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FINANCE COMMITTEE
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**Item No. 8 on the Agenda: Draft Budget for 2015
and observations submitted by member States**

(prepared by the UNIDROIT Secretariat)

<i>Summary</i>	<i>Explanation of the proposed expenditure and receipts under the 2015 draft Budget, the proposed contributions of member States and observations submitted by member States</i>
<i>Action to be taken</i>	<i>Formulation of opinion to be transmitted to the General Assembly at its 73rd session (Rome, 11 December 2014)</i>
<i>Related documents</i>	<i>None</i>

Introduction

1. The first estimates of receipts and expenditure for the 2015 financial year prepared by the Secretariat (F.C. (75) 2) were examined by the Finance Committee at its 75th session (Rome, 3 April 2014), in accordance with Article 31 of the Regulations. Those first estimates were then submitted to the Governing Council, which at its 93rd session (Rome, 7 to 10 May 2014), established the draft budget for 2015, as set forth in the appendix to this document, taking into account the opinion expressed by the Finance Committee.

2. In line with the Institute's practice, the draft Budget resulting from this procedure has been submitted to the Governments of UNIDROIT member States with a view to their formulation of such observations as they might wish to make by 19 September 2014. At the time of writing (3 September 2014), comments have been received from the Government of the United States of America. Overall, the Secretariat proposes that the expenditure for 2015 amount to € 2,271,681.00, which represents a decrease of € 794.00 as compared to the expenditure included in the budget for 2014. The Secretariat proposes to cover the Institute's expenditure in 2015 as follows:

Statutory contribution of Italy	€	126,500.00
Statutory contributions of other member States	€	2,097,370.00
Other receipts	€	32,811.00

3. The draft budget for 2015 does not anticipate a balance being carried over from the 2014 financial year, neither does it include estimates on financing from private sources for particular projects and activities (e.g. organisation of meetings, sponsoring of research fellows, scholarship, purchase of books and journals and the promotion of UNIDROIT instruments). The Secretariat will continue to solicit voluntary contributions of this type, which will be accounted for separately.

4. The Secretariat would propose that the statutory contributions of all member States for 2015 be calculated on the basis of a unit of contribution amounting to € 2,530.

5. Under this proposal, the statutory contributions of member States would be as follows:

Category I	€ 126,500.00
Category II	€ 55,660.00
Category III	€ 45,540.00
Category IV	€ 32,890.00
Category V	€ 27,830.00
Category VI	€ 22,770.00
Category VII	€ 20,240.00
Category VIII	€ 12,650.00
Special Category	€ 2,530.00

6. *Subject to any such observations that may be received from other Governments of the member States before the deadline set for the submission of such observations (19 September 2014), the Finance Committee may wish to formulate a favourable opinion on the draft Budget for 2015, as set out in the Appendix, for transmission to the General Assembly at its 73rd session.*

APPENDIX I

**DRAFT BUDGET FOR THE 2015
FINANCIAL YEAR**

RECEIPTS (in Euro)

	Budget 2014	Budget 2015
Chapter 1: Contributions of member States		
Art. 1 (Italian Government) ¹	126,500.00	126,500.00
Art. 2 (Other member States) ²	2,097,370.00	2,097,370.00
Chapter 2: Other receipts:		
Art. 1 (Interest) ³	1,000.00	1,000.00
Art. 2 (Contributions to overhead expenses) ⁴	15,000.00	15,000.00
Art. 3 (Sale of publications)	17,605.00	16,811.00
Chapter 3: Various receipts		
Tax reimbursement credit ⁵	15,000.00	15,000.00
Total of receipts	2,272,475.00	2,271,681.00

EXPLANATORY NOTES TO THE DRAFT BUDGET - RECEIPTS

¹ Estimate based on the amount which the Italian Government expects to be able to contribute to UNIDROIT in 2014.

² No change is proposed for 2015.

³ The Secretariat estimates the interests earned on deposits in checking accounts to be the same as in the previous years.

⁴ This sum represents the share of the Office for Italy and San Marino of the International Labour Organization in the operating expenses of the premises of UNIDROIT.

⁵ The extraordinary income estimated under this Chapter relates to the reimbursement by the Government of the United States of America of federal, state and municipal taxes payable by a US citizen appointed to the UNIDROIT Secretariat, under the terms of a tax reimbursement agreement signed between UNIDROIT and the Government of the United States of America on 17 September 2013.

