.

### ***Receipts***

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

Estimated balance from the 2009 financial year	€	80,000.00
Statutory contribution of Italy	€	258,000.00
Statutory contributions of other member States (including two new members States)	€	1,843,975.00
Other receipts	€	73,975.00
Various receipts	€	30,000.00

11. 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.

12. The contribution of Italy is an estimate made by the Secretariat, based to the contribution paid in 2008.

13. 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 € 2,475 representing an increase of 1.01% over the unit of contribution approved by the General Assembly for the statutory contributions of member States other than Italy for 2009 (€ 2,450).

14. Under this proposal, the statutory contributions of member States would rise in comparison with the year 2009 as follows:

Category I	from € 122,500	to € 123,750	+ € 1,250
Category II	from € 53,900	to € 54,450	+ € 550
Category III	from € 44,100	to € 44,550	+ € 450
Category IV	from € 31,850	to € 32,175	+ € 325
Category V	from € 26,950	to € 27,225	+ € 275
Category VI	from € 22,050	to € 22,275	+ € 225
Category VII	from € 19,600	to € 19,800	+ € 200
Category VIII	from € 12,250	to € 12,375	+ € 125
Special Category	from € 2,450	to € 2,475	+ € 25

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

16. The miscellaneous receipts (Chapter 2) that the Secretariat would anticipate receiving in 2010 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 € 56,975 by way of sales of the Uniform Law Review and the other Institute's publications.

17. 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.

\* \* \*

18. *The Secretariat would invite the Finance Committee to express its opinion on the first estimates for the draft Budget for 2010 set out in Appendix I to this document.*



**APPENDIX I**

**DRAFT BUDGET FOR 2010**

**FIRST ESTIMATES**

### RECEIPTS (in Euro)

	Budget 2009	Budget 2010
<b>Estimated balance on 1 January</b> <sup>1</sup>	80,000.00	80,000.00
<b>Chapter 1: Contributions of member States</b>		
Art. 1 (Italian Government) <sup>2</sup>	265,000.00	258,000.00
Art. 2 (Other member States) <sup>3</sup>	1,778,700.00	1,843,875.00
Extra-statutory contribution from United Kingdom	65,450.00	
<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	12,000.00
Art. 3 (Sale of publications) <sup>5</sup>	49,700.00	56,975.00
<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>2,285,850.00</b>

#### EXPLANATORY NOTES TO THE FIRST ESTIMATES - RECEIPTS

- 1 The balance that the Secretariat would anticipate being carried over from the financial year 2010 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 2008.
- 3 The Secretariat has calculated this receipt on the basis of a unit of contribution amounting to € 2,475, representing an increase of 1.01% in comparison with 2009 (€ 2,450). This receipt includes the contributions of two new member States, i.e. Indonesia and Saudi Arabia.
- 4 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.
- 5 This receipt includes the sale of the Uniform Law Review as well as the sale of other publications of the Institute.
- 6 These receipts are contributions from private donors for some services rendered by 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	55,000.00
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>151,500.00</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	1,305,000.00
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>1,325,000.00</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>		
Compensation retired members of staff <sup>8</sup>	2,500.00	2,500.00
<b>Chapter 5</b>		
Publications' printing costs <sup>9</sup>	31,500.00	31,500.00
<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	30,000.00
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>114,850.00</b>
<b>Chapter 7 – Maintenance costs</b>		
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) <sup>12</sup>	20,000.00	20,000.00
Art. 7 (Labour costs) <sup>13</sup>	27,000.00	27,000.00
<b>Total</b>	<b>124,000.00</b>	<b>124,000.00</b>
<b>Chapter 9 - Library</b>		
Art. 1 (Purchase of books) <sup>14</sup>	92,000.00	92,000.00
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>123,000.00</b>
<b>Chapter 10</b>		
Promotion of UNIDROIT instruments	5,000.00	5,000.00
<b>Chapter 11</b>		
Legal co-operation programme <sup>15</sup>	10,000.00	10,000.00
<b>Total ordinary expenditure</b>	<b>2,285,850.00</b>	<b>2,285,850.00</b>

**EXPLANATORY NOTES TO THE FIRST ESTIMATES - 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.
- 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 organizers, 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> 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 2009-2011.
- 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 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.).
- 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 has planned 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 Secretariat is exploring systems capable of entailing savings in this Article, 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 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.
- 12 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.
- 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*, and that the Library has received gifts from private donors.
- 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 2010 amounts to € 2,285,850, which corresponds to the total of expenditure included in the budget for 2009.

## APPENDIX II

**OUTSTANDING CONTRIBUTIONS IN RESPECT OF THE 2008 AND PREVIOUS FINANCIAL YEARS  
IN EURO AS OF 3 FEBRUARY 2009**

	1999-2002	2003	2004	2005	2006	2007	2008	TOTAL
Bolivia	10,850.00	11,000.00	11,195.00	11,380.00	11,525.00	11,825.00	11,860.00	<b>79,635.00</b>
Colombia							4,624.42	<b>4,624.42</b>
Israel							18,976.00	<b>18,976.00</b>
Iran					11,460.00			<b>11,460.00</b>
Pakistan							11,860.00	<b>11,860.00</b>
Total	10,850.00	11,000.00	11,195.00	11,380.00	22,985.00	11,825.00	47,320.42	<b>126,555.42</b>