



GOVERNING COUNCIL
87th session
Rome, 21-23 April 2008

UNIDROIT 2008
C.D. (87) 7
Original: French/English
March 2008

Item No. 7 on the Agenda:
Preparation of the draft budget for the 2009 financial year

(Memorandum of the Secretariat)

<i>Summary</i>	<i>First estimates of receipts and expenditure for 2009</i>
<i>Action requested</i>	<i>Preparation of the draft budget for the 2009 financial year</i>
<i>Related documents</i>	<i>F.C. (63) 2 rev.</i> <i>F.C. (63) 3</i> <i>Strategic Plan adopted by the General Assembly at its 61st session (Rome, 29 November 2007) (doc. A.G.(61)4)</i>

Introduction

1. The first estimates of receipts and expenditure for the 2009 financial year prepared by the Secretariat (F.C. (63) 2 rev.) were examined by the Finance Committee at its 63rd session held in Rome on 11 March 2008, in accordance with Article 31 of the Regulations as amended by the General Assembly at its 61st session. The Governing Council, on the basis of these first estimates, is called upon to draw up the draft Budget for 2009 to be communicated to member Governments for observations. Governments will have until 30 September 2008 to make observations. Together with any such observations, the draft Budget will be laid before the Finance Committee at its 64th session, to be held in Rome in October 2008. At that session it will be for the Finance Committee to express its opinion on the draft Budget prior to its submission, for final adoption, to the General Assembly at its 62nd session, to be held in Rome at the end of November 2008.
2. As regards the implications on the draft Budget for the financial year 2009, the Secretariat wishes to recall that the Governing Council will discuss the future Work Programme at its 87th session and that the Council's proposals will be transmitted to the General Assembly for adoption at its 62nd session at the end of November 2008.
3. The Secretariat is pleased to note that some member States have succeeded in considerably reducing their arrears as compared to the situation in 2007. Brazil has settled all its arrears, and Argentina has paid its contribution for 2007. This has encouraged the Secretariat to persevere in its efforts vis-à-vis the competent authorities of Governments that have fallen behind in settling their dues. The position of some Governments remains critical and is a cause for keen concern. The

Secretariat wishes to invite the Governing Council to take note of these results, as well as of the Secretariat's determination to pursue this course of action in the months to come.

4. At the time of drafting this document (mid March 2008), the final accounts for the financial year 2007 were not yet available. The Secretariat can, however, confirm that there will be some carryover to the financial year 2008, some savings having been made and some arrears having been settled.

Expenditure

5. The Secretariat proposes an increase in expenditure for 2009, on the following grounds.

6. As regards Chapters 2 (Remunerations) and 3 (Social security costs), the projected increase is due to:

(a) the annual increase in staff remuneration: the Secretariat forecasts an increase of around 3%, one part of which covers the increases provided for by the system operated by the Co-ordinated Organisations to which the Institute belongs, the other part covering increases connected with career advancement;

(b) the fact that the Secretary-General will be leaving the Institute on 30 September 2008. A selection procedure for a new Secretary-General was launched by the Governing Council at its 86th session. At the time of drafting this document, a number of applicants had been selected, and the Governing Council is due to make its final choice at its 87th session.

7. As a consequence, the Secretariat is not able to put a precise figure to the remuneration of the new Secretary-General in Chapter 2. That figure will depend on the new incumbent's nationality (expatriation allowance for a non-Italian national or a foreigner not resident in Italy at the time of taking office) and on the number of dependent family members. The Secretariat has therefore deemed it prudent to include in Chapter 2 a remuneration reflecting that of a non-resident, non-Italian Secretary-General, with two dependents (one spouse and one child). The amount involved could accordingly be lower.

8. As to Chapter 3, the Secretariat has deemed it wise to include the social security expenditure that would be due if the new Secretary-General were to be included in the Italian social security system (INPS). This amount might, of course, be lower (- € 50,000) if the new Secretary-General were to be in the same position as the current Secretary-General, that is to say, if the country of origin, or his/her Organisation, were to take on the social security expenses.

