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Item No. 2 on the Agenda: Draft Budget for 2012 - First estimates

(Memorandum of the Secretariat)

<i>Summary</i>	<i>First estimates of receipts and expenditure for 2012</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 90th session (Rome, 9-11 May 2011)</i>
<i>Related documents</i>	<i>None</i>

Introduction

1. Appendix I to this document sets out the first estimates for a draft Budget for the financial year 2012, prepared by the Secretariat in accordance with Article 31 of the Regulations for an initial review by the Finance Committee.
2. In the light of comments by the Finance Committee, these estimates will be submitted to the Governing Council at its 90th session, which will be held in Rome from 9 to 11 May 2011. On the basis of these first estimates, the Council will establish the draft Budget for 2012, to be communicated to member States, for their review and comments. Comments by member States must be submitted to the Secretariat by 20 September 2011. Thereafter, the draft Budget will be submitted, together with any comments received by the Secretariat, to the Finance Committee at its 70th session in Rome, at the beginning of October 2011. The Committee will at that time give its opinion on the draft Budget before its submission to the General Assembly at its 69th session in Rome in December 2011.
3. *The Secretariat invites the Finance Committee to express its opinion on the first estimates for the draft Budget for 2012 set out in Appendix I to this document.*

APPENDIX

DRAFT BUDGET FOR 2012

FIRST ESTIMATES

RECEIPTS (in Euro)

	Budget 2011	Budget 2012
Estimated balance on 1 January ¹	20,000.00	30,000.00
Chapter 1: Contributions of member States		
Art. 1 (Italian Government) ²	197,000.00	150,000.00
Art. 2 (Other member States) ³	1,825,250.00	2,288,300.00
Chapter 2: Other receipts:		
Art. 1 (Interest)	5,000.00	5,000.00
Art. 2 (Contributions to overhead expenses) ⁴	15,000.00	15,000.00
Art. 3 (Sale of publications) ⁵	65,475.00	54,475.00
Chapter 3: Various receipts ⁶	30,000.00	-
Total of receipts	2,157,725.00	2,392,775.00

EXPLANATORY NOTES TO THE FIRST ESTIMATES - RECEIPTS

¹ At the time of writing (end February 2011), the final accounts for the 2010 financial year are not yet available. It is however possible to anticipate that there will be a sum carried forward from that financial year to 2011.

² This receipt is an estimate of the Secretariat based on the actual contribution of the Italian Government in 2010.

³ The Secretariat has calculated this receipt on the basis of a unit of contribution amounting to € 2,450, which is identical with the current unit of contribution. The overall increase (13.16%) would be obtained through the reclassification of 12 member States in the organisation's contributions chart (see document UNIDROIT 2011 F.C. (69) 3).

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. The budget for 2011 shows a higher estimate in anticipation of sales of the two new publications expected to be released in the course of the year, i.e. the 3rd edition of the UNIDROIT Principles on International Commercial Contracts and the Official Commentary on the Geneva Securities Convention, both in English and French. No new publications being planned for 2012, the receipt estimates have been adjusted accordingly.

⁶ Until the financial year 2007, this chapter seldom indicated an estimate of receipt. Between 2008 and 2010, this chapter has been used to record estimates of contributions from private donors for some activities of the Institute in the amount of € 13,000. Regrettably, the accounts for the financial years 2009 and 2010 show that no such level of voluntary contribution has been reached. The fluctuating nature of extra-budgetary contributions, and their private origin call for clearer separation from the regular income of UNIDROIT and conservative estimates. Therefore, the Secretariat considers it more prudent to revert to the previous practice of not including any such extraordinary income as a factor in the regular budgeting process.

EXPENDITURE (in Euro)

