



FINANCE COMMITTEE
69th session
Rome, 24 March 2011

UNIDROIT 2011
F.C. (69) 4
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REPORT

(prepared by the UNIDROIT Secretariat)

1. The 69th session of the Finance Committee took place at the headquarters of UNIDROIT in Rome, on 24 March 2011, starting at 10.10 a.m. The *Chairman* welcomed the participants (see Appendix I for a complete list of participants), and thanked them for their presence.

Item No. 1 on the draft agenda: Adoption of the draft agenda (F.C. (69) 1)

2. The *Chairman* proposed to start the discussions with Item 4 relating to the first review of the Accounts of the financial year 2010 and to adopt the draft agenda (reproduced in Appendix II) as modified in the order of discussion. *The Committee agreed to this proposal.*

Item No. 4 on the agenda: First review of the Accounts of the financial year 2010

3. The *Secretary-General* indicated that the Secretariat was happy to submit the document containing the Accounts of receipts and expenditure for the 2010 financial year to the Finance Committee at this session as in the past it was submitted only at the autumn session. He also indicated that the Accounts which assess the current financial situation of the Institute were presented only for information as they were to be adopted by the General Assembly.

4. The Secretary-General stressed that, all in all, the Institute survived the 2010 financial storm rather well thanks to its member States. Firstly, Italy was able to replenish its contribution which amounted in the end to € 150 000 (that is to say 50% more than originally announced). Secondly, two States had made voluntary contributions to UNIDROIT (€ 20,000 from China and € 11,000 from Switzerland). Finally, some other States contributed to the Institute's activities and some paid their arrears. He expressed deep gratitude to those States. At the end, the year 2010 closed with less surplus than expected but still with a modest surplus of € 1,108.

5. He stressed nevertheless the fact that, due to the significant reduction of income, closing the budget had only been made possible by a severe cut in expenditure and the savings made in almost every article of the budget were not without consequences for the functioning of the Institute. In fact, obsolete computers had not been replaced, nothing had been deployed for the promotion of the UNIDROIT instruments, only half of the amount provided for the travelling of members of staff had been spent, etc. All activities vital for the Organisation. The expenditure of only one article had strongly increased in 2010 compared with what was estimated, that is article 5 (Office equipment) of Chapter 7 (Maintenance costs), to furnish the room where this meeting was taking place.

6. The Secretary-General indicated that the Institute had closed the year in a better situation than it had feared, but he insisted on the fact that such a situation was not sustainable as the draft budget for 2012 would show, even if very precise estimates were not yet possible.

7. The *representatives of the United States of America and Austria* thanked the Secretariat for the prudence exercised and the excellent handling of the difficult financial situation and indicated that their countries greatly appreciated the savings which were made in such a situation.

8. The *Chairman* recognised the efforts made by the Secretariat and thanked it. As regards the table entitled in the document submitted (at page 3) "Contributions of participating Governments", he suggested either to place Italy at the very beginning, or to change the title of the table into "Contributions of *other* participating Governments" so as to offer a clearer presentation.

9. *The Financial Committee took note of the Accounts and the remark of the Chairman concerning the presentation of the document.*

Item No. 2 on the agenda: Draft budget for 2012 - First estimates (F.C. (69) 2)

10. The *Secretary-General* presented the first estimates for the draft budget, as contained in doc. F.C. (69) 2 (see Appendix III). He started with the expenditure and in particular with the Chapters for which no or only marginal increases were asked for such as Chapters 1 (Reimbursement of expenses), 6 (Administrative expenses) and 9 (Library).

11. He then turned to the two Chapters in respect of which a more significant increase was requested. Chapter 7 (Maintenance costs) and in particular Article 7 (Labour costs) contemplated an increase of €15,420.00 to cover the cost resulting from the higher level of services for the proper upkeep of the Secretariat's premises. The Secretary-General then indicated that the explanation for the high increase asked for Chapters 2 and 3 (Salaries and social security charges) was given extensively in the notes 5 and 7 and resulted from the need to fill vacancies (position of the Deputy Secretary-General and of another Category A member of staff). He indicated that until 2001 the regular budget of UNIDROIT had made provision for a post of Deputy Secretary-General at the A6 level of the Salaries Scales of the Co-ordinated Organisations. After having reached the age of retirement, the then incumbent had volunteered to continue acting on a part-time basis, thus resulting in savings for the Institute. No regular budget funding for this position had since been provided, and the relevant functions had been assigned to one officer *hors cadre* (who left the Organisation at the expiry of her contract, in December 2010) and to the former Principal Research Officer (A4) (who will leave the Organisation at the end of 2011). The Governing Council would have to agree at its next session on the exact level of the post of Deputy Secretary-General (A6 or A5), the place of recruitment (local or expatriate), the family situation (single, married with dependants), and the selection process (i.e. internal or external). Yet another person would have to be hired to replace the Senior Officer. The figures given in the document covered the different alternatives.

