



GENERAL ASSEMBLY
61st session
Rome, 29 November 2007

UNIDROIT 2007
A.G. (61) 7
Original: English/French
October 2007

Item No. 10 on the Agenda: Approval of the draft Budget for 2008 and fixing of the contributions of member States for that financial year

(prepared by the UNIDROIT Secretariat)

<i>Summary</i>	<i>Explanation of the proposed expenditure and receipts under the draft Budget for 2008 and the proposed contributions of member States</i>
<i>Action to be taken</i>	<i>Approval of the draft budget for 2008 and fixing of the contributions of member States for that financial year</i>
<i>Related documents</i>	<i>None</i>

Introduction

1. In accordance with Article 31 of the Regulations of the Institute, in February 2007 the Secretariat prepared first estimates of expenditure and receipts for 2008 which have been submitted to the Sub-committee of the Finance Committee at its 107th session held in Rome on 6 March 2007 (F.C./S.C. (107) 2).

2. The first estimates were subsequently submitted to the Governing Council at its 86th session (Rome, 16 to 18 April 2007). At that session the Secretariat informed the Council that after the drafting of the first estimates and the 107th session of the Sub-committee of the Finance Committee it had received a letter from M. Anthony Inglese, member of the Council, offering an extra-statutory contribution of the Government of the United Kingdom of £ 50,000 for the financing, for the third year running, of the post of Deputy Secretary-General with function of Chief Administrator. The Secretariat had expressed its gratitude to Mr Inglese and the Government of the United Kingdom for this generous offer and had communicated this important news to the members of the Sub-committee, who had had a short informal meeting on this issue at the seat of the Institute on 4 April 2007. The Secretariat presented the first estimates to the Governing Council and proposed (a) that it accept the extra-statutory contribution of the Government of the United Kingdom, and allocate it to the purpose expressly specified; (b) that it approve the draft budget for the financial year 2008 as drafted on the basis of the first estimates and modified as a consequence of the acceptance of the British extra-statutory contribution. The Governing Council approved these proposals and expressed the opinion that the sum provided for in the budget which was made available thanks to the British donation should be allocated to Chapters 2 (Salaries) and

3 (Social charges), in particular to the financing of the post of the officer (*hors-cadre*) with depositary function.

3. The draft Budget resulting from this procedure, as set forth in Appendix I to this paper, in line with the Institute's budgetary practice, 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 the 21 September 2007. The Government of Japan sent observations on the draft Budget for the financial year 2008, indicating that it accepted the draft budget that was sent to it and that it requested the Secretariat to continue to exercise financial discipline in a strict manner. At its 62nd session, the Finance Committee gave its favourable opinion that General Assembly of member States, at its 61st session, approve the draft budget for the financial year 2008.

4. As regards the presentation of the draft Budget, the Secretariat has considered it preferable to maintain the structure adopted in previous years by retaining the same division of the receipts and the expenditure into chapters and articles. Nevertheless, in order to respect the recommendations of the financial organs of the Institute, to wit the Finance Committee and the General Assembly, to allow for greater transparency and to link the expenditure to the different projects and activities of the Institute, the Secretariat adopted the following two innovations:

a) the addition of a statement of the extra-budgetary receipts and expenditure of the Institute, such as the Scholarships Programme which is financed by special contributions of member States or by the allocation of certain private donations. Even if the sums concerned are very modest, and completely without effect on the finances of the Organisation, this would permit the organs of the Institute to know the financial aspects of a certain number of projects managed by the Institute which, as they do not appear in the Budget, thus far had not been presented in official documents;

b) the allocation of the expenditure and, at need, of the receipts, to the different projects and activities of the Institute; this objective will be reached by the utilisation of internal documents drawn up under the responsibility of the officer entrusted with the project or activity, the contents of which will be summarised in a document which will permit the verification of the cost of each project or activity both when the accounts are prepared and when the budget is drawn up. This document was presented to the Governing Council at its 86th session.

These documents were submitted to the Finance Committee, which confirmed the interest in being informed of these data, and are now submitted to the General Assembly, for information of its members (A.G. (61) INF. 1 and A.G. (61) INF. 2).

5. The draft Budget for 2008 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.

Expenditure

6. The Secretariat prepared the draft Budget keeping well in mind the recommendations of the Finance Committee and General Assembly to try to reduce expenditure and to respect the principle of zero growth. As regards chapters other than Chapters 2 (Salaries and allowances) and 3 (Social security charges), the draft budget presents sums identical to those of the 2007 budget which, considering increases in prices, in reality represents savings, that the Secretariat will make every effort to achieve. To this effect, the Secretariat is currently adopting measures taken following the recommendations made by the Finance Committee at its 61st session and by the General Assembly at its 60th session that the Secretariat identify achievable efficiency savings, capable of showing results already in 2007. It is to be recalled that the Budget of the Institute has always been managed in an extremely prudent manner with a careful eye to possible savings, and this renders it very difficult to effect cutbacks.

