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Item No. 10 on the Agenda: Approval of the draft Budget for 2006 and fixing of the contributions of member States for that financial year

(memorandum prepared by the UNIDROIT Secretariat)

<i>Summary</i>	<i>Chapter-by-chapter explanation of the proposed expenditure and receipts under the draft Budget for 2006 and the proposed contributions of member States under the same</i>
<i>Action to be taken</i>	<i>Approval of the draft budget for 2006 and fixing of the contributions of member States for that financial year</i>
<i>Related documents</i>	<i>None</i>

GENERAL CONSIDERATIONS

1. In accordance with Article 31 of the Regulations of the Institute, in March 2005 the Secretariat prepared first estimates of expenditure and receipts for 2006 for consideration by the Sub-Committee of the Finance Committee at its 103rd session, held in Rome on 11 April 2005 (F.C./S.C. (103)2). These first estimates were subsequently also submitted to the Governing Council for consideration at its 84th session, held in Rome from 18 to 20 April 2005. At that session the Secretariat gave the Governing Council an oral report on the reactions that the Sub-committee had given to these first estimates at its 103rd session. While taking note of the first estimates as considered by the Sub-committee at that session, the Governing Council decided, in the light of the announcement by a member of the Council, Mr Anthony Inglese, on behalf of the Government of the United Kingdom, of an extra-budgetary donation of £ 50,000 (corresponding to approximately € 74,000) earmarked for the specific purpose of the holding of the open competition for the filling of the post of Deputy Secretary-General decided upon by the Council at its 83rd session, held in Rome from 19 to 21 April 2004, that this donation should be accepted and applied to the purpose for which it had been made. Given the financial implications of this donation on the Institute's Budget, and in particular for those financial years following the 2006 financial year, the question was submitted for consideration to the Sub-Committee of the Finance Committee at its 104th session, held in Rome on 9 June 2005. At that session, while recognising the risks inherent in going ahead with such an open competition on the basis of a one-off extra-budgetary contribution and without any commitment from the member States attending the 104th session of the Sub-committee to accept the increase in member States' contributions that would be necessary to ensure the continuation of the contract of employment

of the successful candidate under such an open competition after one year, the Sub-committee indicated that it had no objections to the Secretariat going ahead with the open competition and making use of the aforementioned donation for that purpose. As agreed at the 104th session of the Sub-committee, the Secretariat subsequently checked with members of the Governing Council as to whether, in the light of the views expressed by the Sub-committee at its 104th session, it wished to reconsider its decision to authorise an open competition. All members who replied expressed the view that there was no reason to reverse the decision taken at the Council's 84th session. The Council's decision reflects its view that the United Kingdom Government's donation is best interpreted as a means of accelerating the Sub-committee's procedure to approach a sustainable solution step-by-step.

2. The draft Budget resulting from this procedure, as set forth in Appendix I to this paper, was, in line with the Institute's budgetary practice, submitted to the Governments of UNIDROIT member States with a view to their formulation of such observations as they might wish to make, for consideration by the Finance Committee at its 60th session, held in Rome on 6 October 2005. In line with Article 31 of the Regulations, the Governments of member States were invited to ensure that any such observations reached the Secretariat by 30 September 2005 at the latest. At its 60th session the Finance Committee was called upon, again in accordance with Article 31 of the Regulations, to express its opinion on the draft Budget, in particular in the light of the only observations received at that time from a member Government, namely the Government of Poland, officially informing the Secretariat that, having only recently accepted upward reclassification in the UNIDROIT contributions chart to Category VI, it found it difficult to accept the proposed increase in its contribution for 2006. After due consideration and while recalling the discussions that had taken place within the Sub-committee of the Finance Committee, the Finance Committee expressed a favourable opinion on the draft Budget and authorised its transmission to the General Assembly at its 59th session, to be held in Rome on 1 December 2005.

3. Before commenting on the individual Chapters and Articles of the draft Budget, the Secretariat would note that, as already announced in paragraph 1, following the decision by the Governing Council to accept the donation made by the Government of the United Kingdom for the purpose of the holding of an open competition for the filling of the post of Deputy Secretary-General, financial provision needs to be made in the draft Budget for 2006 for the amount that will be needed, over and above the aforementioned donation, to cover the salary of a new Category A6, step 1 official, whether the person chosen is resident in Italy or not.

4. The funding provided for this post in 2006 is an amalgam of the amount provided under the draft Budget as considered by the Sub-committee at its 103rd session, and as reproduced in the draft Budget for 2006 featuring in Appendix I to this paper, and the aforementioned extra-budgetary donation. The amount provided under the draft Budget is limited to the amount that would be needed to appoint a Deputy Secretary-General from within the ranks of the Secretariat and to hire a new junior research officer (at the level of Category A1, step 1) to carry out those duties that the person recruited from within the ranks of the Secretariat would, once advanced to the rank of Deputy Secretary-General, no longer be able to carry out within the Secretariat. The Secretariat has estimated that the additional appropriation that would be needed to permit the appointment of a new Deputy Secretary-General on this basis in 2006 would amount to € 57,000, made up of € 9,000 to cover the expected increases in salaries and € 48,000 to cover the salary of the new Category A1, step 1 officer. Should the Governing Council decide not to appoint the new Deputy Secretary-General from within the ranks of the Secretariat and rather go for a candidate from outside, then the Secretariat has estimated that this would be covered by the aforementioned extra-budgetary donation. The Secretariat has in effect calculated that, should a Deputy Secretary-General be appointed from outside, the draft Budget would need to

be replenished by a sum varying from € 42,342, should the successful candidate be unmarried and resident in Italy, to € 69,200, for a successful candidate who was married and non-resident with two children.