12. Turning to receipts, the Secretary-General explained how the increases in expenditure might be financed. If such increases were to be financed only through an increase in contributions of member States, the unit of contribution should be equivalent to € 2,808 (14% of increase), and the Secretariat doubted that member States would accept such an increase. Another possibility would be the reclassification of member States in the UNIDROIT contribution chart. He noted that the consistent practice of UNIDROIT, in view of its small budget, had been that units of contribution gained through reclassification of member States were added to the total number of contribution units provided for in the contributions chart. He did not wish to develop this point here as there were a specific agenda item but only indicated that this kind of exercise had not been done for a long time although the Statute required that it should happen every three years.

13. The *Chairman* thanked the Secretary-General for his explanations and opened the discussion on expenditure only.

14. The *representative of the United States of America* asked three questions: was the Governing Council responsible for the selection and classification of the staff? What was the intention of the Secretary-General in terms of recruitment alternatives (low or high positions)? Whether the figures indicated covered or not social charges?

15. The *Secretary-General* confirmed that the Governing Council was the body competent for appointing the Deputy Secretary-General, while the Permanent Committee appointed other staff members in the Category A, and the General Assembly was to approve the staffing table but this latter rule was never applied. In any case, the staffing table provided limits; in fact, the position of the Secretary-General was the highest (A7) and then the Principal Research Officer was A 4, but nothing would prevent to hire at a lower level (for example a Deputy Secretary-General A5 or A6). He indicated that the Governing Council would have to follow the recommendation of the General Assembly as far as the classification was concerned but many solutions were available (such as a first mandate of the Deputy Secretary-General in A5 and A6 if renewed). The Secretary-General also recalled that some € 90,000 might become available internally after the actual retirement of the two persons due to leave at the end of 2011 and that he could not be more precise on figures as the Salaries Scales of the Co-ordinated Organisations were not yet available for 2011. As far as the second position was concerned (now A3.11), he indicated that he would propose the recruitment of an A1.

16. Referring to the procedure for appointing a Deputy Secretary-General, the Secretary-General explained that the Governing Council would discuss the matter at its next session in May and that the result would be presented to the General Assembly at its December meeting with a revised staffing table. As far as the selection procedure was concerned, the new A1 member of staff could be appointed by the Permanent Committee while the Deputy Secretary-General should be appointed by the Governing Council. As almost 30% of the Governing Council had changed since the last appointment of the Deputy Secretary-General, he did not know whether the Council would agree on the same simplified procedure as last time (selection by a sub-committee in summer, interviews until December and decision taken; then nomination endorsed by the Council by correspondence). This meant that the decision might eventually be taken only at the 2012 session of the Governing Council, as the UNIDROIT organs meet only once or twice a year.

17. The *Chairman* indicated that he understood the logic of hiring a person at a lower level when could be trained, but has cautioned about the level of flexibility to be exercised by the Governing Council in hiring officers and stressed that salary levels should be linked to the functions and responsibilities.

18. The *representative of the United Kingdom* thanked the Secretariat for the work done in preparing the first estimates for the 2012 budget (UNIDROIT 2011 - F.C. (69) 2) and for the document on the classification of member States in the UNIDROIT contribution chart (UNIDROIT 2011 - F.C. (69) 3) which are closely linked and cannot be dealt separately. She indicated that the British Government noted that while no increase in the amount of contribution units was being proposed, a 13% increase in the budget was put forward. This increase requested should entirely be funded by the reclassification of some member States but her Government was not convinced that this process would come into effect on time for the 2012 budget while recognising that the reclassification would help UNIDROIT to alleviate its financial difficulties and hoping that all States concerned would accept the change proposed. However, given the uncertainty of the outcome of this process, her Government was at present unable to support the proposal to recruit a Deputy Secretary-General but would be happy to review its position once the level of revenue obtained with the reclassification will be clearer. She further asked for clarification regarding the funding of the junior lawyer in Category A1 and wondered whether the funding existed without the revenue from the reclassification.