9. As to changes in the Budget allocations for items other than Chapter 2, Article 1, and Chapter 3, the Secretariat has been compelled to propose increases in respect of certain Chapters. Inflation and cost rises have gradually, indeed, in some cases, dramatically, increased certain items of expenditure over the past few years. The Secretariat accordingly believes that certain Chapters need adjusting.

10. In Chapter 6, the Secretariat proposes an increase concerning Articles 2 and 3. Article 2 concerns telephone, fax and Internet expenditure. Mindful of the need for a reliable Internet communications system, including public IP access for the Library and other services, the Institute has entered into a new, more efficient contract. The Institute has, however, also implemented a system to reduce the cost of telephone communications, in particular with correspondents abroad, the results of which still need to be assessed. Article 3 concerns postal charges. The Institute having exceeded the ceiling for these two items for two years running due to tariff increases, the Secretariat proposes to raise these ceilings. It should be recalled that postal charges include postage for the dispatch of the Institute's publications to depository libraries in the member States and to subscribers, which also generate income.

11. Article 6 of Chapter 7 includes local taxes. In particular, some local taxes, which the Institute is held to pay since the headquarters agreement only exempts the Institute from national taxes, have risen considerably over the past years. Accordingly, the Secretariat proposes to increase this item by € 5,000.

12. Article 7 of Chapter 7 covers the cost of external staff (specifically, two persons employed to clean the Institute's premises, including the Library, and the company which occasionally looks after the garden). These costs have risen, and the Secretariat accordingly suggests an increase of € 2,000 for this item.

13. Chapter 9, which concerns the Library, has not changed for years, as the Governing Council is well aware. The Secretariat has attempted to preserve the holdings of the Library without increasing the Budget, by means of exchanges and gifts. The Secretariat is now proposing an increase of € 2,500 for Article 2, which covers the binding of volumes of journals. As to the Library software, the Library catalogue is now available on line and offers a number of different search options. It is a most useful tool since it may be accessed from anywhere at any moment in time. However, this important achievement has increased costs to cover data storage, updating, etc., all operations that are far more complex than those connected with a simple electronic catalogue that can only be accessed *in situ*. The Secretariat accordingly proposes an increase of € 7,000 for this item.

14. Overall, the Secretariat would therefore propose expenditure for 2009 amounting to € 2,290,850.00, representing an increase of 3.7% in comparison with the 2008 Budget.

Receipts

15. The Secretariat would propose that the proposed expenditure for 2009 be covered as follows:

Estimated balance from the 2008 financial year	80,000.00
Statutory contribution of Italy	265,000.00
Statutory contributions of other member States	1,783,056.00
Extra-statutory contribution from the United Kingdom	65,450.00
Other receipts	67,344.00
Various receipts	30,000.00

16. The balance that the Secretariat would anticipate being carried forward from the 2008 financial year is based on the fact that the Institute is doing its utmost to follow the recommendations of the Finance Committee and of the General Assembly to limit expenditure. The Secretariat is also seeking to obtain financing from private sources for particular projects, i.e. the scholarship programme, the library and the promotion of UNIDROIT instruments.

17. The contribution of Italy is an estimate made by the Secretariat.

18. The Secretariat would propose that the statutory contributions of member States other than Italy for 2009 be calculated on the basis of a unit of contribution amounting to € 2,456 representing an increase of 3.54% over the unit of contribution approved by the General Assembly for the statutory contributions of member States other than Italy for 2008 (€ 2,372). The Secretariat wishes to inform the Governing Council that the inflation rate for the Euro zone is 3.3/3.5 (source: Eurostat, March 2008).

19. The extra-statutory contribution of the United Kingdom is based on a letter from Mr Anthony Inglese, member of the Governing Council, announcing that he is prepared to offer, from the budget of the Department for Business Enterprise and Regulatory Reform, the amount of £ 50,000

towards the funding, for the fourth year, of the post of Deputy Secretary-General carrying the function of Chief Administrator. The Secretariat wishes to express its gratitude for this generous offer.