5. In preparing the draft Budget for 2006, the Secretariat has followed the basic structure of the Budget for 2005 as approved by the General Assembly at its 58th session, however with one innovation, consisting in the annotation of each Chapter and Article of the draft Budget, in line with the request addressed to the Secretariat by the Finance Committee. The Secretariat has considered it appropriate to simplify its illustration of proposed expenditure below in the light of these annotations to the draft Budget. Further details of the precise costing implications, in terms of human resources, of each project and activity of the Institute, in particular under the draft Work Programme for the 2006/2008 triennium drawn up by the Governing Council at its 84th session, are provided in the Secretariat memorandum A.G.(59) 2, in the context of the implementation of the Strategic Plan presented by the Secretariat to the General Assembly at its 57th session, held in Rome on 28 November 2003.

6. The draft Budget for 2006 is illustrated below, first, in terms of the projected expenditure of the Institute over that financial year and, secondly, in terms of the allocation of projected receipts. Every effort has been made to contain expenditure, notably in line with the oft-repeated insistence of member Governments on the Institute's observance of the principle of zero budgetary growth. And where the Secretariat has judged it necessary to propose increases it has always sought to offset such increases by corresponding savings elsewhere.

EXPENDITURE

Chapter 1 - Reimbursement of expenses

Re Article 1 (Governing Council and Permanent Committee)

7. The Secretariat has estimated that it will be able to maintain expenditure on this Article at the same level as it was provided for in the Budget for 2005, namely at € 55,000.

Re Article 4 (Auditors)

8. The same is true for this Article, expenditure under which is therefore expected to remain at € 3,500.

Re Article 5 (Committees of experts)

9. The Secretariat has estimated that it will likewise be able to hold expenditure on this Article at the same level as was provided for in the Budget for 2005, namely at € 60,000.

Re Article 6 (Official journeys of representatives, members of staff and collaborators)

10. The same is true for this Article, expenditure under which will therefore be held at € 28,000.

Chapter 2 - Salaries and allowances

Re Article 1 (Salaries of Categories A, B and C staff)

11. As mentioned above, under paragraph 4, the Secretariat has considered it appropriate to provide for an additional appropriation of € 57,000 under this Article, to cover the case of the

Governing Council deciding to appoint a Deputy Secretary-General from within the ranks of the Secretariat and therefore of a new junior research officer being required. This would take expenditure under this Article in 2006 to € 1,162,000. It will be recalled in this context that, when contemplating this hypothesis at the 58th session of the Finance Committee, held on 15 June 2004, the Secretary-General stated that “first, the temporary solution consisting in the Principal Research Officer acting as Acting Deputy Secretary-General and a new Category A1 (Step 1) officer being taken on to look after those of the Principal Research Officer’s existing responsibilities that he would no longer be in a position to look after once he was acting as Acting Deputy Secretary-General would continue for as long as the Principal Research Officer continued to act as Acting Deputy Secretary-General, secondly, should the temporary solution be confirmed as a definitive solution, then the new officer would be needed on a definitive basis” (cf. AG/Comm. Finances (58) 5 rev., at p. 9).

Re Article 2 (Remuneration for occasional collaborators and special work (legal research, translation and various studies))

12. The Secretariat has estimated that it will be able to maintain expenditure on this Article at the same level as it was provided for in the Budget for 2005, namely at € 17,500.

Chapter 3 - Social security charges

Re Article 1 (Insurance of staff against disablement, old age and sickness)

13. On the basis of the final Accounts for 2004, the Secretariat has likewise estimated that it will be able to maintain expenditure on this Article at the same level as it was provided for in the Budget for 2005, namely at € 300,000.

Re Article 2 (Insurance of staff against accidents)

14. The same is true for this Article, expenditure under which will therefore be held at € 8,000.

Chapter 4 - Compensatory payments for retired members of staff

15. The Secretariat has estimated that it will be able to make a saving of € 500 under this Chapter. This would reduce expenditure under this Chapter in 2006 to € 2,500. This saving results from the ongoing reduction in the number of those entitled to such compensatory payments.

Chapter 5 - Printing costs

16. The Secretariat has estimated that it will be able to maintain expenditure on this Chapter at the same level as it was provided for in the Budget for 2005, namely at € 36,500.

Chapter 6 – Administrative expenses

Re Article 1 (Stationery)

17. The Secretariat has estimated that it will be able to maintain expenditure on this Article at the same level as it was provided for in the Budget for 2005, namely at € 21,000.

