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GENERAL ASSEMBLY
67th session
Rome, 1 December 2010

UNIDROIT 2010
A.G. (67) 7
Original: English/French
October 2010

Item No. 9 on the Agenda: Approval of the draft Budget for 2011 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 2011 draft Budget for and the proposed contributions for member States</i>
<i>Action to be taken</i>	<i>Approval of the draft budget for 2011 and fixing of the contributions of member States for that financial year</i>
<i>Related documents</i>	<i>A.G./Comm. Finances (68) 6</i>

Introduction

1. In accordance with Article 31 of the Regulations, the Secretariat prepared first estimates for a draft Budget for the financial year 2011, which were submitted to Finance Committee at its 67th session, held in Rome on 25 March 2010. The Finance Committee expressed the following opinion:

"The Finance Committee had a thorough discussion of the Draft 2011 Budget which had been prepared by the Secretariat. It appreciates the efforts of the Secretariat to arrive at a zero growth of the expenditure for 2011. This notwithstanding, the Committee expresses its concern for the risk of an increase in the contributions of member States, considering the difficult economic situation at global level, and recommends that yet further possibilities for savings be examined. To this end, the Committee would wish the Governing Council to take the resources of UNIDROIT into consideration when next it discusses the Work Programme and the possible new projects."

2. The first estimates have been modified according to the opinion expressed by the Finance Committee and were thus submitted to the Governing Council at its 89th session, held in Rome from 10 to 12 May 2010. The Council, on the basis of these first estimates, and having also taken into account the opinion expressed by the Finance Committee, established the draft Budget for

2011, which now contemplates that the contributions of member States other than Italy will be maintained to the same level as 2010. In doing so, the Council reached the following conclusions:

"The Council generally approved the draft budget for the 2011 financial year, but requested the Secretariat to refrain from envisaging an increase in the contributions of member States other than Italy. The Council further requested the Secretariat to achieve the necessary balance in 2011 by reducing its expenditure under Chapters 2 (Salaries and allowances) and 3 (Social security charges) of the draft budget."

3. The draft Budget, in line with the Institute's budgetary practice, was submitted to the Governments of UNIDROIT member States, which were invited to submit any observations they might wish to make by 20 September 2010.

4. The Finance Committee formulated its opinion to be transmitted to the General Assembly, as follows:

"The Chairman of the Finance Committee concluded that the Committee a) asked the Secretary-General to prepare a revised draft Budget at a date closer to the session of the General Assembly showing the envisaged cuts in expenditure and b) had agreed to recommend to the General Assembly to examine the possibility of freezing the increases of the salaries of the staff, if required."

5. The draft budget resulting from this procedure, and including the adjustments requested by the Finance Committee, is appended to this document (Appendix I).

6. The Accounts for the financial year 2009 confirm that there was some carryover to the financial year 2010, representing some savings that had been made and some member States having settled the arrears in the payment of their contributions.

Expenditure

7. The Secretariat proposes reductions in expenditure for 2011 in the manner and for the grounds explained below.

8. As to Chapters 2 (Remunerations) and 3 (Social charges), the Secretariat points out that the remuneration of the staff of the Institute is subject to yearly increases by reason of a) adjustments deriving from cost of living increases and b) automatic career advances (both provided for by the system operated by the Co-ordinated Organisations that the Institute has adopted). The total amount of increases expected for the year 2011 as a result of the increases decided by the Co-ordinated Organisations is not yet known to the Secretariat. Nevertheless, the draft Budget for 2011 does contain a significant reduction in Chapter 2 (7.26%), because the Secretariat expects to be able to compensate automatic cost increases by savings due to a reorganization of the staff. At the time of writing, the Secretariat does not anticipate having to request the Assembly to suspend salary increases in the year 2011.

9. As to allocations for other Chapters of the budget, the Secretariat intends to keep expenditure at a level lower than in 2010, despite expected cost increases, by tight control measures and some reduction of activities. To some extent, savings under Chapter 1, Article 5 (Committees of Experts) may be possible as a result of the completion of projects included in the Work Programme approved in 2005, the re-dimensioning of on-going activities and the typically lower cost incurred at the early stages of new projects. The expected savings are, by nature, transitory and are not likely to be sustainable beyond the year 2011.

10. Overall, the Secretariat would therefore propose expenditure for 2011 amounting to € 2,157,725, which corresponds to a reduction of 4.85%, as compared to the expenditure contemplated in the budget for 2010. It should be noted, however, that this level of expenditure is predicated on the total balance being carried forward from the year 2010 being realised, as well as on all expected contributions being received in full in the year 2011.