7. As regards Chapters 2 and 3, the Secretariat is pleased to be able to maintain the same levels of 2007 so as to permit all functions and activities foreseen in the Strategic Plan to be carried on in an effective and competent manner. A reorganisation of the staff is underway that should permit the human resources of the Institute to be enhanced.

8. The Secretariat reminds that the Institute is able to count on the activity of a varying number of interns for limited periods of time.

9. As regards the budgetary appropriations proposed, the Secretariat refers readers to the explanatory notes attached to the draft Budget.

10. Overall, the Secretariat would therefore propose expenditure for 2008 amounting to € 2,209,003.00, representing an increase of 0.42% over that provided for under the Budget for 2007.

Receipts

11. The Secretariat would propose that the proposed expenditure for 2008 be covered as follows:

Estimated balance from the 2007 financial year	70,000.00
Statutory contribution of Italy	270,000.00
Statutory contributions of other member States	1,722,072.00
Extra-statutory contribution of United Kingdom	74,153.00
Miscellaneous receipts	72,778.00

12. The balance that the Secretariat would anticipate being carried over from the 2007 financial year is based on the fact that the Institute is striving to follow the recommendations of the Finance Committee and of the General Assembly to limit expenditure.

13. The contribution of Italy is an estimate made by the Secretariat.

14. The Secretariat would propose that the statutory contributions of member States other than Italy for 2008 be calculated on the basis of a unit of contribution amounting to € 2,372 representing an increase of 0.296% over the unit of contribution approved by the General Assembly for the statutory contributions of member States other than Italy for 2007 (€ 2,365).

15. Under this proposal, the statutory contributions of member States would rise in comparison with the year 2007 as follows:

Category I	from € 118,250	to € 118,600
Category II	from € 52,030	to € 52,184
Category III	from € 42,570	to € 42,696
Category IV	from € 30,745	to € 30,836
Category V	from € 26,015	to € 26,092
Category VI	from € 21,285	to € 21,348
Category VII	from € 18,920	to € 18,976
Category VIII	from € 11,825	to € 11,860
Special Category	from € 2,365	to € 2,372

16. Although the Secretariat has underway negotiations with some States who have manifested their interest in becoming members of the Institute, at the time of writing the Secretariat believes that it is not possible to count on an additional member State's contribution in 2008.

17. The extra-budgetary contribution from United Kingdom is based on letter from Mr Anthony Inglese, member of the UNIDROIT Governing Council, announcing that he is prepared to offer, from the budget of the British Department of Trade and Industry, an extra-budgetary contribution of £ 50,000 towards the financing of the post of Deputy Secretary-General carrying the function of Chief Administrator. The Secretariat wishes to express its gratitude for this generous offer.

18. The miscellaneous receipts that the Secretariat would anticipate receiving in 2008 are made up of € 5,000 by way of interest, € 10,000 by way of the contributions to overhead expenses to be 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 certain parts of its premises and € 42,778 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 sales of publications is estimated to suffer a reduction, as there are no new publications that will see the lights in the current year and it is foreseeable that the publications that are not new will not maintain the same level of sales. The Secretariat has anticipated receiving € 15,000 of contributions from private donors for services rendered by the Institute, i.e. by the databases. The Secretariat is also seeking to obtain financing private sources for particular projects, i.e. the scholarship programme, the library and the promotion of UNIDROIT instruments.

19. At its 62nd session, the Finance Committee gave its favourable opinion on that the General Assembly approve the draft budget.

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20. In the light of the foregoing considerations, *the General Assembly is invited to approve the draft budget for 2008, as it appears in Appendix I, and the proposed contributions of member States for the financial year 2008.*

APPENDIX I

DRAFT BUDGET FOR 2008

RECEIPTS (in Euro)

	Budget 2007	Budget 2008
Estimated balance on 1 January ¹	50,000.00	70,000.00
Chapter 1: Contributions of member States		
Art. 1 (Italian Government) ²	270,000.00	270,000.00
Art. 2 (Other member States) ³	1,703,723.00	1,722,072.00
Art. 4 (Contribution of new member State) ⁴	11,825.00	
Extra-statutory contribution from United Kingdom ⁵	72,754.00	74,153.00
Chapter 2: Other receipts:		
Art. 1 (Interest)	5,000.00	5,000.00
Art. 2 (Contributions to overhead expenses) ⁶	10,000.00	10,000.00
Art. 3 (Sale of publications) ⁷	71,548.00	42,778.00
Chapter 3: Various receipts ⁸	5,000.00	15,000.00
Total of receipts	2,199,850.00	2,209,003.00

EXPLANATORY NOTES TO THE DRAFT BUDGET - RECEIPTS

- 1 The balance that the Secretariat would anticipate being carried over from the financial year 2007 is predicated on the assumption of the Institute making economies, as was recommended by the Finance Committee at its 61st session and by the General Assembly at its 60th session.
- 2 This receipt is based on an estimate of the Secretariat.
- 3 The Secretariat has calculated this receipt on the basis of a unit of contribution amounting to € 2,372, representing an increase of 0.296% in comparison with 2007 (€ 2,365). In 2008 this receipt includes the contribution of Lithuania.
- 4 The Secretariat has not included the contribution of new member States, although interest in joining the Institute has been shown by some States. See § 16 of the Introduction.
- 5 This receipt is based on an offer made by from Mr Anthony Inglese, member of the UNIDROIT Governing Council, from the budget of the British Department of Trade and Industry; see § 2 and 17 of the explanatory introduction
- 6 See § 18 of the Introduction to the draft Budget.
- 7 The decrease of this receipt is derived essentially from the fact that the sales of some of the publications of the Institute are not expected not maintain the same level. See § 18 of the Introduction.
- 8 These receipts are contributions from private donors for some services rendered by the Institute, i.e. by the databases.