	2011	2012
Chapter 1 – Reimbursement of expenses		
Art. 1 (Governing Council and Permanent Committee) ¹	50,000.00	48,000.00
Art. 4 (Auditor) ²	3,500.00	3,605.00
Art. 5 (Committees of Experts) ³	55,000.00	60,000.00
Art. 6 (Official journeys of representatives and staff) ⁴	28,000.00	28,000.00
Total	136,500.00	134,605.00
Chapter 2 – Salaries and allowances		
Art.1 (Salaries of Categories A, B and C staff and consultant) ⁵	1,212,875.00	1,370,950.00
Art. 2 (Remuneration for occasional collaborators) ⁶	20,000.00	20,000.00
Total	1,232,875.00	1,390,950.00
Chapter 3 – Social security charges		
Art. 1 (Insurance against disablement, old age and sickness) ⁷	390,000.00	465,450.00
Art. 2 (Accidents' insurance) ⁸	8,500.00	8,500.00
Total	398,500.00	473,950.00
Chapter 4		
Compensation retired members of staff ⁹	2,500.00	2,500.00
Chapter 5		
Publications' printing costs ¹⁰	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) ¹¹	23,000.00	21,000.00
Art. 3 (Postage) ¹²	25,000.00	15,000.00
Art. 4 (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	107,850.00	95,850.00
Chapter 7 – Maintenance costs		
Art. 1 (Electricity)	12,500.00	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) ¹³	22,000.00	21,000.00
Art. 6 (Upkeep of building, charges for public services) ¹⁴	20,000.00	21,000.00
Art. 7 (Labour costs) ¹⁵	27,000.00	42,420.00
Total	120,000.00	135,420.00
Chapter 9 - Library		
Art. 1 (Purchase of books) ¹⁶	82,000.00	82,000.00
Art. 2 (Binding)	9,000.00	9,000.00
Art. 3 (Software)	22,000.00	22,000.00
Total	113,000.00	113,000.00
Chapter 10		
Promotion of UNIDROIT instruments ¹⁷	5,000.00	0.00
Chapter 11		
Legal co-operation programme ¹⁸	10,000.00	10,000.00
Total ordinary expenditure	2,157,725.00	2,392,775.00

EXPLANATORY NOTES TO THE FIRST ESTIMATES - EXPENDITURE

- 1 **Purpose of expenditure:** 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.

No change is proposed for 2012.

- 2 **Purpose of expenditure:** fees due to the auditor appointed by the General Assembly.

A minor increase (€ 105.00) is requested to reimburse auditor's expenses.

- 3 **Purpose of expenditure:** 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 Work Programme.

The appropriation under this chapter, which amounted to € 65,000 in 2010, was reduced to € 55,000 for the year 2011 to adjust the budget to the lower receipts expected during the current year. In 2012, an increase of € 5,000 will be needed for the following reasons:

(a) Subject to approval by the Governing Council at its 90th session, to be held in Rome from 9 to 11 May 2011, the Secretariat anticipates organising a two-week diplomatic Conference for consideration and adoption of a Protocol to the Convention on International Interests in Mobile Equipment on Matters specific to Space Assets. While negotiations are under way with a few member States that have expressed an interest in hosting the diplomatic Conference, at this time the Secretariat deems it prudent to expect that some of the costs related to the diplomatic Conference may need to be borne by the UNIDROIT budget;

(b) In 2012 the Secretariat further plans to hold two meetings of an enlarged study group on the new project "Netting", to which the General Assembly, at its 67th session (Rome, 1 December 2010) agreed to assign the highest priority;

(c) the Secretariat foresees other meetings of study groups to carry out other work or informal consultations mandated by the General Assembly in respect of the preparation of (i) Legislative Guide on Principles and Rules capable of enhancing trading in securities in emerging markets; (ii) other Protocols to the Cape Town Convention, in particular on matters specific to agricultural, mining and construction equipment; (iii) an international instrument on Third Party Liability for Global Navigation Satellite System (GNSS) Services; (iv) Model Provisions on the Protection of Cultural Property; and (v) studies on Private law aspects of agricultural financing.

The Secretariat will continued to make every effort to obtain external financing to cover part of these expenses.

- 4 **Purpose of expenditure:** to cover the travel and subsistence expenses incurred by representatives of the Institute, members of staff and collaborators in connection with the attendance of meetings of other organisations with which UNIDROIT cooperates as well as missions intended to further awareness of the Institute's work in general and, where appropriate, to encourage accession to the Statute of the Institute.

No change is proposed for 2012.

- 5 **Purpose of expenditure:** to cover the salaries and allowances of the staff of the professional, administrative, secretarial and library members of the staff of UNIDROIT as well remuneration of a consultant.

Salaries and allowances of Category A members of staff, pursuant to a decision taken by the General Assembly at its 36th session (Rome, 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. Salaries and allowances of Categories B and C members of staff follow according to a decision taken by the General Assembly, at its 38th session (Rome, 28 November 1985), follow a modified version of the relevant part of the Salaries Scales of the Co-ordinated Organisations, albeit on a considerably reduced scale.