Re Article 2 (Telephone and fax)

18. The Secretariat has considered it appropriate to provide for an additional appropriation of € 500 under this Article, taking expenditure thereunder to € 20,000. This proposed increase reflects the Institute's ever greater involvement in organising conferences and seminars in far-flung parts of the world. These conferences and seminars are absolutely necessary to bring the Institute's work to the attention of those member States which otherwise have all too little opportunity of seeing this work at first hand.

Re Article 3 (Postage and telegrams)

19. The Secretariat has considered it appropriate to provide for an additional appropriation of € 1,000 under this Article, taking expenditure thereunder to € 18,000. This proposed increase reflects the increase in postage rates that has been introduced in Italy, whether directly, through the raising of such rates, or indirectly, through the removal of reduced rates, such as that previously reserved for printed matter.

Re Article 4 (Entertainment and representation)

20. The Secretariat has estimated that it will be able to maintain expenditure on this Article at the same level as it was provided for in the Budget for 2005, namely at € 4,650.

Re Article 5 (Interpreters)

21. The Secretariat has estimated that it will be able to make a saving of € 3,000 under this Article. This would reduce expenditure under this Article in 2006 to € 27,500. This saving results from the increasing number of meetings that the Secretariat is able to hold in English only, as evidenced by the meeting of the *ad hoc* Committee of the General Assembly held on 28 February 2005 to consider revisions to Article 7 of the Regulations of the Institute.

Re Article 6 (Miscellaneous)

22. The Secretariat has estimated that it will be able to maintain expenditure on this Article at the same level as it was provided for in the Budget for 2005, namely at € 6,700.

Chapter 7- Maintenance costs

Re Article 1 (Electricity)

23. The Secretariat has estimated that it will likewise be able to maintain expenditure on this Article at the same level as it was provided for in the Budget for 2005, namely at € 14,500.

Re Article 2 (Heating)

24. The Secretariat has estimated that it will be able to make a saving of € 1,000 under this Article. This would reduce expenditure under this Article in 2006 to € 20,000. This saving results from the cleaning out of the Institute's central heating system and the corresponding reduction in its heating bills.

Re Article 3 (Water)

25. The Secretariat has estimated that it will be able to maintain expenditure on this Article at the same level as it was provided for in the Budget for 2005, namely at € 6,500.

Re Article 4 (Insurance of premises)

26. Reflecting the fact that the premises have been insured under the same policy for some years, the Secretariat has estimated that it will likewise be able to maintain expenditure on this Article at the same level as it was provided for in the Budget for 2005, namely at € 11,500.

Re Article 5 (Office equipment)

27. The Secretariat has considered it appropriate to provide for an additional appropriation of € 3,000 under this Article, taking expenditure thereunder to € 24,000. This proposed increase is explained by the need to replace the outdated software of the Institute's stock of computers. The Secretariat would, at the same time, note that a sustained investment under this Article will be required if the improvements in document management, administration of the archive as well as communications with member Governments outlined in the Strategic Plan are to be achieved. The Secretariat would anticipate that over the forthcoming 2006/2008 triennium this would, on average, mean additional yearly expenditure of between € 4,000 and € 5,000.

Re Article 6 (Upkeep of building)

28. The Secretariat has estimated that it will be able to maintain expenditure on this Article at the same level as it was provided for in the Budget for 2005, namely at € 15,000.

Re Article 7 (Labour costs)

29. The same is true under this Article, expenditure under which will therefore be held at € 25,000.

Chapter 9 – Library*Re Article 1 (Purchase of books)*

30. The Secretariat has estimated that it will also be able to maintain expenditure on this Article at the same level as it was provided for in the Budget for 2005, namely at € 92,000.

Re Article 2 (Binding)

31. The same is true under this Article, expenditure under which will therefore be held at € 6,500.

Re Article 3 (Software)

32. The Secretariat has estimated that it will also be able to maintain expenditure on this Article at the same level as it was provided for in the Budget for 2005, namely at € 15,000.

Chapter 10 - Promotion of UNIDROIT instruments

33. The same is true under this Chapter, expenditure under which will therefore be held at € 5,000.

Chapter 11 – Legal co-operation programme

34. Again, it is estimated by the Secretariat that expenditure under this Chapter can be held for 2006 at € 15,000.

Chapter 14 - Revolving funds*Re Article 3 (Interest on the assets of the reserve fund for retirement benefits (Article 67 of the Regulations))*

35. The effective disappearance of this Article results from the retirement of the last member of staff entitled to such a retirement benefit.

Re Article 4 (Interest on Working Capital Fund and contributions from new member States)

36. The reduction of € 6,000 in the amount of interest that the Secretariat would anticipate receiving under this Article reflects the extremely low interest rates currently available. Taken together with the effective disappearance of Chapter 14, Article 3, this saving permits the Secretariat to contain the anticipated increase in expenditure for 2006 to € 48,000.

