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FINANCE COMMITTEE
81st session
Rome, 6 April 2017

UNIDROIT 2017
F.C. (81) 2
Original: English/French
February 2017

Item No. 2 on the Agenda: Draft Budget for 2018 - First estimates

(prepared by the UNIDROIT Secretariat)

| | |
|---------------------------|---|
| <i>Summary</i> | <i>First estimates of receipts and expenditure for 2018</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 96th session (Rome, 10-12 May 2017)</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 2018, which the Secretariat has prepared for an initial review by the Finance Committee, in accordance with Article 26 of the Regulations.

2. These estimates will be revised, as appropriate, in the light of the Finance Committee's comments, and submitted to the Governing Council at its 96th session, which will be held in Rome from 10 to 12 May 2017. On the basis of these first estimates, the Council will establish the draft Budget for 2018, to be communicated to member States, for their review and comments. Thereafter, the draft Budget, together with any comments received by 15 September 2017, will be submitted to the Finance Committee for consideration at its 82th session in Rome, to be held in late September or the first half of October 2017. The Committee will, at that time, formulate its opinion on the draft Budget before its submission to the General Assembly for review and adoption at its 76th session, to be held in Rome in late November or early December 2017.

APPENDIX

**DRAFT BUDGET FOR THE 2018
FINANCIAL YEAR**

RECEIPTS (in Euro)

| | Budget 2017 | Budget 2018 |
|--|---------------------|---------------------|
| Chapter 1: Contributions of member States¹ | | |
| Contributions of member States | 2,223,870.00 | 2,223,870.00 |
| | | |
| Chapter 2: Other receipts: | | |
| Art. 1 (Interest) ² | 1,000.00 | 1,000.00 |
| Art. 2 (Contributions to overhead expenses) ³ | 15,000.00 | 15,000.00 |
| Art. 3 (Sale of publications) ⁴ | 17,000.00 | 17,000.00 |
| | | |
| Chapter 3: Various receipts | | |
| Tax reimbursement credit ⁵ | 15,000.00 | 15,000.00 |
| Total of receipts | 2,271,870,00 | 2,271,870,00 |

EXPLANATORY NOTES TO THE DRAFT BUDGET - RECEIPTS

1 No change is proposed for 2018.

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

3 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.

4 The Secretariat estimates the income earned from the sale of publications to be approximately the same as in previous years.

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 (see Expenditure, note 3).

EXPENDITURE (in Euro)

| | 2017 | 2018 |
|---|---------------------|---------------------|
| Chapter 1 – Meeting and travel costs ¹ | | |
| Art. 1 (Governing Council and Permanent Committee) | 50,000.00 | 50,000.00 |
| Art. 2 (Auditor) | 4,500.00 | 4,500.00 |
| Art. 3 (Administrative tribunal) | - | - |
| Art. 4 (Committees of Experts) | 120,000.00 | 120,000.00 |
| Art. 5 (Official journeys and promotion of activities) | 50,000.00 | 50,000.00 |
| Art. 6 (Interpreters) | 36,000.00 | 36,000.00 |
| Art. 7 (Representation) | 8,000.00 | 8,000.00 |
| Subtotal | 268,500.00 | 268,500.00 |
| Chapter 2 – Salaries and allowances | | |
| Art.1 (Salaries of Categories A, B and C staff and consultant) ² | 1,179,293.00 | 1,179,293.00 |
| Art. 2 (Remuneration for occasional collaborators) | 20,000.00 | 20,000.00 |
| Art. 3 (Tax reimbursement) ³ | 15,000.00 | 15,000.00 |
| Subtotal | 1,214,293.00 | 1,214,293.00 |
| Chapter 3 – Social security charges | | |
| Art. 1 (Insurance against disablement, old age and sickness) ⁴ | 414,327.00 | 414,327.00 |
| Art. 2 (Accidents' insurance) ⁵ | 9,000.00 | 9,000.00 |
| Art. 3 (Compensation retired members of staff) ⁶ | 2,250.00 | 2,250.00 |
| Subtotal | 425,577.00 | 425,577.00 |
| Chapter 4 – Administrative expenses⁷ | | |
| Art. 1 (Stationery) | 20,000.00 | 20,000.00 |
| Art. 2 (Telephone, fax and Internet) | 23,000.00 | 23,000.00 |
| Art. 3 (Postage) | 11,500.00 | 11,500.00 |
| Art. 4 (Miscellaneous) | 5,000.00 | 5,000.00 |
| Art. 5 (Printing of publications) | 15,000.00 | 15,000.00 |
| Subtotal | 74,500.00 | 74,500.00 |
| Chapter 5 – Maintenance costs ⁸ | | |
| Art. 1 (Electricity) | 20,000.00 | 20,000.00 |
| Art. 2 (Heating) | 20,000.00 | 20,000.00 |
| Art. 3 (Water) | 7,000.00 | 7,000.00 |
| Art. 4 (Insurance of premises) | 12,000.00 | 12,000.00 |
| Art. 5 (Office equipment) | 26,000.00 | 26,000.00 |
| Art. 6 (Upkeep of building, public services) | 30,000.00 | 30,000.00 |
| Art. 7 (Labour costs) | 45,000.00 | 45,000.00 |
| Subtotal | 160,000.00 | 160,000.00 |
| Chapter 6 – Library ⁹ | | |
| Art. 1 (Purchase of books) | 90,000.00 | 90,000.00 |
| Art. 2 (Binding) | 9,000.00 | 9,000.00 |
| Art. 3 (Software) | 30,000.00 | 30,000.00 |
| Subtotal | 129,000.00 | 129,000.00 |
| Total expenditure | 2,271,870.00 | 2,271,870.00 |