EXPENDITURE (in Euro)

	2014	2015
Chapter 1 – Meeting and travel costs ¹		
Art. 1 (Governing Council and Permanent Committee)	48,000.00	48,000.00
Art. 2 (Auditor)	3,869.60	3,869.60
Art. 3 (Administrative tribunal)	-	-
Art. 4 (Committees of Experts)	88,000.00	88,000.00
Art. 5 (Official journeys and promotion of activities)	50,000.00	50,000.00
Art. 6 (Interpreters)	35,500.00	35,500.00
Art. 7 (Representation)	7,000.00	7,000.00
Subtotal	232,369.60	232,369.60
Chapter 2 – Salaries and allowances		
Art. 1 (Salaries of Categories A, B and C staff and consultant) ²	1,242,481.00	1,207,081.40
Art. 2 (Remuneration for occasional collaborators)	20,000.00	20,000.00
Art. 3 (Tax reimbursement) ³	15,000.00	15,000.00
Subtotal	1,277,481.00	1,242,081.40
Chapter 3 – Social security charges		
Art. 1 (Insurance against disablement, old age and sickness) ⁴	413,624.40	429,230.00
Art. 2 (Accidents' insurance) ⁵	8,500.00	8,500.00
Art. 3 (Compensation retired members of staff) ⁶	2,500.00	2,500.00
Subtotal	424,624.40	440,230.00
Chapter 4 – Administrative expenses		
Art. 1 (Stationery)	20,000.00	20,000.00
Art. 2 (Telephone, fax and Internet)	23,000.00	23,000.00
Art. 3 (Postage)	10,000.00	10,000.00
Art. 4 (Miscellaneous)	5,000.00	5,000.00
Art. 5 (Printing of publications)	15,000.00	15,000.00
Subtotal	73,000.00	73,000.00
Chapter 5 – Maintenance costs		
Art. 1 (Electricity) ⁷	10,000.00	18,000.00
Art. 2 (Heating) ⁷	22,000.00	28,000.00
Art. 3 (Water)	7,000.00	7,000.00
Art. 4 (Insurance of premises)	12,000.00	12,000.00
Art. 5 (Office equipment)	23,000.00	23,000.00
Art. 6 (Upkeep of building, public services) ⁸	25,000.00	30,000.00
Art. 7 (Labour costs)	45,000.00	45,000.00
Subtotal	144,000.00	163,000.00
Chapter 6 – Library		
Art. 1 (Purchase of books)	90,000.00	90,000.00
Art. 2 (Binding)	9,000.00	9,000.00
Art. 3 (Software)	22,000.00	22,000.00
Subtotal	121,000.00	121,000.00
Total expenditure	2,272,475.00	2,271,681.00

EXPLANATORY NOTES TO THE DRAFT BUDGET - EXPENDITURE

- 1 **Purpose of expenditure:** to cover travel and subsistence expenses incurred by the members of the Governing Council and of the Permanent Committee in their attendance of sessions of those bodies; the fees due to the auditor appointed by the General Assembly; the costs of hearings of the Administrative Tribunal, registrar services and sums awarded by the Tribunal for settlement of claims; the costs incurred by UNIDROIT in organising meetings of committees of experts and other meetings associated with the organisation's Work Programme; the travel and subsistence expenses incurred by representatives of UNIDROIT, 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 UNIDROIT's work in general and, where appropriate, to encourage accession to the Statute of the Organisation; cover the cost of simultaneous interpretation at meetings held by UNIDROIT; the cost of representation functions, such as receptions and similar events organised by UNIDROIT in connection with its meetings.

No change is proposed for 2015.

- 2 **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.

Following the departure of a Senior Officer at the end of 2013, there were, at the same time of the presentation of the first abstract for the 2015 budget, two vacancies at the professional level, which the Secretariat in the meantime has been able to fill at levels lower than that of the original incumbents. There was another vacancy of a Category B staff which has also been filled in 2014 to replace the only native English speaker in that category of the UNIDROIT staff.

Despite these new hirings, the Secretariat expects that placement of new staff members at grades and steps lower than those of previous incumbents will actually result in a savings calculated at € 35,399.60.

- 3 **Purpose of expenditure:** to cover the cost of federal, state and municipal taxes payable by a US citizen appointed to the UNIDROIT Secretariat. These costs will be refunded by the Government of the United States of America, under the terms of a tax reimbursement agreement signed in September 2013.

