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**GENERAL ASSEMBLY**  
**77<sup>th</sup> session**  
**Rome, 6 December 2018**

UNIDROIT 2018  
A.G. (77) 5  
Original: English/French  
November 2018

**Item No. 7 on the Agenda: Adjustments to the Budget for the 2018 financial year**

(prepared by the UNIDROIT Secretariat)

<i>Summary</i>	<i>Explanation of the adjustments proposed by the Secretariat to the 2018 Budget</i>
<i>Action to be taken</i>	<i>To take note of the expected actual level of receipts and expenditure for the year 2018 and approve the adjustments</i>
<i>Related documents</i>	<i>UNIDROIT 2017 – Budget 2018; UNIDROIT 2018 - Accounts of receipts and expenditure for the 2017 financial year; UNIDROIT 2018 – F.C. (85) 3</i>

1. Every autumn it is customary for the Secretariat to submit, first to the Finance Committee and then to the General Assembly, a document indicating any adjustments that may need to be made to the Budget for that financial year. Such indications are to be based on the Accounts available for the previous financial year, the partial accounts available for the current financial year and any other modifications due to exceptional circumstances.

2. At the time of writing, the Secretariat considers that it is necessary to introduce a few adjustments to the Budget for the 2018 financial year, as indicated in the notes to the revised budget contained in the Appendix to this document. The Secretariat deems it prudent to anticipate a shortfall in ordinary receipts of € 129,483.68. The Secretariat intends to compensate, as much as possible, for any shortfall in receipts or any unforeseen expenditure in 2018 with a reduction of expenditure under various chapters, though the Secretariat would encourage Member States to make any outstanding contributions in a timely manner.

3. At its 85<sup>th</sup> session (Rome, 4 October 2018), the Finance Committee took note of the adjustments to the Budget and Accounts for the 2018 financial year information, authorised the Secretariat to use the surplus from the 2017 financial year – to the extent necessary – for the activities proposed by the Secretary-General (see Appendix, note 1 to the adjusted Receipts) and recommended that the General Assembly approve the adjustments to the Budget and Accounts for the 2018 financial year (UNIDROIT 2018 – F.C. (85) 8, para. 16).

4. *In light of the foregoing, the General Assembly, at its 77<sup>th</sup> session, may wish to take note of the expected level of receipts and expenditure for the 2018 financial year and approve the adjustments to the Budget, as set out the Appendix.*

**APPENDIX**

**ADJUSTMENTS TO THE BUDGET FOR THE 2018  
FINANCIAL YEAR**

**RECEIPTS (in Euro)**

	<b>2018</b>		
	<b>Budget</b>	<b>Estimates</b>	<b>Balance</b>
<b>Income</b>			
Surplus from previous financial years <sup>1</sup>	0.00	83,510.15	83,510.15
<b>Chapter 1: Contributions of Member States</b>			
Art. 1 (Member State Contributions) <sup>2</sup>	2,223,870.00	2,094,386.32	-129,483.68
<b>Chapter 2: Other Receipts</b>			
Art. 1 (Interest)	1,000.00	1,000.00	0.00
Art. 2 (Contribution to overhead expenses)	15,000.00	15,000.00	0.00
Art. 3 (Sale of publications)	17,000.00	6,000.00	-11,000.00
<b>Chapter 3: Various receipts</b>			
Tax reimbursement credit <sup>3</sup>	15,000.00	15,000.00	0.00
<b>Total receipts</b>	<b>2,271,870.00</b>	<b>2,214,896.47</b>	<b>-56,973.53</b>

**EXPLANATORY NOTES TO THE ADJUSTED RECEIPTS**

<sup>1</sup> The final accounts for the 2017 financial year reflect a surplus of € 83,510.15. According to the budgeting practice followed since 2012, no anticipated budget surplus or shortfall is taken into account for the purposes of preparing estimates for subsequent financial years and calculating the contributions of Member States. The appropriation of such surpluses is governed by the rules set forth in Article 38(4) of the UNIDROIT Regulations. This amount is stated here because, in accordance with Article 38(4), the Secretary-General sought and obtained the Finance Committee's authorisation, during its 85<sup>th</sup> session (Rome, 4 October 2018), to use to the extent necessary that surplus: (a) to cover additional travel expenses related to the consideration of possible projects for the new Work Programme for 2020-2022 and to efforts to increase UNIDROIT's membership; (b) to support the finalisation of key instruments on the current Work Programme for 2016-2019; and (c) to support, if needed, the implementation of the new social security system (see UNIDROIT 2018 – F.C. (85) 8, paras. 10, 12-16). Information on expenditures made in accordance with that authorisation will be provided in future Finance Committee and General Assembly documents, in particular the first review of the Accounts for the 2018 financial year, which will be considered at the Finance Committee's 86<sup>th</sup> session (Rome, Spring 2019), and the final modifications to the Budget and Accounts for the 2018 financial year, which will be considered at the Finance Committee's 87<sup>th</sup> session (Rome, Fall 2019) and the General Assembly's 78<sup>th</sup> session (Rome, December 2019) respectively.

<sup>2</sup> As the level of arrears and delayed payment of assessed contributions in the financial year 2017 was in line with the average pattern, the Secretariat deems it prudent to anticipate a moderate shortfall in contributions of Member States in 2018 based on current outstanding contributions. No supplementary funding has been contemplated. The Secretariat intends to set off, as much as possible, any shortfall in receipts in 2018 with a reduction of expenditure under various chapters.

<sup>3</sup> There is one U.S. citizen working at UNIDROIT at the time of this writing, for whom this estimated tax reimbursement is expected to be received by UNIDROIT under the UNIDROIT-United States of America Tax Reimbursement Agreement for this year.

