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Item No. 7 on the Agenda: Adjustments to the Budget for the 2019 financial year

(prepared by the UNIDROIT Secretariat)

<i>Summary</i>	<i>Explanation of the adjustments proposed by the Secretariat to the 2019 Budget</i>
<i>Action to be taken</i>	<i>To take note of the expected actual level of receipts and expenditure for the year 2019 and approve the adjustments</i>
<i>Related documents</i>	<u>UNIDROIT 2018 – A.G. (77) 7 (Budget 2019); UNIDROIT 2019 – F.C. (87) 2 Final modifications to the Budget and Accounts for the 2018 financial year; UNIDROIT 2019 – F.C. (87) 3</u>

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 2019 financial year, as indicated in the notes to the revised budget contained in Appendix I to this document. The Secretariat deems it prudent to anticipate a shortfall in ordinary receipts of €136,161.30. The Secretariat intends to compensate, as much as possible, for any shortfall in receipts or any unforeseen expenditure in 2019 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 87th session (Rome, 10 October 2019), the Finance Committee took note of the adjustments to the Budget and Accounts for the 2019 financial year and recommended that the General Assembly approve the adjustments to the Budget and Accounts for the 2019 financial year ([UNIDROIT 2019 – F.C. \(87\) 9, para. 24](#)).
4. *In light of the foregoing, the General Assembly, at its 78th session, may wish to take note of the expected level of receipts and expenditure for the 2019 financial year and approve the adjustments to the Budget, as set out in Appendix I below.*

APPENDIX I

**ADJUSTMENTS TO THE BUDGET FOR THE 2019
FINANCIAL YEAR**

RECEIPTS (in Euro)

	2019		
	Budget	Estimates	Balance
Income			
Surplus from previous financial years ¹	0.00	365,920.54	365,920.54
Chapter 1: Contributions of Member States			
Art. 1 (Member State Contributions) ²	2,223,870.00	2,087,708.70	-136,161.30
Chapter 2: Other Receipts			
Art. 1 (Interest)	1,000.00	0.00	-1,000.00
Art. 2 (Contribution to overhead expenses)	15,000.00	15,000.00	0.00
Art. 3 (Sale of publications) ³	17,000.00	60,892.20	43,892.20
Art.4 (Aviareto) ⁴	17,500.00	17,537.05	37.05
Chapter 3: Various receipts			
Tax reimbursement credit ⁵	15,000.00	6,872.92	-8,127.08
Miscellaneous receipts			
Total receipts	2,289,370.00	2,553,931.41	264,561.41

EXPLANATORY NOTES TO THE ADJUSTED RECEIPTS

¹ The final accounts for the 2018 financial year reflect a surplus of €365,920.54. 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 which foresee that it is the Secretary-General's prerogative to make proposals to the Finance Committee to allocate the surplus accumulated toward specific categories of expenditure. However, the Secretary-General expressed his intention not to make any such proposals for 2019 as the Secretariat did not anticipate requiring any additional funding, and any shortfall in receipts or any unforeseen expenditure in 2019 would be set off with a reduction of expenditure under various chapters, and seeking out sources of external funding where relevant. This amount is therefore stated here for information purposes.

² As the level of arrears and delayed payment of assessed contributions in the financial year 2019 was in line with the average pattern, the Secretariat deems it prudent to anticipate a moderate shortfall in contributions of Member States in 2019 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 2019 with a reduction of expenditure under various chapters and seeking out sources of external funding where relevant.

³ Sales of UNIDROIT publications have reached a total of €60,892.20 as at November 2019. €59,591.20 of the overall amount can be attributed to the sale of the Official Commentaries to the Cape Town Convention by Professor Sir Roy Goode. After deducting 10% for printing costs and a sum of €5,000.00 for shipping fees, the proceeds, equivalent to €48,632.08, will be put towards a special Scholarship Fund ([see F.C. \(87\) 4](#)).

⁴ UNIDROIT has received in 2019 the third of four annual USD 20,000.00 payments from Aviareto, the International Registry under the Aircraft Protocol to the Cape Town Convention, in accordance with a four-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.

⁵ At the time of this writing, UNIDROIT expects to receive an estimated tax reimbursement of €6,872.92 under the UNIDROIT-United States of America Tax Reimbursement Agreement for this year, owing to approximately five (5) months of remuneration of one US citizen who has left the Secretariat.