37. *Total estimated expenditure for 2006 thus amounts to € 2,026,850, representing an increase of 2.42% over that provided for in the budget for 2005 (€ 1,978,850).*

RECEIPTS

38. In order to cover this estimated expenditure for 2006, the Secretariat would propose increasing the statutory contributions of all member States, other than Italy, for 2006 by 1.25%, to estimate the Italian contribution being held in 2006 at € 250,000, to estimate the surplus to be carried over from the 2005 financial year at € 30,000, to estimate miscellaneous receipts for 2006 at € 78,945, to anticipate the Institute gaining one new Category VIII member State (the contribution of which would come to € 11,525) in 2006 and, finally, to count on an estimated € 6,000 under special accounts.

39. The Secretariat's proposal for increasing the statutory contributions of all member States, other than Italy, by 1,25% would mean the unit of contribution increasing from the figure employed under the 2005 Budget, that is € 2,276, to € 2,305. Under this proposal, the statutory contributions of Category I member States would rise to € 115,250, those of Category II member States to € 50,710, those of Category III member States to € 41,490, that of the sole member State belonging to Category IV to € 29,965, those of Category V member States to

€ 25,355, those of Category VI member States to € 20,745, those of Category VII member States to € 18,440, those of Category VIII member States to € 11,525 and those of member States belonging to the Special Category to € 2,305.

40. In the light of the Secretariat's continuing negotiations with one State in particular with a view to its becoming a member of the Institute, the Secretariat believes that it is appropriate to provide for the possibility of the Institute gaining a new member State and therefore being able to count on an additional Category VIII member State's contribution in 2006.

41. The miscellaneous receipts that the Secretariat would anticipate receiving in 2006 are made up of € 5,000 by way of interest, € 16,500 by way of the contributions to overhead expenses to be made by the Office for Italy and San Marino of the International Labour Organization and the United Nations Industrial Development Organization (U.N.I.D.O.) in return for use of certain services connected with the use of certain parts of its premises and € 57,445 by way of sales of the Institute's publications. It will be noted that the amount of receipts to be received by the Institute by way of contributions to overhead expenses is estimated to increase by € 8,000 in 2006: this is the result of the signing of an agreement between the Institute and U.N.I.D.O. granting that Organization the use of part of its premises for the carrying out of investment and technology promotion activities. It will further be noted that the Secretariat is anticipating an increase of € 21,091 in receipts from sales of the Institute's publications during 2006.

CONCLUDING REMARKS

42. In the light of the foregoing considerations, the Secretariat would invite the General Assembly to approve the draft Budget for 2006, in particular given that the 1.25% increase in the contributions of member States other than Italy proposed thereunder is considerably lower than either the current rate of inflation in Italy (running at about 2%) or the projected rate for 2006 (between 2.5% and 3%).

43. Should the draft Budget be so approved, the contributions of member States other than Italy for the financial year 2006 would be as follows:

Category	Units of account	Euros
Category I	50	115,250
Category II	22	50,710
Category III	18	41,490
Category IV	13	29,965
Category V	11	25,355
Category VI	9	20,745
Category VII	8	18,440
Category VIII	5	11,525
Special category	1	2,305

APPENDIX I

DRAFT BUDGET FOR 2006

RECEIPTS (in Euros)

2006		ITEMS	Estimate for 2005	Difference in 2006 budget	Budget for 2006	
Chap.	Art.				Articles	Chapters
		Estimated balance on 1 January 2006: ¹	20,000.00	+ 10,000.00		30,000.00
		A) Ordinary Receipts:				
		Contributions of member States				
1						
	1	Italian Government	250,000.00	--	250,000.00	
	2	Other member States ²	1,629,616.00	+ 20,764.00	1,650,380.00	
	3	Estimated profits on exchange rate	p.m.	--	p.m.	
	4	Contribution from new member State ³	<u>11,380.00</u>	<u>+ 145.00</u>	<u>11,525.00</u>	
		Total	1,890,996.00 =====	+ 20,909.00 =====		1,911,905.00 =====
2		Other Receipts				
	1	Interest ⁴	8,000.00	- 3,000.00	5,000.00	
	2	Contributions to overhead expenses ⁵	8,500.00	+ 8,000.00	16,500.00	
	3	Sale of publications ⁶	<u>36,354.00</u>	<u>+ 21,091.00</u>	<u>57,445.00</u>	
		Total	52,854.00 =====	+ 26,091.00 =====		78,945.00 =====
		Total ordinary receipts	1,943,850.00 =====	+ 47,000.00 =====		
		carried forward	1,943,850.00	+ 47,000.00		1,990,850.00

2006		ITEMS	Estimate for 2005	Difference in 2006 budget	Budget for 2006	
Chap.	Art.				Articles	Chapters
		Brought forward	1,943,850.00	+ 47,000.00		1,990,850.00
		B) Extraordinary Receipts				
3		Various receipts	_____ p.m.	_____ --		_____ p.m.
		Total extraordinary receipts	_____ p.m. =====	_____ --		_____ p.m.
		Total actual receipts	1,943,850.00 =====	+ 47,000.00 =====		1,990,850.00 =====
		Total actual receipts and balance on 1 January 2006	1,963,850.00 =====	+ 57,000.00 =====		2,020,850.00 =====
		C) Special Accounts				
4		Revolving funds:				
	1	Receipts as balanced by expenses	p.m.	--	p.m.	
	2	Interest on the assets of the reserve fund for retirement benefits (Article 67 of the Regulations) ⁷	3,000.00	- 3,000.00	--	
	3	Interest on the assets of the Working capital fund and contributions of new member States ⁸	<u>12,000.00</u>	<u>- 6,000.00</u>	<u>6,000.00</u>	
		Total special accounts	15,000.00 =====	- 9,000.00 =====		6,000.00 =====
		Total of receipts	1,978,850.00 =====	+ 48,000.00 =====		2,026,850.00 =====