**EXPENDITURE (in Euro)<sup>1</sup>**

	<b>Budget</b>	<b>Estimate</b>	<b>Balance</b>
<b>Chapter 1 – Meeting and travel costs</b>			
Art. 1 (Governing Council and Permanent Committee) <sup>2</sup>	50,000.00	44,400.28	5,599.72
Art. 2 (Auditor)	4,500.00	4,500.00	0.00
Art. 3 (Administrative Tribunal)	0.00	0.00	0.00
Art. 4 (Committees of Experts)	120,000.00	120,000.00	0.00
Art. 5 (Official journeys and promotion of activities)	50,000.00	50,000.00	0.00
Art. 6 (Interpreters)	36,000.00	36,000.00	0.00
Art. 7 (Representation)	8,000.00	8,000.00	0.00
<b>Subtotal</b>	<b>268,500.00</b>	<b>262,900.28</b>	<b>5,599.72</b>
<b>Chapter 2 – Salaries and allowances</b>			
Art.1 (Salaries of Categories D, P and GS staff and consultant) <sup>3</sup>	1,179,293.00	1,124,293.00	55,000.00
Art. 2 (Remuneration for occasional collaborators) <sup>4</sup>	20,000.00	32,000.00	-12,000.00
Art. 3 (Tax reimbursement) <sup>5</sup>	15,000.00	15,000.00	0.00
<b>Subtotal</b>	<b>1,214,293.00</b>	<b>1,171,293.00</b>	<b>43,000.00</b>
<b>Chapter 3 – Social security charges</b>			
Art. 1 (Insurance against disablement, old age and sickness) <sup>6</sup>	414,327.00	404,327.00	10,000.00
Art. 2 (Accidents' insurance)	9,000.00	8,786.45	213.55
Art. 3 (Compensation for retired members of staff)	2,250.00	2,250.00	0.00
<b>Subtotal</b>	<b>425,577.00</b>	<b>415,363.45</b>	<b>10,213.55</b>
<b>Chapter 4 – Administrative expenses</b>			
Art. 1 (Stationery) <sup>7</sup>	20,000.00	14,202.09	5,797.91
Art. 2 (Telephone, fax and Internet) <sup>8</sup>	23,000.00	15,000.00	8,000.00
Art. 3 (Postage)	11,500.00	11,500.00	0.00
Art. 4 (Miscellaneous)	5,000.00	5,000.00	0.00
Art. 5 (Printing of publications)	15,000.00	15,000.00	0.00
<b>Subtotal</b>	<b>74,500.00</b>	<b>60,702.09</b>	<b>13,797.91</b>
<b>Chapter 5 – Maintenance costs</b>			
Art. 1 (Electricity)	20,000.00	20,000.00	0.00
Art. 2 (Heating)	20,000.00	20,000.00	0.00
Art. 3 (Water)	7,000.00	7,000.00	0.00
Art. 4 (Insurance of premises)	12,000.00	12,000.00	0.00
Art. 5 (Office equipment)	26,000.00	26,000.00	0.00
Art. 6 (Upkeep of building, local taxes)	30,000.00	30,000.00	0.00
Art. 7 (Labour costs)	45,000.00	45,000.00	0.00
<b>Subtotal</b>	<b>160,000.00</b>	<b>160,000.00</b>	<b>0.00</b>
<b>Chapter 6 – Library</b>			
Art. 1 (Purchase of books)	90,000.00	90,000.00	0.00
Art. 2 (Binding)	9,000.00	9,000.00	0.00
Art. 3 (Software)	30,000.00	30,000.00	0.00
<b>Subtotal</b>	<b>129,000.00</b>	<b>129,000.00</b>	<b>0.00</b>
<b>Total ordinary expenditure</b>	<b>2,271,870.00</b>	<b>2,199,258.82</b>	<b>72,611.18</b>

## **EXPLANATORY NOTES TO THE ADJUSTED EXPENDITURE**

<sup>1</sup> Except as otherwise indicated, lower expenditure than forecasted reflects expenditure control measures taken by the Secretariat in view of the anticipated shortfall in assessed contributions in the current financial year.

<sup>2</sup> Savings under this article of the Budget have been possible due to governments volunteering to cover travel expenses of Governing Council members, and efforts on the Secretariat's behalf to assist members of Governing Council in ticket purchasing, allowing for early-bird rates, thus limiting travel costs.

<sup>3</sup> Savings under this article of the Budget have resulted from the temporary vacancy of the post of Secretary-General. The new Secretary-General, Professor Ignacio Tirado, assumed his post on 27 August 2018.

<sup>4</sup> The Secretariat expects to cover the estimated additional costs with additional funding that was received from Aviareto in 2017 in accordance with a five-year licencing agreement by which UNIDROIT provided an electronic version of the third edition of the Aircraft Protocol Official Commentary by Sir Roy Goode to Aviareto to make available to users of the International Registry (see also explanatory note 2 to the Draft Budget – Receipts, UNIDROIT 2017 – A.G. (76) 8).

<sup>5</sup> There is one U.S. citizen working at UNIDROIT at the time of this writing, for whom this estimated tax reimbursement payment is expected to be made by UNIDROIT for this year (see also note 3 to the adjusted receipts).

<sup>6</sup> Savings under this article of the Budget have also resulted from the temporary vacancy of the post of Secretary-General (see also note 3 above).

<sup>7</sup> Savings under this article of the Budget are due, at least in part, to the implementation of a new paper saving policy, in accordance with the General Assembly's recommendation (UNIDROIT 2017 – A.G. (76) 10, paras. 35-39).

<sup>8</sup> Savings under this article of the Budget are due, at least in part, to the increased use of online communications and teleconference services (e.g. Skype, GoToMeeting).