EXPENDITURE (in Euro)¹

	Budget	Estimate	Balance
Chapter 1 – Meeting costs and official travel			
Art. 1 (Governing Council) ²	50,000.00	42,477.83	7,522.17
Art. 2 (Auditor)	4,500.00	4,682.86	-182.86
Art. 3 (Administrative Tribunal)	0.00	0.00	0.00
Art. 4 (Committees of Experts) ³	107,500.00	27,946.35	79,553.65
Art. 5 (Official journey of representatives and staff) ⁴	55,000.00	39,900.00	15,100.00
Art. 6 (Interpreters)	36,000.00	31,997.74	4,002.26
Art. 7 (Representation)	8,000.00	8,000.00	0.00
Art. 8 (Diplomatic Conference)		68,773.93	-68,773.93
Total	261,000.00	223,778.71	37,221.93
Chapter 2 – Salaries and allowances			
Art.1 (Salaries of Categories A, B and C staff and consultant) ⁵	1,189,293.00	1,156,070.95	33,222.05
Art. 2 (Remuneration for occasional collaborators) ⁶	32,500.00	17,233.69	15,266.31
Art. 3 (Tax reimbursement) ⁷	15,000.00	21,052.11	-6,052.11
Total	1,236,793.00	1,194,356.75	42,436.25
Chapter 3 – Social security charges			
Art. 1 (Insurance against disablement, old age and sickness) ⁸	434,327.00	357,658.50	76,668.50
Art. 2 (Accidents' insurance)	9,000.00	8,786.43	213.57
Art. 3 Compensation for retired members of staff	2,250.00	1,861.22	388.78
Total	445,577.00	368,306.15	77,270.85
Chapter 4 – Administrative expenses			
Art. 1 (Stationery)	15,000.00	15,000.00	0.00
Art. 2 (Telephone, fax and Internet)	18,000.00	18,000.00	0.00
Art. 3 (Postage)	10,000.00	10,000.00	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
Total	63,000.00	63,000.00	0.00
Chapter 5 – Maintenance costs			
Art. 1 (Electricity)	16,000.00	16,000.00	0.00
Art. 2 (Heating) ⁹	20,000.00	25,000.00	-5,000.00
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)	24,000.00	24,000.00	0.00
Art. 6 (Upkeep of building, local taxes)	30,000.00	30,000.00	0.00
Art. 7 (Labour costs) ¹⁰	45,000.00	48,000.00	-3,000.00
Total	154,000.00	162,000.00	-8,000.00
Chapter 6 – Library			
Art. 1 (Purchase of books)	90,000.00	90,000.00	0.00
Art. 2 (Binding)	9,000.00	5,000.00	4,000.00
Art. 3 (Software)	30,000.00	38,895.93	-8,895.93
Total	129,000.00	133,895.93	-4,895.93
Total ordinary expenditure	2,289,370.00	2,145,337.54	144,032.46

EXPLANATORY NOTES TO THE ADJUSTED EXPENDITURE

¹ 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.

² 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.

³ The significant amount of savings under this article of the budget is mainly the result of the Secretariat's successful obtainment of external funding to cover the consultation events leading up to the Diplomatic Conference to adopt the fourth Protocol to the Cape Town Convention on matters specific to Mining, Agricultural, and Construction Equipment (the MAC Protocol), (see also note 4 to the adjusted receipts and [F.C. \(87\) 4](#)), as well as the consultation events and general promotion of the Zero Draft of the Agricultural Land Investment Contracts Legal Guide. This, combined with the fact that the Triennial Work Programme is drawing to a close entailing fewer Rome-based Working Group meetings, has allowed the Secretariat to conservatively estimate savings of about €80,000, €68,773.93 of which will be put towards the organisation of the aforementioned Diplomatic Conference.

⁴ The Secretariat estimates savings equivalent to €15,100.00, owing to sources of external funding to cover consultation events leading up to the MAC Protocol Diplomatic Conference (see explanatory note 4 in adjusted receipts and [F.C. \(87\) 4](#)), as well as consultation events for the ALIC Zero Draft. If these estimates prove to be accurate, the amount saved shall be put towards funding travel of members of the Secretariat for the Diplomatic Conference.

⁵ One senior member of staff left the Secretariat in April 2019, and another one retired at the end of May 2019.

⁶ The senior member of staff, who retired at the end of May 2019 was retained as a collaborator for the remainder of the year (approximately €20,000 in fees). The yearly salary of a collaborator has been paid during this year – and will continue to be paid – out of the funding received from the Cape Town Convention Academic Project (€24,000).

⁷ At the time of this writing, UNIDROIT has made payments under UNIDROIT-United States of America Tax Reimbursement Agreement of €21,052.11, owing to the remuneration for the year 2018 of one US citizen who has left the Secretariat (see also note 3 to the adjusted receipts). The Secretariat expects to be reimbursed for this amount in 2020.

⁸ Savings under this article of the budget have resulted from the departure of one senior staff member of the Secretariat and the retirement of another (see also notes 5 and 6 above).

⁹ The Secretariat estimates an increase in the cost of heating of approximately €5,000.00.

¹⁰ The Secretariat estimates an excess in labour costs of €3,000 due to the need for unforeseen restoration work on the Institute's fountain basin.