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Item No. 8 on the Agenda: Adjustments to the Budget for the 2020 financial year

(prepared by the UNIDROIT Secretariat)

<i>Summary</i>	<i>Explanation of the adjustments proposed by the Secretariat to the 2020 Budget</i>
<i>Action to be taken</i>	<i>To take note of the expected actual level of receipts and expenditure for the year 2020 and approve the adjustments</i>
<i>Related documents</i>	UNIDROIT 2019 F.C. (86) 2 ; UNIDROIT 2019 F.C. (87) 6 ; UNIDROIT 2019 A.G. (78) 7 ; UNIDROIT 2020 F.C. (88) 4 ; UNIDROIT 2020 F.C. (89) 2 ;

INTRODUCTION

1. The first estimates of receipts and expenditure for the 2020 financial year prepared by the Secretariat ([F.C. \(86\) 2](#)) were examined by the Finance Committee at its 86th session (Rome, 4 April 2019), in accordance with Article 31 of the Regulations. Those first estimates were then submitted to the Governing Council, which, at its 98th session (Rome, 8-10 May 2019), established the draft Budget for 2020, as set forth in the Annex to that document ([F.C. \(86\) 2](#)), taking into account the opinion expressed by the Finance Committee.
2. In line with the Institute's practice, the draft Budget resulting from this procedure was submitted to the Governments of UNIDROIT Member States inviting them to share any observations that they wished to make by 26 August 2019. The resulting document was then presented to the Finance Committee at its 87th session (Rome, 10 October 2019) ([F.C. \(87\) 6](#)), which expressed its opinion that the General Assembly be invited to adopt the draft budget for 2020 at its 78th session (Rome, 12 December 2019) ([A.G. \(78\) 7](#)).
3. As per the Institute's practice, a document indicating any adjustments that may need to be made to the Budget for the current financial year is normally submitted by the Secretariat to the Finance Committee at its autumn session. However, due to the exceptional situation generated at the General Assembly concerning the transition to a new system of Contributions, at the time of writing, and with a view to providing the Finance Committee with an early view in this regard, the Secretariat introduced a few adjustments to the budget for the 2020 financial year, as presented to the Finance Committee at its 88th session ([F.C. \(88\) 4](#)), held by remote written procedure on 9-13 March 2020.

4. At the time the draft Budget was submitted to the Finance Committee for the aforementioned 88th session (the documents had been sent in mid-February 2020) the Secretariat deemed it premature to adequately foresee any potential impact of the COVID-19 outbreak on the expenditure of the 2020 Budget, given the uncertainty of its duration and the lack of a reliable quantification of its financial impact on the current financial year at that time. To address the latter point, the Secretariat prepared and presented a document to the Finance Committee at its extraordinary 89th session (Remote session, 25 June 2020) ([F.C. \(89\) 2](#)) which endeavoured to calculate the impact that the very significant recourse to alternative methods of meeting, due to travel restrictions, was likely to have in the current financial year (2020). As was noted at the Finance Committee's extraordinary session, the information contained in that document was likely to require revision as the situation continued to evolve and more information became available.

5. At its 90th session (Rome, 22 October 2020), the Finance Committee, as had been anticipated, was presented with a further update on the impact that the pandemic was having on the Budget, as well as with other adjustments to the budget in order to provide them with a more reliable picture of the Institute's finances.

6. The Finance Committee, at its 90th session, took note of the adjustments to the Budget for the 2020 financial year and recommended that the General Assembly approve the adjustments to the Budget and Accounts for the 2020 financial year (UNIDROIT 2020 – F.C. (90) 9, para. 23).

7. *In light of the foregoing, the General Assembly, at its 79th session, may wish to take note of the expected level of receipts and expenditure for the 2020 financial year and approve the adjustments to the Budget, as set out in Appendix I below.*

APPENDIX I

**ADJUSTMENTS TO THE BUDGET FOR THE 2020
FINANCIAL YEAR**

RECEIPTS (in Euro)