The appropriation under this chapter, which amounted to € 1,307,875.00 in 2010, was reduced to € 1,212,875.00 for the year 2011 to adjust the budget to the lower receipts expected during the current year. In 2012, an increase of €158,075.00 under Chapter 2 (Salaries and allowances), and €75,450.00 under Chapter 3 (Social security charges), of the UNIDROIT budget will be needed to fill the following vacancies:

(a) Until 2001 the regular budget of UNIDROIT made provision for a post of Deputy Secretary-General at the A6 level of the Salaries Scales of the Co-ordinated Organisations. After reaching the age of retirement, the then incumbent volunteered to continue acting on a part-time basis, thus resulting in savings for the Institute. No regular budget funding for this position has since been provided, and the relevant functions have been assigned to one officer *hors cadre*, whose contract was largely financed by an extra-statutory contribution paid by the United Kingdom from 1 January 2006 to 31 December 2010, and to the Principal Research Officer (A4), both with the title "Deputy Secretary General". However, the contracts of neither of them provided for payment at the A6 level. The *hors cadre* officer left the organisation at the expiry of her contract, in December 2010, whereas the former Principal Research Officer, whose services have been retained for another year after his retirement, will leave the organisation at the end of 2011;

(b) A Senior Officer (A3) retired in 2010 and has been given a consultancy contract until 31 December 2011 to complete a certain number of pending tasks.

Depending on the exact level of the post (A6 or A5), the place of recruitment (local or expatriate), the family situation (single, married with dependants), and the selection process to be decided by the Governing Council (i.e. internal or external), the additional funding required for re-establishing the position of a new Deputy Secretary-General may range from some €112,000 to €154,000. Likewise, the cost of recruiting a junior lawyer (A1), as a less costly alternative to a recruitment at a more senior level, may range from a minimum of €32 and a maximum of €54,000. For the sake of prudence, the requested increase is intended to cover the most costly alternative for both appointments, as well as consequential career advancements that may take place within the Secretariat.

- 6 **Purpose of expenditure:** 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 as well as in the Library.

No change is proposed for 2012.

- 7 **Purpose of expenditure:** insurance coverage 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.).

In 2012, an increase of €75,450.00 will be needed for the reasons explained in note 5 above.

- 8 **Purpose of expenditure:** insurance coverage 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.

No change is proposed for 2012.

- 9 **Purpose of expenditure:** payments to two retired members of staff to cover the periods, in the past, during which they were not covered for social security purposes.

No change is proposed for 2012.

- 10 **Purpose of expenditure:** to cover the printing cost of the four issues of the *Uniform Law Review* that appear annually, official documents, legislative instruments and other publications of the Institute.

No change is proposed for 2012.

- 11 **Purpose of expenditure:** telephone, fax and Internet bills.

A moderate decrease is expected as a result of reduced use of telephone and fax facilities and increased use of e-mail as a standard means of correspondence.

- 12 **Purpose of expenditure:** This Article covers expenditure for posting the Institute's correspondence and publications, including the publications sold by the Institute, which produce receipts.

Significant savings have been achieved already in 2010 through the negotiation of better conditions with suppliers.

- 13 **Purpose of expenditure:** to cover the cost of replacement, maintenance and upgrading of office equipment.

A moderate increase is needed in 2012 to continue the replacement of obsolete computer equipment and install a new electronic time and attendance control facility.

- 14 **Purpose of expenditure:** charges for local public services (i.e. waste disposal).

A moderate increase is needed in 2012 to meet increases in local service charges.

- 15 **Purpose of expenditure:** buildings and library cleaning and garden maintenance.

Until June 2010, one retiree and one cleaning lady were responsible for cleaning the entire building. The retiree has been replaced with a cleaning company, that now assures also the regular cleaning of the holdings in the UNIDROIT library and other parts of the building that previously could be cleaned only sporadically. In 2012, an increase of €15,420.00 will be needed to cover the increased cost resulting from the higher level of services.

- 16 **Purpose of expenditure:** 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.

Despite escalating cost of acquisitions and subscriptions, no change is proposed for 2012 in the expectation that the Secretariat may further intensify the exchange of publications against the *Uniform Law Review* and obtain private donations.

- 17 **Purpose of expenditure:** cover the cost of promotion activities for UNIDROIT instruments.

In 2012 the Secretariat expects to be able to continue counting exclusively on extra-budgetary support to carry out such activities.

- 18 **Purpose of expenditure:** 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.

No change is proposed for 2012.

Overall, the Secretariat proposes that the expenditure for 2012 amounts to € 2,398,775.00, which represents an increase of € 235,050.00 as compared to the expenditure included in the budget for 2011.