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.

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

The Secretariat expects that the costs of salary raises due to regular step-in-grade increments pursuant to the UNIDROIT Regulations will be entirely offset by the cost reductions resulting from departure of long-serving staff members during the year 2016 and recruitment of new staff members at a lower entry level. The Secretariat also intends to keep one part-time position vacant, utilising the resources thus freed for commissioning studies by outside experts.

No change is proposed for 2018.

However, the Secretariat notes that the final figures may be different, depending on whether a different salary scale is adopted in the context of the ongoing review of the compensation and social security package offered to UNIDROIT staff (see UNIDROIT 2017 – F.C. (81) 1, Annotation for Item No. 5), which is expected to be concluded in 2017. UNIDROIT's outside consultant on compensation aspects estimates that transitioning all staff, as of 1 January 2018, to their respective places on the UN salary scales localised for Rome may result in an increase of up to 1.98% in this line of expenditure compared to 2017. The Secretariat, however, further notes that such an increase would not affect the overall budget, as adjustments would be made within chapters to account for it.

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 first financial year in which taxes were refunded by UNIDROIT was the year 2015. The Secretariat has retained for the year 2018 the estimate figure stated in the budget approved for the year 2017.

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).

No change is proposed for 2018.

However, the Secretariat notes that the final figures may be different, depending on whether a different salary scale or social security arrangement is adopted in the context of the ongoing review of the compensation and social security package offered to UNIDROIT staff (see UNIDROIT 2017 – F.C. (81) 1, Annotation for Item No. 5), which is expected to be concluded in 2017. UNIDROIT's outside consultant on compensation aspects estimates that transitioning all staff, as of 1 January 2018, to their respective places on the UN salary scales localised for Rome, assuming the continuation of existing social security arrangements, may result in an increase of up to 2.67% in this line of expenditure compared to 2017. The Secretariat, however, further notes that (a) such an increase would not affect the overall budget, as adjustments would be made within chapters to account for it; and (b) this estimate does not take into consideration any changes resulting from the adoption of an alternative pension and health insurance scheme, such as the alternative pension scheme proposed by the International Service for Remunerations and Pensions (ISRP).

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 2018.

6. **Purpose of expenditure:** payments to one retired member of staff to cover the periods, in the past, during which he was not covered for social security purposes.

No change is proposed for 2018.

7 **Purpose of expenditure:** to cover ordinary running expenses of UNIDROIT (purchase of stationary, telephone charges, postage of materials and correspondence etc.).

No change is proposed for 2018.

8 **Purpose of expenditure:** to cover utilities fees (electricity, water and gas bills), building maintenance costs (insurance, ordinary repairs in the building, maintenance of elevators) and charges for municipal services (i.e. waste disposal).

No change is proposed for 2018.

9 **Purpose of expenditure:** to cover the cost of acquisitions for the Library's stock of books and the maintenance of its subscriptions to law journals, binding of periodicals and subscriptions to electronic journals and databases.

No change is proposed for 2018.

Overall, the Secretariat proposes a total expenditure of € 2,271,870.00 for the year 2018, which equals the expenditure authorised under the 2017 budget.