19. In response, the *Secretary-General* noted that if the reclassification of member States in the contribution chart would entail no increase in the overall number of contribution units, there would of course be no appointment of a Deputy Secretary-General. It would be possible to appoint an A1 officer or the Governing Council could only appoint a Deputy Secretary-General within the Secretariat. Both appointments would not be possible. He also recalled the possibility of reallocating resources within the Secretariat as two officers would leave the Organisation at the end of 2011 and free € 90,000 with which he could easily recruit a young officer, even if married and with dependent children. He also indicated that the cost of promoting a current member of staff would be at the most € 67,000 but this would mean that the officer promoted would not be available anymore for some functions currently carried out by that person.

20. The *representative of Canada* thanked the Secretariat for the draft budget and for the explanations given. He took note in particular of the cut in expenditure, recognised the difficulties and commended the Secretary-General for the efforts made. He joined the United Kingdom in respect of the concerns expressed and his Government would recommend a cautious approach for the 2012 budget and prudence until the Institute would be reasonably assured that reclassification had given effect. The Government of Canada however agreed with the procedure proposed and the fact that Canada would be in a higher category. As far as the position of the Deputy Secretary-General was concerned, he also indicated that UNIDROIT should not replace this position until reclassification was done. He finally asked if the proposed Deputy Secretary-General would be replaced with a more junior position, whether the Secretariat would be able to fulfil its mandate the same.

21. The *Chairman* asked the Secretary-General which position he would lose in the Secretariat if the Deputy Secretary-General would be appointed internally.

22. The *Secretary-General* explained that currently there was one A7 officer, himself, no A6, one A4, four A3 and one A2. The A4 position was filled by a retiree with the title of Deputy Secretary-General which was not a very satisfactory situation. Concerning the functions of the Deputy Secretary-General, he indicated that the Governing Council considered in 2010 that the person having such a position should not be confined to administrative functions in a small organisation such as UNIDROIT. He also said that the job description was not of his competence but that of the Governing Council. Concerning timing, the Secretary-General indicated that he would not propose to launch a selection procedure without having the resources to hire the selected candidate. If the Governing Council wished to appoint itself the Deputy Secretary-General, the nomination would be possible only in 2012 and the budget would be known by then because it would have already been adopted in December by the General Assembly.

23. The *Chairman* recalled that this meeting was only the first and that the Committee would have more elements later in the year. He then asked for observations on the receipts in the draft budget. He also asked the Secretariat what was at this moment in time the situation of some States, in particular Bolivia and Paraguay, whether new States were acceding to the UNIDROIT Statute and whether this was reflected in the 2012 budget, and finally which had been the basis for establishing the Italian's contribution for 2012.

24. The *Secretary-General* indicated that, as far as Italy was concerned, the Organisation was expecting for 2012 what it had actually received in 2010. Concerning new member States, consultations were underway with Qatar, Morocco and Algeria about possible membership but no progress had been made because of lack of time due to other priorities. Paraguay had not yet submitted to the Secretariat the document asked for by the Finance Committee but had regularly paid, even if it does not appear in the UNIDROIT contributions chart, contrary to Bolivia whose situation had been discussed many times without reaching a conclusion. There were no regular payment from Bolivia and he was not confident concerning future payments. The Secretary-General indicated that probably the most realistic action would be not to mention Bolivia in the UNIDROIT contributions chart.

25. The *representative of Italy* said that his country was formally in the same position as the previous year and this should affect the 2012 budget in the same way because the appropriations under the Italian State budget had been set at € 100,000 for the triennium 2010-2012. An integration would be requested again but there were no assurance as to the result. This year the Italian Ministry of Foreign Affairs had been able to obtain an increase of € 50,000 to the original appropriation made for UNIDROIT and he hoped for the same next year but the only sum certain for the time being was € 100,000. He indicated that final decision would be taken later in the year.

26. The *Chairman* thanked the representative of Italy for his explanations. Concerning Paraguay, which had contributed for two consecutive years but did not appear in the UNIDROIT contributions chart, and Bolivia, which did not contribute but appeared in the chart, he suggested the Secretariat and the members of the Committee to continue consultations and efforts in view to put a proposal to the General Assembly.