The concerned US member of staff left the Secretariat at the end of 2013, but the Secretariat had proposed to retain this article in the 2015 Budget should the selection process to fill current vacancies lead to hiring a US citizen, as it eventually turned out to be the case.

- 4 **Purpose of expenditure:** insurance coverage of staff members against disability, old age and sickness. With a few exceptions, all staff members of staff are insured for these purposes with the Italian social security system (INPS).

Expenditure estimates under this chapter for the year 2014 reflected a projection of the actual cost of health and retirement insurance for UNIDROIT staff in 2013. Some staff members, as was the case of the Senior Officer who left the Institute in December 2013, were enrolled under health and retirement insurance schemes other than INPS, at a lower

cost. At this stage, pending completion of the on-going hiring process, the Secretariat deems it prudent to anticipate enrolling all new staff under INPS.

- 5 **Purpose of expenditure:** insurance coverage of all staff members against accidents. All staff members are insured for this purpose with a private Italian insurance company.

No change is proposed for 2015.

- 6 **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 2015.

- 7 **Purpose of expenditure:** to cover expenses for electricity and heating.

As in the recent years such costs at the end of the financial year were much higher than anticipated, the Secretariat needs to increase the sums allocated.

- 8 **Purpose of expenditure:** to cover building maintenance costs (ordinary repairs in the building, maintenance of elevators) and charges for municipal services (i.e. waste disposal).

The proposed increase is to cover repairs in the building which are urgently needed and neglected in the past for lack of funds, as well as to cover the cost of the newly created charge for municipal services (TARES).

Overall, the Secretariat proposes a total expenditure of € 2,271,681.00 for the year 2015, which represents a decrease of expenditure of € 794, as compared to the expenditure authorised as under the 2014 Budget.

Annex**CHART OF THE ANNUAL CONTRIBUTIONS TO UNIDROIT
OF MEMBER STATES FOR 2015**

(Each unit of contribution representing € 2,530)

Cat.	State	Units	Contribution for 2015
I	Canada	50	€ 126,500.00
	China	50	
	France	50	
	Germany	50	
	Japan	50	
	United Kingdom	50	
	United States of America	50	
II	Republic of Korea	22	€ 55,660.00
	Russian Federation	22	
	Spain	22	
III	Australia	18	€ 45,540.00
	Belgium	18	
	Brazil	18	
	Netherlands	18	
	Sweden	18	
	Switzerland	18	
IV	Mexico	13	€ 32,890.00
V	Austria	11	€ 27,830.00
	Denmark	11	
	Finland	11	
	Greece	11	
	Norway	11	
	Poland	11	
	Saudi Arabia	11	
VI	India	9	€ 22,770.00
	Ireland	9	
	Portugal	9	
	South Africa	9	
	Turkey	9	

Cat.	State	Units	Contribution for 2014
VII	Argentina	8	€ 20,240.00
	Chile	8	
	Colombia	8	
	Czech Republic	8	
	Hungary	8	
	Indonesia	8	
	Iran	8	
	Israel	8	
	Romania	8	
	Slovakia	8	
	Venezuela	8	
VIII	Bulgaria	5	€ 12,650.00
	Croatia	5	
	Cyprus	5	
	Egypt	5	
	Estonia	5	
	Latvia	5	
	Lithuania	5	
	Luxembourg	5	
	Malta	5	
	Nigeria	5	
	Pakistan	5	
	Paraguay	5	
	Serbia	5	
	Slovenia	5	
	Tunisia	5	
	Uruguay	5	
Special	Holy See	1	€ 2,530.00
	San Marino	1	

APPENDIX II**Observations submitted by member States on the draft budget 2015****UNITED STATES OF AMERICA**

After reviewing the materials, the United States supports the 2015 budget proposal for a .03 percent decrease in the budget from 2014, assuming the assessment remains unchanged (as reflected in the budget proposal).

We appreciate that UNIDROIT has proposed to leave assessments unchanged. We note the majority of reductions in 2015 involve personnel costs, resulting from UNIDROIT's plan to fill some positions at a lower level than the original incumbents.

The United States policy strives for zero nominal growth in the budgets of international organizations. Accordingly, international organizations should establish priorities and offset cost increases for high priority programs and initiatives by reducing costs in lower priority programs and initiatives.