EXPENDITURE (in Euro)

	2007	2008
Chapter 1 – Reimbursement of expenses		
Art. 1 (Governing Council and Permanent Committee) ¹	55,000.00	55,000.00
Art. 4 (Auditor)	3,500.00	3,500.00
Art. 5 (Committees of Experts) ²	65,000.00	65,000.00
Art. 6 (Official journey of representatives and staff) ³	28,000.00	28,000.00
Total	151,500.00	151,500.00
Chapter 2 – Salaries and allowances		
Art. 1 (Salaries of Categories A, B and C staff) ⁴	1,295,000.00	1,305,000.00
Art. 2 (Remuneration for occasional collaborators) ⁵	17,500.00	17,500.00
Total	1,312,500.00	1,322,500.00
Chapter 3 – Social security charges		
Art. 1 (Insurance against disablement, old age and sickness) ⁶	345,000.00	344,153.00
Art. 2 (Accidents' insurance) ⁷	8,500.00	8,500.00
Total	353,500.00	352,653.00
Chapter 4		
Compensation retired members of staff ⁸	2,500.00	2,500.00
Chapter 5		
Publications' printing costs ⁹	31,500.00	31,500.00
Chapter 6 – Administrative expenses		
Art. 1 (Stationery)	21,000.00	21,000.00
Art. 2 (Telephone and fax)	23,000.00	23,000.00
Art. 3 (Postage) ¹⁰	20,000.00	20,000.00
Art. 4 (Entertainment and 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	102,850.00	102,850.00
Chapter 7 – Maintenance costs		
Art. 1 (Electricity)	14,500.00	14,500.00
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)	24,000.00	24,000.00
Art. 6 (Upkeep of building)	15,000.00	15,000.00
Art. 7 (Labour costs) ¹¹	25,000.00	25,000.00
Total	117,000.00	117,000.00
Chapter 9 – Library		
Art. 1 (Purchase of books) ¹²	92,000.00	92,000.00
Art. 2 (Binding)	6,500.00	6,500.00
Art. 3 (Software)	15,000.00	15,000.00
Total	113,500.00	113,500.00
Chapter 10		
Promotion of UNIDROIT instruments	5,000.00	5,000.00
Chapter 11		
Legal co-operation programme ¹³	10,000.00	10,000.00
Total ordinary expenditure	2,199,850.00	2,209,003.00

EXPLANATORY NOTES TO THE DRAFT BUDGET - EXPENDITURE

- 1 This sum is designed to cover the travel and subsistence expenses incurred by the members of the Governing Council in their attendance of the session of that body, to be held in spring 2008.
- 2 This sum is designed 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 projects of the Institute. The Secretariat wishes to note that it makes every effort to obtain external financing to cover part of these expenses.
- 3 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). These missions are accomplished for a number of purposes: firstly for the ongoing activities of the Institute, and in particular for participating to meetings of Working Groups or Committees, or for preparing meetings; 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.
- 4 This Article covers the salaries and allowances of the Secretary-General, the two Deputy Secretaries-General (one being *hors-cadre*), three other full-time and one part-time Category A professional members of staff, one *hors-cadre* officer carrying the depositary function, eight full-time and one part-time Category B administrative, secretarial and library members of staff, three full-time Category C members of staff, 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.
- 5 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.
- 6 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.).
- 7 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.

- 8 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.
- 9 This Chapter is designed to cover the cost of printing both the four issues of the *Uniform Law Review* that appear annually and of some official documents of the legislative instruments of the Institute (Acts and Proceedings of Conferences etc).
- 10 This Article covers expenditure for posting the Institute's correspondence and publications. The Secretariat is recurring more and more to the electronic sending of documents and other communications. This has permitted to maintain this Article to the same amount of the previous years notwithstanding the direct distribution of the *Uniform Law Review*.
- 11 This Article covers the cost of the two cleaners and the gardener. None of these are members of staff: they are all outside contractors
- 12 This Article covers the cost of acquisitions for 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. It has to be added that the publication of the *Uniform Law Review* permits the library to count on exchanges (170 publications) and on complimentary copies sent by the publisher and/or the author wishing to see a book-review published in the *Review*.
- 13 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.
- 14 In total, the Secretariat proposes that the expenditure for 2008 amounts to € 2,209,003.00, which represents an increase of 0.42% as compared with the Budget for 2007.