27. *The Chairman concluded that the Finance Committee had taken note of the first estimates for the budget 2012 awaiting the position of the Governing Council in this regard. The Committee would have a more precise idea of the resources available for the 2012 budget at its autumn session.*

Item No. 3 on the agenda: Classification of member States in the UNIDROIT Contributions Chart (F.C. (69) 3)

28. The *Secretary-General* presented this item on the agenda referring to document F.C. (69) 3. He recalled the basic rules on assessment of contributions and underlined that the system at UNIDROIT was linked to the contribution system of the United Nations. The last reclassification at UNIDROIT took place in 2004 even if the UN scale of assessment had changed twice since and another change was expected next year. As a result of the possible reclassification at UNIDROIT, following the latest change in the UN scale, sixteen member States of UNIDROIT (Brazil, Canada, Chile, China, Colombia, India, Iran, Ireland, Mexico, Poland, Portugal, Republic of Korea, Romania, Slovakia, Spain and Turkey) would be classified into a higher category, sometimes more than one. For three member States, the UN scale of assessment for the triennium 2010-2012 would result in their classification in a lower category (for the changes in the contribution chart, see Appendix IV).

29. Concerning the implementation of such a reclassification and the timing, the Secretary-General explained that the Finance Committee should recommend the changes to the General Assembly for it to adopt a resolution at its next session in December. According to the UNIDROIT Statute, the States concerned would have a year to formulate objections to the classification and a vote would be needed. Finally, the State objecting would have the option to withdraw from membership of the Institute. In order to avoid such a cumbersome mechanism, he suggested an alternative staged procedure: between now and December, States that were not in a position to accept the reclassification would have an opportunity to propose alternative solutions to the General Assembly, for example the postponement of the reclassification by one year. With such a procedure, the Committee would have a better idea in December on how much might be available for the 2012 budget.

30. The *Chairman* indicated that this was a delicate and complex issue, both on the substance and procedure as UNIDROIT's basic texts were not clear. In particular, he asked what would be the situation if only one State would object to its reclassification.

31. The *representative of the Russian Federation* declared that his country, as one of the leading member States of UNIDROIT, could not agree to be classified at a lower category and requested an explanation of the criteria employed in the preparation of this proposal. He cited examples of the active role played by the Russian Federation in the life of UNIDROIT, a role that his Authorities saw as hardly consistent with the envisaged reclassification. He doubted that the reclassification could

be seen as the result of the automatic application of the U.N. contributions chart and wondered whether it rather reflected the taking of a more subjective approach.

32. In response, the Secretary-General noted that the purpose of document F.C. (69) 3 was merely to provide background information for the purpose of assisting the Finance Committee carry out the request made by the General Assembly, at its 67th session (Rome, 1 December 2010), that the Committee "review the number of categories, the units, and the classification of each member State, taking into consideration the capacity of each member State to pay, in accordance with United Nations standards" (see A.G. 67(9), paragraphs 54 and 59-63). As such, the document did not contain any proposal by the Secretariat, but it reminded the Committee of the methodology currently used for the classification of member States in the UNIDROIT contributions chart following the relevant decision taken by the the General Assembly of UNIDROIT at its 52nd session (Rome, 27 November 1998), according to which the criteria used to classify member States in the UNIDROIT contributions chart was the level of their contributions to the United Nations regular budget. The document noted that, if applied automatically to the UNIDROIT contributions chart, the latest scale of assessment of the United Nations would mean that 13 member States of UNIDROIT would be expected to pay higher contributions than they presently did, whereas three member States would pay a lower contribution. The Secretary-General stressed that the classification of a member States in a particular category of the UNIDROIT contributions chart had purely financial consequences and had never been understood as being of political significance or as a reflection of a country's prestige. Lastly, he pointed out that the document expressly indicated the hope of the Secretariat that the member States concerned would be willing to waive the reduction of their contributions to UNIDROIT, and accept being maintained at the category they were currently classified.

33. The *Chairman* wished to reiterate to the members of the Finance Committee that this process of reclassification was an automatic application of the system chosen in the past but that the intention of the Secretariat would be not to propose more than one step upwards, without precluding the possibility for the States concerned to do so on a voluntary basis, and to invite countries the contributions of which might be reduced at least to remain in the same category. He also invited the Committee to look into the UN scale of assessment for the contributions prepared by the UN Committee on Contributions which was different from the chart annexed to the document submitted by the Secretariat in Appendix I which was the scale adopted by the General Assembly after political negotiations. He stress the fact that this Finance Committee had a technical role (such as the UN Committee on Contributions) to apply the methodology and then there would be political negotiations in order to get to the final chart.