Receipts

11. The Secretariat suggests that the proposed expenditure for 2011 be covered as follows:

Estimated balance from the 2010 financial year	€	20,000
Statutory contribution of Italy	€	197,000
Statutory contributions of other member States	€	1,825,250
Other receipts	€	85,475
Various receipts	€	30,000

12. The balance that the Secretariat would anticipate being carried over from the 2010 financial year (€ 20,000) is lower than indicated at the time the Finance Committee first saw the draft Budget for the year 2011 (€ 90,000). The lower balance expected by the Secretariat at this stage is the result of lower level of receipts than originally anticipated, and it was only made possible by a very tight control of expenditure by the Secretariat.

13. The contribution of Italy is an estimate made by the Secretariat, based on the contribution paid in 2009. In 2010, the Italian Government was only able to offer a contribution of € 100,000 following a 50% reduction in the relevant allocation under Chapter 1163 of the Italian budget made necessary by the corrective measures adopted by the Italian financial authorities to contain public spending. In a letter addressed to the President of UNIDROIT on 6 August 2010, the Secretary-General of the Italian Ministry of Foreign Affairs informed the Institute that the Ministry of Foreign Affairs has already requested an adjustment of the amount of the contribution for the triennium 2011-2013, with a view to restoring Chapter 1163 to 2009 levels.

14. The Secretariat would propose that the statutory contributions of member States other than Italy for 2011 be calculated on the basis of a unit of contribution amounting to € 2,450, identical to the unit of contribution approved by the General Assembly for the statutory contributions of member States other than Italy for 2010.

15. Under this proposal, the statutory contributions of member States would be as follows (identical to those approved for 2010):

Category I	€ 122,500
Category II	€ 53,900
Category III	€ 44,100
Category IV	€ 31,850
Category V	€ 26,950
Category VI	€ 22,050
Category VII	€ 19,600
Category VIII	€ 12,250
Special Category	€ 2,450

16. The miscellaneous receipts that the Secretariat would anticipate receiving in 2011 are made up of € 5,000 by way of interest, € 15,000 by way of contribution 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 € 65,475 by way of sales of the Uniform Law Review and the other Institute's publications; the increase in this last Article is predicated on the assumption that in 2011 there will be two new publications of the Institute, i.e. the third edition of the UNIDROIT Principles on International Commercial Contracts and the Official Commentary on the Geneva Securities Convention, both in English and French.

17. The Secretariat has included € 30,000 in the various receipts (Chapter 3), corresponding to extra-statutory contributions or sums given by private donors for some activities of the Institute, i.e. by the databases.

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18. *In the light of the foregoing considerations, the General Assembly is invited, at its 67th session, to approve the draft budget for 2011, as it appears in Appendix I, and the proposed contributions of member States for the financial year 2011.*

APPENDIX

**DRAFT BUDGET FOR THE 2011
FINANCIAL YEAR**

RECEIPTS (in Euro)

	Budget 2010	Budget 2011
Estimated balance on 1 January ¹	90,000	20,000
Chapter 1: Contributions of member States		
Art. 1 (Italian Government)	197,000 ²	197,000 ³
Art. 2 (Other member States) ⁴	1,825,250	1,825,250
Extra-statutory contribution from United Kingdom	56,500	
Chapter 2: Other receipts:		
Art. 1 (Interest)	5,000	5,000
Art. 2 (Contributions to overhead expenses) ⁵	15,000	15,000
Art. 3 (Sale of publications) ⁶	48,975	65,475
Chapter 3: Various receipts ⁷	30,000	30,000
Total of receipts	2,267,725	2,157,725

EXPLANATORY NOTES TO THE DRAFT BUDGET - RECEIPTS

- 1 The balance that the Secretariat would anticipate being carried over from the financial year 2010 is predicated on the assumption of the Institute making economies.
- 2 For an explanation of this receipt, see § 9 of the Introduction.
- 3 For an explanation of this receipt, see § 9 of the Introduction.
- 4 The Secretariat has calculated this receipt on the basis of a unit of contribution amounting to € 2,450, identical to the unit of contribution for the statutory contributions of member States other than Italy for 2010.
- 5 This receipt represents the contribution to overhead expenses made by the Office for Italy and San Marino of the International Labour Organization in return for use of certain services connected with the use of parts of its premises.
- 6 This receipt includes the sale of the Uniform Law Review as well as the sale of other publications of the Institute; the increase is predicated on the assumption that in 2011 there will be two new publications, i.e. the 3rd edition of the UNIDROIT Principles on International Commercial Contracts and the Official Commentary on the Geneva Securities Convention, both in English and French.
- 7 These receipts are contributions from private donors for some activities of the Institute, i.e. the databases.

EXPENDITURE (in Euro)

19.