SUMMARY OF RECEIPTS
(in Euros)

Estimated balance on 1 January 2006: 30,000.00

Receipts:

- Ordinary receipts	1,990,850.00	
- Extraordinary receipts	p.m.	
- Total actual receipts		1,990,850.00
- Special accounts		<u>6,000.00</u>
	OVERALL TOTAL	2,026,850.00
		=====

EXPENDITURE (in Euros)

2006		ITEMS	Estimate for 2005	Difference in 2006 budget	Budget for 2006	
Chap.	Art.				Articles	Chapters
1		(a) Ordinary expenditure				
		Reimbursement of expenses				
	1	Governing Council and Permanent Committee ⁹	55,000.00	--	55,000.00	
	2	General Assembly	p.m.	--	p.m.	
	3	Administrative Tribunal	p.m.	--	p.m.	
	4	Auditors ¹⁰	3,500.00	--	3,500.00	
	5	Committees of experts ¹¹	60,000.00	--	60,000.00	
	6	Official journeys of representatives, members of staff and collaborators ¹²	<u>28,000.00</u>	<u>--</u>	<u>28,000.00</u>	
		Total	146,500.00 =====	-- =====		146,500.00 =====
	carried forward	146,500.00			146,500.00 =====	

2006		ITEMS	Estimate for 2005	Difference in 2006 budget	Budget for 2006	
Chap.	Art.				Articles	Chapters
		Brought forward	146,500.00	--		146,500.00
2		Salaries and allowances:				
	1	Salaries of Categories A, B and C staff ¹³	1,105,000.00	+ 57,000.00	1,162,000.00	
	2	Remuneration for occasional collaborators and special work (legal research, translation and various studies) ¹⁴	<u>17,500.00</u>	<u> --</u>	<u>17,500.00</u>	
		Total	1,122,500.00 =====	+ 57,000.00 =====		1,179,500.00 =====
3		Social security charges:				
	1	Insurance of staff against disablement, old age and sickness ¹⁵	300,000.00	--	300,000.00	
	2	Insurance of staff against accidents ¹⁶	<u>8,000.00</u>	<u> --</u>	<u>8,000.00</u>	
		Total	308,000.00 =====	 =====		308,000.00 =====
		carried forward	1,577,000.00	+ 57,000.00		1,634,000.00

2006		ITEMS	Estimate for 2005	Difference in 2006 budget	Budget for 2006	
Chap.	Art.				Articles	Chapters
		Brought forward	1,577,000.00	+ 57,000.00		1,634,000.00
4		Compensatory payments for retired members of staff ¹⁷	3,000.00 =====	- 500.00 =====		2,500.00 =====
5		Printing costs ¹⁸	36,500.00 =====	- - =====		36,500.00 =====
6		Administrative expenses:				
	1	Stationery ¹⁹	21,000.00	- -	21,000.00	
	2	Telephone and fax ²⁰	19,500.00	+ 500.00	20,000.00	
	3	Postage and telegrams ²¹	17,000.00	+ 1,000.00	18,000.00	
	4	Entertainment and representation ²²	4,650.00	- -	4,650.00	
	5	Interpreters ²³	30,500.00	- 3,000.00	27,500.00	
	6	Miscellaneous ²⁴	<u>6,700.00</u>	<u>- -</u>	<u>6,700.00</u>	
		Total	99,350.00 =====	- 1,500.00 =====		97,850.00 =====
7		Maintenance costs:				
	1	Electricity ²⁵	14,500.00	- -	14,500.00	
	2	Heating ²⁶	21,000.00	- 1,000.00	20,000.00	
	3	Water ²⁷	6,500.00	- -	6,500.00	
	4	Insurance of premises ²⁸	11,500.00	- -	11,500.00	
	5	Office equipment ²⁹	21,000.00	+ 3,000.00	24,000.00	
	6	Upkeep of building ³⁰	15,000.00	- -	15,000.00	
	7	Labour costs ³¹	<u>25,000.00</u>	<u>- -</u>	<u>25,000.00</u>	
			114,500.00 =====	+ 2,000.00 =====		116,500.00 =====
		carried forward	1,830,350.00	+ 57,000.00		1,887,350.00

