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Item no. 17 on the agenda : Preparation of the draft budget for the 2007 financial year

(memorandum prepared by the Secretariat)

<i>Summary</i>	<i>State of the First estimates of receipts and expenditure for the 2007 financial year prepared by the Secretariat</i>
<i>Action to be taken</i>	<i>Preparation of the draft budget for the 2007 financial year</i>
<i>Related documents</i>	<i>C.F./S.C. (105) 2/Rev. C.F./S.C. (105) 3</i>

1. The first estimates of receipts and expenditure for the 2007 financial year prepared by the Secretariat (C.F./S.C. (105) 2/Rev.) were examined by the *Sub-committee of the Finance Committee* at its 105th session held in Rome on 23 March 2006. In the course of the session, several members of the Sub-committee voiced their concern that the first estimates, as compared with the 2006 budget, contained increases in expenditure mainly, even if not only, as concerned the Chapter on Salaries and the Chapter on Social security charges (increases that the Secretariat proposed to finance partly by an increase in the contributions of member States), and requested the Secretariat to provide supplementary information on certain chapters (see the Report on the session, C.F./S.C. (105) 3). The representative of the United States of America, who was unable to attend the session, transmitted a document to the Secretariat which is appended to the Report.

2. In the course of 2005, the Governing Council appointed two Deputy Secretaries-General, one of whom was appointed without this resulting in additional expenditure as he was already a member of the Secretariat, whereas the other, with the functions of Chief Administrator, was selected externally to the Institute. This was made possible thanks to a substantial contribution of the Government of the United Kingdom which, through Mr Anthony Inglese, has offered to renew this contribution also for 2007. The Institute must however in 2007 – as was done in 2006 – cover the difference between the British extra-budgetary contribution and the total salary, social charges included, of the new Deputy Secretary-General, for whom it was not been possible for 2006 to guarantee the level of remuneration foreseen for her post.

3. The function of Depositary of the Cape Town Convention and Aircraft Protocol is carried out by a Research Officer remunerated thanks to contributions made by a certain number of member

States. These contributions make it possible to pay for this post until 30 August 2007. The Secretariat feels that, considering the importance of the function of Depositary, it is necessary to find the remaining sum required to renew this contract under the regular budget of the Institute.

4. Chapter 2, and consequently Chapter 3, have been increased because the system of remuneration of the officials of the Institute is linked to the system of the Coordinated Organisations (OECD) (albeit applied with a six-month delay and a 20% reduction). At the meeting of the Sub-committee of the Finance Committee certain participants asked whether the Institute had to remain linked to this system. It is not up to the Secretariat to propose that this system be modified. It should however be noted that it permits a small organisation like UNIDROIT to count on technical assistance which is impartial and suited to the needs of an international organisation.

5. The Secretariat wishes to stress that the 2006 Budget will show increases as compared with the budget prepared by the Secretariat in March 2005. Consequently, if one compares the 2007 Budget with the provisional budget of 31 March 2006, it is possible to note that the level of expenditure of the Institute in 2006 clearly increased as compared with the budget that had been prepared in March 2005, for the reasons given in paragraphs 2, 3 et 4. The first estimates for the 2007 Budget are aimed at maintaining the organisation chart as it presently is.

6. For a summary of the proposals discussed by the Sub-committee of the Finance Committee, see Appendix I. The position of the U.S. Government as submitted to the Sub-committee for consideration is explained in a memorandum dated 23 March 2006, Appendix II.

7. The Secretariat makes every effort to restrain expenditure:

- a) by making savings; some chapters have not been increased which, as a result of increases in prices and tariffs, actually leads to a reduction of available resources, above all as concerns the Library, the promotion of UNIDROIT instruments and the travel of officers. As regards these chapters a reduction in real terms is already applied.
- b) Moreover, the Secretariat continues to seek third-party funding of core activities of the Institute. As will be recalled, the salary of the officer in charge of the economically most important project is still entirely financed by private donors. Private donors contribute to the organisation of expert committees, Working Groups and seminars.
- c) The associate officer working on the Model Law on leasing is privately funded.
- d) Both data bases (UNILEX and UNILAW) are privately funded.

8. Two Governments have seconded officers to the Secretariat whose input is essential for the current Work Programme to be carried out properly. In a similar vein, a limited number of highly qualified *stagiaires* assist, in exceptional cases against a moderate compensation of living expenses and accommodation.