34. The Chairman gave some practical examples. The Holy See appeared in the UNIDROIT contributions chart in the Special category which corresponded to a certain percentage contributions to the United Nations budget (from 0.0% to 0.004%) but this was a fiction because, in fact, the Holy See, being an observer, it contributed to the UN budget with a specific amount set by itself and did not appear in the UN chart. Other countries such as San Marino, Israel, Malta and some others also set their own contributions at higher levels than those originally recommended by the UN Committee on Contributions. Another example given was that of the Russian Federation which contribution appeared as being 1,6% of the UN chart while that coming from the UN Committee on Contributions was much lower. In fact, the size of the country and of its large population were criteria which, according to the methodology used by the UN, pulled down the Russian contribution. But the country recognised its capacity to contribute at a higher level and offered voluntarily to pay accordingly, taking out the burden from other countries affected by the formula of the scale.

35. He also stressed that the UNIDROIT architecture of the scale of contributions did not offer the same possibility that existed in the UN for contributions of least developed or developing countries, and the question already arose at UNIDROIT for some potential new members whose contribution would not have reflected the UN reality. The UN had a minimum rate for countries to pay and a

maximum rate for the least developed countries (cf. para. 5 (f) and (g) of the UN Resolution 64/248). He recognised that an issue for the Committee could be to address whether UNIDROIT should keep the current categories or create a new category between Category 8 and the Special Category to give room to developing countries at a fixed rate of 0,001 % for example. The Secretariat could also take into consideration the possibility to consult with those small countries benefiting from the UN system because of their small sizes but in a position and willing to pay a higher contribution to do so at UNIDROIT also.

36. Turning to the procedure to be followed, the Chairman indicated that the issue of a State objecting to a reclassification and the others accepting was not covered by the Statute of the Institute. Questions such as whether one objection would block the whole process or not would have to be solved.

37. The *representative of Spain* indicated that his country was affected by the proposed reclassification but that he was not in a position at this stage to give an answer. He also pointed out that Article 16(3) of the Statute did not focus on reclassification and that the Committee could study other possibilities such as the increase of the number of categories or the number of units corresponding to each category. He noted in particular that there was a big jump in the number of units between Category 1 (50 units) and Category 2 (22 units) and suggested that an intermediate category might be created. At the present stage, the Finance Committee could only develop possibilities of reflexion and not instructions, and not focus only on reclassification.

38. The *representative of Romania* said that her country was also affected by the proposed reclassification but could not accept the proposal. At this time, she also asked for more information concerning the outcome of the last procedure of reclassification which took place in 2004.

39. The *representative of Iran* indicated that he had no instructions at this stage from his capital as to the proposed reclassification affecting his country.

40. To answer the representative of Romania on the outcome of the latest reclassification process which took place in 2004, the *Secretary-General* indicated that the Secretariat had decided at that time to negotiate individually with States regarding what they could agree in terms of units of account or movements within the contribution chart of the Institute. Two of the countries affected did not clearly express their views and were retained in their original category as their silence had not been interpreted as an approval. He also recalled that Argentina and Mexico had asked for a suspension of the reclassification proposed and explained that the practice at UNIDROIT in the past had been not to ask to jump more than one category.

41. The *Chairman* recalled the Committee that it was not at this stage to formulate official positions or to take a final decision but to gather first reactions in order to give guidance to UNIDROIT on the way to move forward until December when the General Assembly would meet to take the final decision. He summarised the discussions of the Committee as follows:

- the Finance Committee would request the Secretary-General to explore the possibility to add categories or sub-categories at the higher levels and at the bottom of the chart, as suggested by the representative of Spain and himself;

- the Finance Committee would request the Secretary-General to explore the possibility of a country which voluntarily upgraded its contribution to the UN budget to be in a position to do the same at UNIDROIT (as for example, but not only, the Holy See and San Marino);

- the Finance Committee needed clarity or guidance as to the procedural implications, specially in case of a State objecting to the approval of the reclassification.

42. The *representative of Austria* thanked the Chairman for this clear summary and indicated that she was very much in favour of exploring possibilities of keeping the existing system but adding a new category at a high level and at the bottom to help developing countries. Concerning

the procedure with regard to the suggestions, she asked whether the Secretariat would work out a proposal for the Governing Council or for the Finance Committee.

43. The *representative of the Russian Federation* joined the preceding speaker on her last question and reiterated that there was space for consultations between the Secretariat and the States concerned before the next meeting of the Finance Committee.