2006		ITEMS	Estimate for 2005	Difference in 2006 budget	Budget for 2006	
Chap.	Art.				Articles	Chapters
		Brought forward	1,830,350.00	+ 57,000.00		1,887,350.00
8		Various reserve funds:				
	1	Reserve fund for unforeseen expenditure	p.m.	--	--	
	2	Reserve fund for retirement allowances for Categories B and C staff	p.m.	--	--	
	3	Reserve fund for payment of compensation to staff who do not enjoy all the advantages provided for in Article 7 of the Headquarters Agreement				--
			<u> --</u>	<u> --</u>	<u> --</u>	
		Total	--	--		--
			=====	=====		=====
9		Library				
	1	Purchase of books ³²	92,000.00	--	92,000.00	
	2	Binding ³³	6,500.00	--	6,500.00	
	3	Software ³⁴	<u>15,000.00</u>	<u> --</u>	<u>15,000.00</u>	
		Total	113,500.00	--		113,500.00
			=====	=====		=====
		Total ordinary expenditure	1,943,850.00	+ 57,000.00		2,000,850.00
			=====	=====		=====
		carried forward	1,943,850.00	+ 57,000.00		2,000,850.00

2006		ITEMS	Estimate for 2005	Difference in 2006 budget	Budget for 2006	
Chap.	Art.				Articles	Chapters
		Brought forward	1,943,850.00	+ 57,000.00		2,000,850.00
		(b) Extraordinary expenditure				
10		Promotion of UNIDROIT instruments ³⁵	5,000.00	--		5,000.00
			=====			=====
11		Legal co-operation programme ³⁶	15,000.00	--		15,000.00
			=====			=====
12		Working capital fund	p.m.	--		p.m.
13		Convening of a Diplomatic Conference for the adoption of one of the Institute's draft Conventions or of a scientific event	p.m.	--		p.m.
		Total extraordinary expenditure	20,000.00	--		20,000.00
			=====			=====
		Total actual expenditure	1,963,850.00	+ 57,000.00		2,020,850.00
			=====			=====
		(c) Special accounts				
14		Revolving funds:				
	1	Working capital fund (new member States)	p.m.	--	p.m.	
	2	Expenditure as balanced by receipts	p.m.	--	p.m.	
	3	Interest on the assets of the reserve fund for retirement benefits (Article 67 of the Regulations) ³⁷	3,000.00	- 3,000.00	--	
	4	Interest on Working Capital Fund and contributions from new member States ³⁸	<u>12,000.00</u>	<u>- 6,000.00</u>	<u>6,000.00</u>	
		Total special accounts	15,000.00	- 9,000.00		6,000.00
			=====			=====
		Total expenditure	1,978,850.00	+ 48,000.00		2,026,850.00
			=====			=====

SUMMARY OF EXPENDITURE

Ordinary expenditure	€ 2,000,850.00
Extraordinary expenditure	€ 20,000.00
Total actual expenditure	€ 2,020,850.00
Special accounts	<u>€ 6,000.00</u>
OVERALL TOTAL	€ 2,026,850.00 =====

FOOTNOTES TO THE DRAFT BUDGET FOR 2006

1. See paragraph 38 of the General considerations regarding the draft Budget.
2. See paragraphs 38 and 39 of the General considerations regarding the draft Budget.
3. See paragraphs 38 and 40 of the General considerations regarding the draft Budget.
4. See paragraph 41 of the General considerations regarding the draft Budget.
5. *idem.*
6. *idem.*
7. See paragraph 35 of the General considerations regarding the draft Budget.
8. See paragraph 36 of the General considerations regarding the draft Budget.
9. This sum is designed to cover the travel and subsistence expenses incurred by the 25 members and one additional member of the Governing Council in their attendance of the 85th session of that body, to be held, over either three or four days, in Spring 2006. The members of the Governing Council whose travel and subsistence expenses are met by the Institute come from Argentina, Australia, Austria, Canada, the People's Republic of China, Denmark, France, Germany, Greece, Hungary, India, Ireland, Italy, Mexico, the Netherlands, Poland, Republic of Korea, the Russian Federation, Spain, Switzerland, Turkey, the United Kingdom, the United States of America and Uruguay. The Institute also shoulders the travel and subsistence expenses of the additional member of the Governing Council, namely the Egyptian judge of the International Court of Justice in The Hague.
10. This sum is designed to cover the fee of the auditor who annually audits the Institute's accounts.
11. This sum is designed to cover the expenditure that will be incurred by the Institute in convening the postponed third session and the fourth session of the UNIDROIT Committee of governmental experts for the preparation of a draft Protocol to the Convention on International Interests in Mobile Equipment (hereinafter referred to as the *Cape Town Convention*) on Matters specific to Space Assets (due to be held at F.A.O. Headquarters in Rome over between five and eight days), the second and third sessions of the UNIDROIT Committee of governmental experts for the preparation of a draft Convention on harmonised substantive rules regarding intermediated securities (each due to be held at F.A.O. Headquarters in Rome over ten days) and the projected first session of the UNIDROIT Working Group for the preparation of new chapters of the UNIDROIT Principles of International Commercial Contracts (due to be held at the seat of UNIDROIT over five days). Given the fact that, even if it is anticipated holding a diplomatic Conference for the adoption of the draft Protocol to the Cape Town Convention on Matters specific to Railway Rolling Stock in the first half of 2006, no member Government has yet made a commitment to convene such a Conference in 2006 so that it would appear inappropriate to make provision for such a Conference under Chapter 13, the Secretariat would submit that, in the event of such a commitment materialising in due course, it will be necessary that the host Government and/or third parties cover the Secretariat's expenses in this connection.