	2010	2011
Chapter 1 – Reimbursement of expenses		
Art. 1 (Governing Council and Permanent Committee) ¹	50,000	50,000
Art. 4 (Auditor)	3,500	3,500
Art. 5 (Committees of Experts) ²	65,000	55,000
Art. 6 (Official journeys of representatives and staff) ³	28,000	28,000
Total	146,500	136,500
Chapter 2 – Salaries and allowances		
Art.1 (Salaries of Categories A, B and C staff and consultant) ⁴	1,307,875	1,212,875
Art. 2 (Remuneration for occasional collaborators) ⁵	20,000	20,000
Total	1,327,875	1,232,875
Chapter 3 – Social security charges		
Art. 1 (Insurance against disablement, old age and sickness) ⁶	390,000	390,000
Art. 2 (Accidents' insurance) ⁷	8,500	8,500
Total	398,500	398,500
Chapter 4		
Compensation retired members of staff ⁸	2,500	2,500
Chapter 5		
Publications' printing costs ⁹	31,500	31,500
Chapter 6 – Administrative expenses		
Art. 1 (Stationery)	21,000	21,000
Art. 2 (Telephone, fax and Internet)	28,000	23,000
Art. 3 (Postage) ¹⁰	25,000	25,000
Art. 4 (Representation)	4,650	4,650
Art. 5 (Interpreters)	27,500	27,500
Art. 6 (Miscellaneous)	6,700	6,700
Total	112,850	107,850
Chapter 7 – Maintenance costs		
Art. 1 (Electricity)	12,500	12,500
Art. 2 (Heating)	20,000	20,000
Art. 3 (Water)	7,000	7,000
Art. 4 (Insurance of premises)	11,500	11,500
Art. 5 (Office equipment)	22,000	22,000
Art. 6 (Upkeep of building, charges for public services)	20,000	20,000
Art. 7 (Labour costs) ¹¹	27,000	27,000
Total	120,000	120,000
Chapter 9 - Library		
Art. 1 (Purchase of books) ¹²	82,000	82,000
Art. 2 (Binding)	9,000	9,000
Art. 3 (Software)	22,000	22,000
Total	113,000	113,000
Chapter 10		
Promotion of UNIDROIT instruments	5,000	5,000
Chapter 11		
Legal co-operation programme ¹³	10,000	10,000
Total ordinary expenditure	2,267,725	2,157,725

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 and of the Permanent Committee in their attendance of the sessions of those bodies, to be held in Spring 2011.

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.

In 2011 the Secretariat has planned two meetings of a study group on the new project "Enhancing trading on emerging capital markets" and two meetings of a study group on the new project "Netting" (subject to the decisions of the Organs of the Institute on its inclusion in the Work Programme); the Secretariat foresees other meetings of study groups, which might meet one or two times in the course of the year, on other new projects, depending on the decisions taken on the Work Programme for the triennium 2011-2013 by the Governing Council and the General Assembly.

The Secretariat wishes to note that it makes every effort to obtain external financing to cover part of these expenses, and that many meetings are hosted with either complete or partial funding of the organizers, be this the case of the member Governments that kindly host diplomatic conferences for negotiation of draft UNIDROIT Conventions, or of institutions that kindly host sessions of UNIDROIT working groups and committees designed to build broader consensus around the Institute's drafts.

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, 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.

4 This Article covers the salaries and allowances of the members of the staff and the salary of a consultant. The Secretariat envisages a reduction in this Article due to a reorganisation of the personnel. 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 as well as in the Library.
- 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 will be 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. In 2011 the Secretariat envisages the publication in English and French of the Official Commentary to the Convention on substantive rules regarding intermediated securities and of the Third edition of the UNIDROIT Principles on International Commercial Contracts, as well as of the French version of the Official Commentary to the Capetown Convention and the Aircraft Protocol (revised edition).
 - 10 This Article includes the cost for telephone, fax and the Internet. The Secretariat envisages a small reduction due to better contractual conditions with the provider.
 - 11 This Article covers expenditure for posting the Institute's correspondence and publications, including the publications sold by the Institute, which produce receipts.
 - 12 This Article covers also charges for some public services (i.e. waste disposal).
 - 13 This Article covers the cost of the two cleaners and the company which occasionally looks after the garden. None of these are members of staff: they are all outside contractors.
 - 14 This Chapter covers the cost of acquisitions for the library's stock of books and the maintenance of its subscriptions to law journals, as well as the cost of binding. 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 - whose number has risen in the last two years and is now of 210, thanks to an effort in this direction made by the Secretariat - and on complimentary copies sent by the publisher and/or the author wishing to see a book-review published in the *Review*; the Library has also received gifts from private donors.
 - 15 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.

Overall, the Secretariat proposes that the expenditure for 2011 amounts to € 2,157,725, i.e. a reduction of approx 4.85% in comparison with the expenditure included in the budget for 2010.