	2020		
	Budget¹	Estimate	Balance
Income			
Chapter 1: Contributions of Member States			
Art. 1 (Member State Contributions)	2,277,000.00	2,226,400.00 ²	-50,600.00
Chapter 2: Other Receipts			
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) ³	17,000.00	20,000.00	3,000.00
Art. 4 (Aviareto) ⁴	17,500.00	17,500.00	0.00
Chapter 3: Various receipts			
Tax reimbursement credit ⁵	15,000.00	21,000.00	6,000.00
Miscellaneous receipts ⁶		3,000.00	3,000.00
Total receipts	2,342,500.00	2,303,900.00	-38,600.00

EXPLANATORY NOTES TO THE ADJUSTED RECEIPTS

¹ The numbers given in this column correspond to those found in the budget for 2020 approved by the Finance Committee at its 87th session in Rome on 10 October 2019 (see [UNIDROIT 2019 – F.C. \(87\) 6](#)), and subsequently approved by the General Assembly at its 78th session in Rome on 12 December 2019 (see [UNIDROIT 2019 – A.G. \(78\) 7](#)).

² The Secretariat has based this estimate on previous experience regarding arrears in Member State Contributions. The numbers given here also reflect a number of known changes to the Member State contributions for 2020 as noted by the General Assembly at its 78th session in Rome on 12 December 2019 (see [UNIDROIT 2019 – A.G. \(78\) 12](#)): Ireland and Portugal both decided to waive their right to a lower contribution and remain in the previous, higher category, whereas both Argentina and Brazil requested and obtained a one-year, temporary suspension of the application of the higher categories stemming from the reclassification exercise and the adoption of the new contributions chart.

³ The Secretariat estimates the income earned from the sale of publications to be slightly higher with respect to previous years due to the introduction of the digital version of the fourth edition of the Aircraft Protocol Official Commentary by Sir Roy Goode. It is noted that should either the MAC Protocol or the Rail Protocol come into force, this amount may need to be adjusted in future in order to reflect any attendant increase in sales.

⁴ UNIDROIT has received in 2020 the fourth of four annual USD 20,000 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 provides an electronic version of the Aircraft Protocol Official Commentary by Sir Roy Goode (currently in its fourth edition) to Aviareto to make available to users of the International Registry.

⁵ The extraordinary income estimated under this Chapter relates to the reimbursement by the Government of the United States of America of federal, state and municipal taxes payable by a US citizen appointed to the UNIDROIT Secretariat, under the terms of a tax reimbursement agreement signed between UNIDROIT and the Government of the United States of America on 17 September 2013 (see Expenditure, note 4). The amount actually received from the United States Government for the reimbursement of taxes paid in 2018 is reflected in the second column.

⁶ This corresponds to the amount which the Secretariat expects to receive from the UNIDROIT Foundation in connection with the annual membership fees relating to the newly established UNIDROIT Alumni Association.

EXPENDITURE (in Euro)¹

	Budget	Adjusted	Balance
Chapter 1 – Meeting costs and official travel²			
Art. 1 (Governing Council)	50,000.00	20,000.00	-30,000.00
Art. 2 (Auditor)	5,000.00	5,000.00	0.00
Art. 3 (Administrative Tribunal)	0.00	0.00	0.00
Art. 4 (Committees of Experts)	127,000.00	50,000.00	-77,000.00
Art. 5 (Official journey of representatives and staff)	60,130.00	20,000.00	-40,130.00
Art. 6 (Interpreters)	37,000.00	15,000.00	-22,000.00
Art. 7 (Representation)	8,000.00	8,000.00	0.00
Total	287,130.00	118,000.00	-169,130.00
Chapter 2 – Salaries and allowances³			
Art.1 (Salaries of Categories D, P, and GS staff and consultant)	1,189,293.00	1,222,293.00	33,000.00
Art. 2 (Remuneration for occasional collaborators)	32,500.00	25,000.00	-7,500.00
Art. 3 (Tax reimbursement) ⁴	15,000.00	10,758.35	-4,241.65
Total	1,236,793.00	1,258,051.35	21,258.35
Chapter 3 – Social security charges			
Art. 1 (Insurance against disablement, old age and sickness) ⁵	454,327.00	488,697.00	34,370.00
Art. 2 (Accidents' insurance)	9,000.00	9,000.00	0.00
Art. 3 Compensation for retired members of staff	2,250.00	2,250.00	0.00
Total	465,577.00	499,947.00	34,370.00
Chapter 4 – Administrative expenses⁶			
Art. 1 (Stationery)	15,000.00	11,000.00	-4,000.00
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	59,000.00	-4,000.00
Chapter 5 – Maintenance costs			
Art. 1 (Electricity)	16,000.00	16,000.00	0.00
Art. 2 (Heating)	25,000.00	25,000.00	0.00
Art. 3 (Water)	9,000.00	9,000.00	0.00
Art. 4 (Insurance of premises)	12,000.00	12,000.00	0.00
Art. 5 (Office equipment) ⁷	24,000.00	34,600.00	10,600.00
Art. 6 (Upkeep of building, local taxes)	30,000.00	35,000.00	5,000.00
Art. 7 (Labour costs) ⁸	45,000.00	30,000.00	-15,000.00
Total	161,000.00	161,600.00	600.00
Chapter 6 – Library			
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) ⁹	30,000.00	45,000.00	15,000.00
Total	129,000.00	144,000.00	15,000.00
Total ordinary expenditure	2,342,500.00	2,240,598.35	-101,901.65