20. Under this proposal, the statutory contributions of member States would rise in comparison with the year 2008 as follows:

Category I	from € 118,600	to € 122,800	+ € 4,200
Category II	from € 52,184	to € 54,032	+ € 1,848
Category III	from € 42,696	to € 44,208	+ € 1,512
Category IV	from € 30,836	to € 31,928	+ € 1,092
Category V	from € 26,092	to € 27,016	+ € 924
Category VI	from € 21,384	to € 22,104	+ € 756
Category VII	from € 18,976	to € 19,648	+ € 672
Category VIII	from € 11,860	to € 12,280	+ € 420
Special Category	from € 2,372	to € 2,456	+ € 84

21. Although the Secretariat has negotiations underway with some States who have manifested their interest in becoming members of the Institute, at the time of writing the Secretariat believes that it is not prudent to count on an additional member State's contribution in 2009.

22. The miscellaneous receipts that the Secretariat would anticipate receiving in 2009 are made up of € 5,000 by way of interest, € 12,000 by way of the contribution to overhead expenses to be made by the Office for Italy and San Marino of the International Labour Organization in return for the use of certain services connected with the use of certain parts of its premises, and € 50,344 by way of sales of the Institute's publications.

23. The Secretariat has included € 30,000 in the various receipts (Chapter 3), corresponding to sums given by private donors for some services rendered by the Institute, i.e. by the databases.

* * *

24. The Finance Committee, at its 63rd session, expressed the following opinion: "The Finance Committee, warmly welcoming the extra-statutory contribution of the United Kingdom as announced by the British member of the Governing Council for another year, has had an intense discussion on the draft budget for 2009 as put forward by the UNIDROIT Secretariat. Whereas some members expressed the willingness of their respective Governments to accept the draft budget, others recalled their Government's position to ask for a Zero Nominal Growth (ZNG) Budget. Nevertheless, the draft budget for 2009 should be referred to the Governing Council for its consideration. And the UNIDROIT Secretariat should be encouraged to undertake further efforts to economise".

25. *The Secretariat proposes therefore to the Governing Council (a) to accept the extra-statutory contribution of the Government of the United Kingdom, and to allocate it for the purpose expressly specified; and (b) to approve the draft budget for the financial year 2009, set out in Appendix I to this document.*

APPENDIX I

DRAFT BUDGET FOR 2009

RECEIPTS (in Euro)

	Budget 2008	Budget 2009
Estimated balance on 1 January ¹	70,000.00	80,000.00
Chapter 1: Contributions of member States		
Art. 1 (Italian Government) ²	270,000.00	265,000.00
Art. 2 (Other member States) ³	1,722,072.00	1,783,056.00
Extra-Budgetary contribution from United Kingdom ⁴	74,153.00	65,450.00
Chapter 2: Other receipts:		
Art. 1 (Interest)	5,000.00	5,000.00
Art. 2 (Contributions to overhead expenses) ⁵	10,000.00	12,000.00
Art. 3 (Sale of publications) ⁶	42,778.00	50,344.00
Chapter 3: Various receipts ⁷	15,000.00	30,000.00
Total of receipts	2,209,003.00	2,290,850.00

EXPLANATORY NOTES TO THE FIRST ESTIMATES - RECEIPTS

- 1 The balance that the Secretariat would anticipate being carried over from the 2007 financial year is predicated on the assumption of the Institute making economies.
- 2 This receipt is an estimate of the Secretariat based on the contribution of the Italian Government in 2007.
- 3 The Secretariat has calculated this receipt on the basis of a unit of contribution amounting to € 2,456, representing an increase of 3.54% in comparison with 2008 (€ 2,372). The Secretariat has not deemed it prudent to include the contribution of new member States, although interest in joining the Institute has been shown by some States. See § 21 of the Introduction.
- 4 This receipt is based on an offer of extra-statutory contribution made by Mr Anthony Inglese, member of the UNIDROIT Governing Council, on behalf of the Government of the United Kingdom. See § 19 of the Introduction.
- 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 the 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.
- 7 These receipts are contributions from private donors for some services rendered by the Institute, i.e. the databases.