12. 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). Whilst it is clearly difficult at this early stage to predict exactly which missions of this nature will need to be accomplished in 2006, the Secretariat would note, by way of example, that representatives of the Institute, members of staff and collaborators accomplished missions of this sort on behalf of the Institute during 2004 to Ankara, Bangkok, Berlin, Berne, Brussels, Buenos Aires, the People's Republic of China, Copenhagen, Frankfurt, Geneva, Greece, Hamburg, Helsinki, India, Kuala Lumpur, London, Mexico City, Montreal, Munich, the Netherlands, New York, Paris, São Paulo, Singapore, Stockholm, Tokyo, Vienna, Warsaw, Washington D.C. and Zurich. Representatives of the Institute, members of staff and collaborators accomplished more than one mission to Berne, Geneva, Kuala Lumpur, Mexico City, New York, Paris, Warsaw and Washington D.C. These missions were 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 on the preparation of the draft Protocol to the Cape Town Convention on Matters specific to Railway Rolling Stock, the draft Protocol to the Cape Town Convention on Matters specific to Space Assets and the draft Convention on harmonised substantive rules regarding intermediated securities.
13. This Article covers the salaries and allowances of the Secretary-General and four other full-time Category A professional members of staff, one part-time Category A professional member of staff, nine full-time Category B administrative, secretarial and library members of staff, one part-time Category B secretarial member of staff, two full-time Category C ushers, one full-time Category C lodge-keeper and one part-time Category C usher, 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 36th 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 38th 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.

In the context of the preparation of the Institute's Work Programme for the 2006/2008 triennium, the Secretariat has estimated that, of the four full-time Category A professional members of staff, not including the Secretary-General, on average, only 2.20 units are currently available to work on the legislative part of that Programme (the part-time Category A professional member of staff is responsible for certain of the Institute's outreach activities, in particular the administering of the Institute's web site and the editing of the *Digest of Legal Activities of International Organizations and other Institutions*). In particular,

- the Principal Research Officer is currently exercising the functions of Deputy Secretary-General *ad interim* and will, so long as he continues to act in that capacity only be able to devote 15%-25% of his time to the Institute's legislative activities;

- one Research Officer is only supporting the Institute's legislative work programme on special occasions such as diplomatic Conferences and sessions of Committees of governmental experts and through routine translation of documents, with on average 80% of her time being devoted to the Institute's outreach activities, in particular the administration of the legal assistance and scholarships programme as well as the editing of the *Uniform Law Review*;
- another Research Officer, following completion of the Guide to International Master Franchise Arrangements in 1998 (and the subsequent preparation of the Spanish-language version thereof) and of the Model Franchise Disclosure Law in 2002, devoted on average 80% of her time to the development of the UNILAW data base but, the foundations for that data base, one important branch of the *UNIDROIT Information Centre*, having, however, been laid, it is now possible to reverse that proportion so as to make 80% of that officer's working time available for legislative activities.

It is true that, over and above the aforementioned full-time Category A members of staff, a number of other units of professional staff are currently available to work on the Institute's legislative activities. The first of these, however, another Research Officer, whose contract will, at least up until the end of 2006, be funded out of extra-budgetary contributions, is, under the terms of this funding, responsible for the Institute's depositary functions under the Cape Town Convention and the Protocol thereto on Matters specific to Aircraft Equipment (hereinafter referred to as the *Aircraft Protocol*). The secondment of the second, a Research Officer seconded by the Government of the United Kingdom, is for one year (2005) only. The duration of the contract of the third, a Research Officer funded by the German Banking Federation, is still open but may not be extended to 2006. As will be seen, only the fourth of these, the aforementioned consultant, and the fifth, a young lawyer seconded to the Institute by the French Government for a 12-month period (that is renewable) under its "volontaires internationaux" programme, will definitely be available to work on the legislative part of the Institute's Work Programme in 2006.

The Secretariat is, however, of the view, that the carrying out of the Work Programme for the 2006/2008 triennium should be based on 3.50 units of professional staff (including the consultant and the young French lawyer) being available to work on the Organisation's legislative activities. It takes the view that any additional resources that may become available, such as additional or longer-term secondments from member Governments and private donations, as well as the Secretary-General's own contribution to its legislative work, should be invested in shortening gestation periods for the completion of projects and the promotion of instruments adopted.

The Secretariat would, moreover, anticipate that the planned diplomatic Conference for the adoption of the draft Protocol to the Cape Town Convention on Matters specific to Railway Rolling Stock will absorb the time of up to 1.50 units of professional staff, depending on the venue of the Conference, during the first half of 2006, so that, on the assumption that the consultant will be working full-time on the preparation of new chapters of the UNIDROIT Principles of International Commercial Contracts, there will initially in 2006 be only 1.00 and subsequently 2.50 units available for completion of work on the preliminary draft Protocol to the Cape Town Convention on Matters specific to Space Assets and the preliminary draft Convention on harmonised substantive rules regarding intermediated securities, both of which are, however, due to be completed, with the holding of diplomatic Conferences, in 2007.