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 In an effort to contain costs and to reflect the expected and ongoing impact of the COVID-19 outbreak, the Secretariat proposes a number of adjustments in expected expenditures under Chapter 1 – Meeting costs and official travel: a decrease of € 30,000 to Art. 1 (Governing Council) to reflect current and expected restrictions on international travel; a decrease of € 77,000 to Art. 4 (Committees of Experts) to reflect the fact that while the Secretariat expects to have up to four additional Working Group sessions and other meetings in 2020, some participants are likely to only be able to participate via videoconferencing technology; a decrease of € 40,130.00 to Art. 5 (Official journey of representatives and staff) to reflect the lower levels of travel owing to the pandemic; a decrease of € 22,000 to Art. 6 (Interpreters).

³ The Secretariat proposes a number of adjustments in expected expenditures under Chapter 2 – Salaries and allowances: an increase of € 33,000 to Art. 1 (Salaries of Categories D, P and GS staff and consultant) to reflect the addition of a GS staff member who was previously under Chapter 5, Art. 7 as a labour cost (see also note 8 below) and to account for the arrival of new legal officers; a decrease of € 7,500 to Art. 2 (Remuneration for occasional collaborators); and a decrease of € 4,241.65 to Art. 3 (Tax reimbursement) (see also note 4 below).

⁴ At the time of this writing, UNIDROIT has made payments under the UNIDROIT – United States of America Tax Reimbursement Agreement of € 10,758.35, due to the remuneration of one US citizen who has left the Secretariat (see also note 5 to the adjusted receipts) for the year 2019. The Secretariat expects to be reimbursed for this amount in 2020.

⁵ The Secretariat proposes the following adjustment in expected expenditures under Chapter 3 – Social security charges: an increase of € 34,370 to Art. 1 (Insurance against disablement, old age and sickness). Part of this increase reflects the addition of a GS staff member who was previously under Chapter 5, Art. 7 as a labour cost (see also note 8 below), whereas the remainder is to account for adjustments required due to staff turnover between the years 2018 and 2020, with particular reference to the departure, in 2018, of the previous Secretary General, whose special UN-based social security scheme required lower contributions than the INPS and ISRP systems.

⁶ The Secretariat proposes the following adjustment in expected expenditures under Chapter 4 – Administrative Expenses: a decrease of € 4,000 to Art. 1 (Stationery).

⁷ The Secretariat proposes the following adjustment in expected expenditures under Chapter 5 – Maintenance costs: an increase of € 10,600 to Art. 5 (Office equipment) to purchase equipment to help the Institute cope with the pandemic, which includes € 5,000 for the purchase of IT equipment as part of the transition to smart working and the holding of remote meetings; € 5,000 for Plexiglas separators for the library and € 600 for personal protection equipment for use by the members of the Secretariat; an increase of € 5,000 to Art. 6 (Upkeep of building, public services).

⁸ The Secretariat estimates a reduction in labour costs of € 15,000 due to a change in the status of the type of employment contract of a GS staff member (see also note 3 above).

⁹ The Secretariat proposes the following adjustment in expected expenditures under Chapter 6 – Library: an increase of € 15,000 to Art. 3 (Software) for the revamping of UNIDROIT's website, the importance of which has only grown given the ever-increasing shift towards online activities and events in light of restrictions on international travel due to the global pandemic.