EXPENDITURE (in Euro)

	2008	2009
Chapter 1 – Reimbursement of expenses		
Art. 1 (Governing Council and Permanent Committee) ¹	55,000.00	55,000.00
Art. 4 (Auditor)	3,500.00	3,500.00
Art. 5 (Committees of Experts) ²	65,000.00	65,000.00
Art. 6 (Official journey of representatives and staff) ³	28,000.00	28,000.00
Total	151,500.00	151,500.00
Chapter 2 – Salaries and allowances		
Art.1 (Salaries of Categories A, B and C staff and consultant) ⁴	1,305,000.00	1,310,000.00
Art. 2 (Remuneration for occasional collaborators) ⁵	17,500.00	20,000.00
Total	1,322,500.00	1,330,000.00
Chapter 3 – Social security charges		
Art. 1 (Insurance against disablement, old age and sickness) ⁶	344,153.00	390,000.00
Art. 2 (Accidents' insurance) ⁷	8,500.00	8,500.00
Total	352,653.00	398,500.00
Chapter 4		
Compensation retired members of staff ⁸	2,500.00	2,500.00
Chapter 5		
Publications' printing costs ⁹	31,500.00	31,500.00
Chapter 6 – Administrative expenses		
Art. 1 (Stationery)	21,000.00	21,000.00
Art. 2 (Telephone, fax and Internet)	23,000.00	30,000.00
Art. 3 (Postage) ¹⁰	20,000.00	25,000.00
Art. 4 (Entertainment and representation)	4,650.00	4,650.00
Art. 5 (Interpreters)	27,500.00	27,500.00
Art. 6 (Miscellaneous)	6,700.00	6,700.00
Total	102,850.00	114,850.00
Chapter 7 – Maintenance costs		
Art. 1 (Electricity)	14,500.00	14,500.00
Art. 2 (Heating)	20,000.00	20,000.00
Art. 3 (Water)	7,000.00	7,000.00
Art. 4 (Insurance of premises)	11,500.00	11,500.00
Art. 5 (Office equipment)	24,000.00	24,000.00
Art. 6 (Upkeep of building, local taxes)	15,000.00	20,000.00
Art. 7 (Labour costs) ¹¹	25,000.00	27,000.00
Total	117,000.00	124,000.00
Chapter 9 - Library		
Art. 1 (Purchase of books) ¹²	92,000.00	92,000.00
Art. 2 (Binding)	6,500.00	9,000.00
Art. 3 (Software)	15,000.00	22,000.00
Total	113,500.00	123,000.00
Chapter 10		
Promotion of UNIDROIT instruments	5,000.00	5,000.00
Chapter 11		
Legal co-operation programme ¹³	10,000.00	10,000.00
Total ordinary expenditure	2,209,003.00	2,290,850.00

EXPLANATORY NOTES TO THE FIRST ESTIMATES - 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 2009.
- 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. The Secretariat wishes to note that it makes every effort to obtain external financing to cover part of these expenses.
- 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 Secretary-General (for the explanation of the method followed to calculate the retribution of the new Secretary General, see § 7 of the Introduction), the two Deputy Secretaries-General, three other full-time and one part-time Category A professional members of staff, one *hors cadre* officer in charge of the depositary function, eight full-time and one part-time Category B administrative, secretarial and library members of staff, three full-time Category C members of staff, as well as the salary of a consultant.
The salaries and allowances of Category A members of staff 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, under which they 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.
- 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.). The increase includes the social charges of the new Secretary-General; see § 8 of the Introduction.
- 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 by 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 (Acts and Proceedings of Conferences etc).
- 10 This Article includes the cost for Internet. For the increase of this Article, see § 10 of the Introduction.
- 11 This Article covers expenditure for posting the Institute's correspondence and publications, including the publications sold by the Institute, which produce receipts.
- 12 The proposed increase is due to the considerable rise of local taxes, which the Institute is held to pay since the headquarters agreement only exempts the Institute from national taxes. See § 11 of the Introduction.
- 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 (170 publications) and on complimentary copies sent by the publisher and/or the author wishing to see a book-review published in the *Review*. The increase of expenditure for the software is due to the on line catalogue; see § 13 of the Introduction.
- 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 2009 amount to € 2,290,850, which represents an increase of 3.7% as compared with the Budget for 2008. As mentioned in the Introduction, the Secretariat wishes to inform the Governing Council that the inflation rate for the Euro zone is 3.3/3.5 (source: Eurostat, March 2008).