44. The *Secretary-General* indicated that the Secretariat would inform all member States of the mechanism underlying a reclassification exercise inviting them to express their views and proposals (acceptance, objection or other proposals). Then it would be useful for the Finance Committee to meet again informally after the session of the Governing Council at which this question would be discussed in order for the Committee to work out a proposal on procedure for its autumn session and the session of the General Assembly. He reiterated that all those aspects needed to be discussed and that consultations needed time.

45. *The Chairman stressed that the Finance Committee had a clear role to play and that, without objections, the Committee approved the procedure proposed by the Secretary-General.*

Item No. 5 on the agenda: Any other business

46. *The Chairman recalled the members of the Committee that it would be reconvened informally in June and to send the UNIDROIT Secretariat their current electronic addresses. He then closed the meeting at 12.10 p.m.*

APPENDIX I**LIST OF PARTICIPANTS**

Ms Katharina WIESER	(Austria)	
Mr Craig WEICHEL	(Canada)	
Ms Françoise TRAVAILLOT	(France)	
Ms Simone MAASSEN-KRUPKE	(Germany)	
Mr S. Kamal MIRKHALAF	(Iran)	
Mr Lorenzo PALLINI ONETO DI SAN LORENZO	(Italy)	
Ms Satoko MASUTANI KOIKE	(Japan)	
Mr Diego Alonso SIMANCAS GUTTIEREZ	(Mexico)	Chairman
Ms Cecile DE MAULEÓN		
Mr Adrian Lixandru	(Romania)	
Ms Alina CATANA		
Mr Valery FEDCHUK	(Russian Federation)	
Mr Emilio PIN GODOS	(Spain)	
Ms Teresa DI VITO	(Switzerland)	
Ms Claudia GIUNCHIGLIA	(United Kingdom)	
Mr Keith HEFFERN	(United States of America)	

UNIDROIT Secretariat

Mr José Angelo ESTRELLA FARIA	(Secretary-General)
Ms Marina SCHNEIDER	(Senior Officer)

APPENDIX II**AGENDA**

1. Adoption of the draft agenda (F.C. (69) 1)
2. Draft Budget for 2012 - first estimates (F.C. (69) 2)
3. Classification of member States in the UNIDROIT Contributions Chart (F.C. (69) 3)
4. First review of the Accounts of the financial year 2010
5. Any other business.

APPENDIX III

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	139,605.00
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 continue 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.

APPENDIX IV

Changes to the UNIDROIT Contributions Chart ¹

2011 Budget		2012 Budget	
Unit value	€ 2,450	Unit value	€ 2,450

State	2011			2012			Variation	
	UN budget assessment 2007-2009	Category 2010	Units	UN budget assessment 2010-2012	Category 2012	Units	Contribution 2012	Increase (€)
Canada	2.977	II	22	3.207	I	50	€ 122,500	€ 68,600
China	2.667	II	22	3.189	I	50	€ 122,500	€ 68,600
Spain	2.968	II	22	3.177	I	50	€ 122,500	€ 68,600
Republic of Korea	2.173	III	18	2.260	II	22	€ 53,900	€ 9,800
Brazil	0.876	IV	13	1.611	III	18	€ 44,100	€ 12,250
Mexico	2.257	V	11	2.356	IV	13	€ 31,850	€ 4,900
Poland	0.501	VI	9	0.828	V	11	€ 26,950	€ 4,900
Portugal	0.527	VI	9	0.511	V	11	€ 26,950	€ 4,900
India	0.45	VII	8	0.534	VI	9	€ 22,050	€ 2,450
Ireland	0.445	VII	8	0.498	VI	9	€ 22,050	€ 2,450
Turkey	0.381	VII	8	0.617	VI	9	€ 22,050	€ 2,450
Chile	0.161	VIII	5	0.236	VII	8	€ 19,600	€ 7,350
Colombia	0.105	VIII	5	0.144	VII	8	€ 19,600	€ 7,350
Iran	0.18	VIII	5	0.233	VII	8	€ 19,600	€ 7,350
Slovakia	0.063	VIII	5	0.142	VII	8	€ 19,600	€ 7,350
Romania	0.07	VIII	5	0.177	VII	8	€ 19,600	€ 7,350
Total			175			292		€ 286,650

¹ The table shows only adjustments that might result in an increase of contributions. If applied automatically to the UNIDROIT contributions chart, the current scale of assessment of the United Nations would lead to a reduction of the contributions by three other member States. The Finance Committee has requested the Secretary-General to seek the agreement of those member States to being maintained at their current contributions category.