9. The Secretariat would, therefore,

- (a) *invite the Council to approve the draft budget for the 2007 financial year;*
- (b) *invite the individual members of the Council to urge their Governments to accept, in particular, that portion of the proposed increase which is necessary to fully integrate the new Deputy Secretary-General and the officer in charge of the depositary functions into the regular budget.*

APPENDIX I

	Budget 2006 (April 2005)	2006 (31.3.2006)	2007 (April 2006)
Chapter 1 – Reimbursement of expenses			
Art. 1 (Governing Council and Permanent Committee)	55,000.00	55,000.00	55,000.00
Art. 4 (Auditor)	3,500.00	3,500.00	3,500.00
Art. 5 (Committees of Experts)	60,000.00	60,000.00	65,000.00
Art. 6 (Official journey of representatives and staff)	28,000.00	28,000.00	28,000.00
Total	146,500.00	146,500.00	151,500.00
Chapter 2 – Salaries and allowances			
Art. 1 (Salaries of Categories A, B and C staff)	1,162,000.00	1,246,000.00	1,295,000.00
Research Officer paid by German Banks		(74,500.00)	
Art. 2 (Remuneration for occasional collaborators)	17,500.00	17,500.00	17,500.00
Total	1,179,500.00	1,261,500.00 (1,336,000.00)	1,312,500.00
Chapter 3 – Social security charges			
Art. 1 (Insurance against disablement, old age and sickness)	300,000.00	330,000.00	350,000.00
Art. 2 (Accidents' insurance)	8,000.00	8,000.00	8,500.00
Total	308,000.00	338,000.00	358,500.00
Chapter 4			
Compensation retired members of staff	2,500.00	2,500.00	2,500.00
Chapter 5			
Publications' printing costs	36,500.00	36,500.00	36,500.00
Chapter 6 – Administrative expenses			
Art. 1 (Stationery)	21,000.00	21,000.00	21,000.00
Art. 2 (Telephone and fax)	20,000.00	20,000.00	23,000.00
Art. 3 (Postage)	18,000.00	18,000.00	20,000.00
Art. 4 (Entertainment and representation)	4,650.00	4,650.00	4,650.00
Art. 5 (Interpreters)	27,500.00	27,500.00	27,500.00
Art. 6 (Miscellaneous)	6,700.00	6,700.00	6,700.00
Total	97,850.00	97,850.00	102,850.00
Chapter 7 – Maintenance costs			
Art. 1 (Electricity)	14,500.00	14,500.00	14,500.00
Art. 2 (Heating)	20,000.00	20,000.00	20,000.00
Art. 3 (Water)	6,500.00	6,500.00	7,000.00
Art. 4 (Insurance of premises)	11,500.00	11,500.00	11,500.00
Art. 5 (Office equipment)	24,000.00	24,000.00	24,000.00
Art. 6 (Upkeep of building)	15,000.00	15,000.00	15,000.00
Art. 7 (Labour costs)	25,000.00	25,000.00	25,000.00
Total	116,500.00	116,500.00	117,000.00
Chapter 9 - Library			
Art. 1 (Purchase of books)	92,000.00	92,000.00	92,000.00
Art. 2 (Binding)	6,500.00	6,500.00	6,500.00
Art. 3 (Software)	15,000.00	15,000.00	15,000.00
Total	113,500.00	113,500.00	113,500.00
Chapter 10			
Promotion of UNIDROIT instruments	5,000.00	5,000.00	5,000.00
Chapter 11			
Legal co-operation programme	15,000.00	15,000.00	15,000.00
Total ordinary expenditure	2,020,850.00	2,132,350.00 (2,206,850.00)	2,214,850.00

APPENDIX II

**International Institute for the Unification of Private Law
105th Session – Sub-Committee of the Finance Committee
March 23, 2006**

Statement Submitted by the United States of America

- The United States continues to urge UNIDROIT to practice budget discipline and strive for zero nominal budget growth. The U.S. recognizes that budget discipline forces difficult decisions and the need to establish budget priorities.
- The United States recognizes the value in maintaining the post of co-Deputy Secretary General, but urges that this be done within a context of maximum budget discipline that minimizes increases in the UNIDROIT budget. The United States does not oppose an alternative funding arrangement for the co-Deputy Secretary General position that does not expand the budget base or Member State assessments in 2007 or in future years.
- The United States is therefore pleased and grateful to acknowledge the United Kingdom again for its offer of a 2007 voluntary contribution to enable UNIDROIT to maintain the post of co-Deputy Secretary General. Our concern is naturally to avoid budget increases for the years beyond 2007.
- The United States recognizes UNIDROIT's efforts to contain costs, but notes that the prior decision to fill the co-Deputy Secretary General position has led to a proposed 2007 budget that contains an increase of over nine percent and requires modest growth in assessed contributions.
- Because of this prior decision, which the United States agreed to, the U.S. is willing to accept, on an exceptional basis, the proposed 2007 budget level of 2,214,850 euro, provided that the Secretariat and Member States make every effort to avoid subsequent budget increases in 2008 and beyond.
- Consequently, the United States opposes any arrangement that would result in costs in 2007, 2008, or later years that are greater than those contained in the 2007 budget as proposed by UNIDROIT in document FC.SC.105(2).
- The United States wishes to acknowledge UNIDROIT's efforts to work with Member States to reduce or eliminate their arrearages. Given the proposal to maintain the co-Deputy Secretary General position, the UNIDROIT Secretariat should continue to make every effort to work with Member States to collect outstanding contributions.
- If efforts by the UNIDROIT Secretariat do not result in further reductions in arrearages, and especially if contributions received from Member States are insufficient to support the proposed 3.47 percent increase in the 2007 budget, the United States requests that the Secretariat identify additional steps either to collect outstanding contributions or reduce expenditures during 2007.