14. This Article in recent years has essentially covered the Secretariat's needs for external technical support, whether in the context of the updating and maintenance of the

Institute's stock of computers and software or in the transcription of such key, albeit voluminous materials as the Acts and Proceedings of the diplomatic Conference for the adoption of the Convention on International Interests in Mobile Equipment and the Protocol thereto on Matters specific to Aircraft Equipment, opened to signature in Cape Town on 16 November 2001.

15. 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.).
16. This Article covers the insurance 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.
17. 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 becomes possible to reduce expenditure under this Chapter. Currently, it covers the payments made to only two retired members of staff.
18. This Chapter is designed to cover the cost of printing both the four issues of the *Uniform Law Review* that appear annually and the *Acts and Proceedings of the Cape Town diplomatic Conference*.
19. This Article covers expenditure on general office stationery (writing paper, writing materials and general office supplies), publicity (such as the pamphlet on the Institute's work, that is periodically updated) and visiting cards.
20. This Article covers expenditure on the telephone calls (including conference calls) made and the facsimiles sent by members of staff in connection with the Institute's business.
21. This Article covers expenditure on posting the Institute's correspondence and publications as well as on (on ever rarer occasions) sending telegrams.
22. This Articles covers both official entertaining by the Secretary-General and the cost of the occasional reception offered by the Institute on the occasion of certain meetings where such hospitality is adjudged to be useful.
23. This Article covers the cost of the simultaneous interpreters employed by the Institute for sessions of the Governing Council, the General Assembly, the Finance Committee, Committees of governmental experts and study groups. Wherever both possible and appropriate, the Secretariat organises special meetings and small meetings without simultaneous interpretation: this has always been the case with sessions of the Subcommittee of the Finance Committee and was done also with the *ad hoc* Committee of the General Assembly that met on 28 February 2005 to prepare proposals for the amendment of Article 7 of the Regulations of the Institute.
24. This Article covers banking costs and the refreshments that the Institute traditionally offers during sessions of the Governing Council, Committees of governmental experts and study groups and which, where appropriate, it also sometimes offers on the occasion of sessions of the General Assembly and the Finance Committee.
25. This Article covers the cost of the electricity supplied to the Institute's premises.
26. This Article covers the cost of the gas-fired central heating system of the Institute's premises.
27. This Article covers the cost of the water supplied to the Institute's premises.

28. This Article covers the insurance of the Institute's premises against fire.
29. This Article covers the cost of the office furnishings and computers on the Institute's premises; see also paragraph 27 of the General considerations regarding the draft Budget.
30. This Article covers the cost of maintaining the furnishings and appliances of the Institute's premises.
31. This Article covers the cost of the two cleaners responsible for keeping clean the main building and the library respectively, as also the cost of the gardener responsible for keeping tidy that part of the garden of Villa Aldobrandini for which the Institute is responsible. None of these are members of staff: they are all outside contractors.
32. This Article covers the cost of the acquisition of the library's stock of books and the maintenance of its subscriptions to law journals. It is to be noted that, with the ever escalating cost of both, the library is necessarily forced severely to restrict its new acquisitions.
33. This Article covers the cost of binding the library's collections of law journals.
34. This Article covers the continuing cost of the installation of the Aleph 500 software in the library (see A.G. (58) 8, Appendix II).
35. This Chapter is designed to cover expenditure arising out of both the organisation of conferences to promote international instruments adopted under the auspices of the Institute and the participation of representatives thereof in such conferences. Whilst it is clearly difficult at this stage to predict, with any degree of accuracy, those conferences that may be organised for this purpose and that may require representation by the Institute in 2006, it may be noted, by way of example, that in 2004 the Institute was actively involved in the organisation of, and was represented at conferences organised in Prague and Singapore to promote the Cape Town Convention and the Aircraft Protocol and at a conference organised in Paris to promote the 2004 version of the UNIDROIT Principles of International Commercial Contracts and that it is currently looking into the possibility of organising a conference to mark the 10th anniversary of the opening to signature, in Rome on 24 June 1995, of the UNIDROIT Convention on Stolen or Illegally Exported Cultural Objects.
36. 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.
37. See paragraph 35 of the General considerations regarding the draft Budget.
38. See paragraph 36 of the General considerations regarding the draft Budget.

APPENDIX II

**ARREARS IN CONTRIBUTIONS IN RESPECT OF THE 2004 AND PREVIOUS FINANCIAL YEARS
IN EUROS AS OF 25 OCTOBER 2005**

	1999-2001	2002	2003	2004	Total in Euros
Argentina			11,961.42	24,629.00	36,590.42
Bolivia		10,850.00	11,000.00	11,195.00	33,045.00
Brazil			28,600.00	29,107.00	57,707.00
Israel			17,600.00	17,912.00	35,512.00
Pakistan	974.08			195.00	1,169.08
Serbia and Montenegro			11,000.00	11,195.00	22,195.00
Uruguay			11,000.00	11,195.00	22,195.00
Total	974.08	10,850.00	91,161.42	105,428.00	208,413.50

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