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Item No. 2 on the Agenda: Draft Budget for 2013 - First estimates

(prepared by the UNIDROIT Secretariat)

<i>Summary</i>	<i>First estimates of receipts and expenditure for 2013</i>
<i>Action to be taken</i>	<i>Opinion of the members of the Finance Committee with regard to the first estimates of the Secretariat prior to the formal establishment of the draft Budget by the Governing Council at its 91st session (Rome, 7-9 May 2012)</i>
<i>Related documents</i>	<i>None</i>

Introduction

1. Appendix I to this document sets out the first estimates for a draft Budget for the financial year 2013, prepared by the Secretariat in accordance with Article 31 of the Regulations for an initial review by the Finance Committee.

2. In the light of comments by the Finance Committee, these estimates will be submitted to the Governing Council at its 91st session, which will be held in Rome from 7 to 9 May 2012. On the basis of these first estimates, the Council will establish the draft Budget for 2013, to be communicated to member States, for their review and comments. Comments by member States should be submitted to the Secretariat by 20 September 2012. Thereafter, the draft Budget will be submitted, together with any comments received by the Secretariat, to the Finance Committee at its 72nd session in Rome, at the beginning of October 2012. The Committee will, at that time, give its opinion on the draft Budget before its submission to the General Assembly at its 71st session to be held in Rome in December 2012.

APPENDIX

**DRAFT BUDGET FOR THE 2013
FINANCIAL YEAR**

RECEIPTS (in Euro)

	Budget 2012	Budget 2013
Estimated balance on 1 January ¹	30,000.00	-
Chapter 1: Contributions of member States		
Art. 1 (Italian Government) ²	150,000.00	150,000.00
Art. 2 (Other member States) ³	2,104,550.00	2,104,550.00
Chapter 2: Other receipts:		
Art. 1 (Interest)	5,000.00	5,000.00
Art. 2 (Contributions to overhead expenses) ⁴	15,000.00	15,000.00
Art. 3 (Sale of publications) ⁵	54,475.00	54,000.00
Chapter 3: Various receipts ⁶	-	-
Total of receipts	2,359,025.00	2,328,550.00

EXPLANATORY NOTES TO THE DRAFT BUDGET - RECEIPTS

¹ Despite the severe cuts in ordinary expenditure effected by the Secretariat in 2011 (some € 150,000, pending confirmation at the closing of the 2011 accounts), the unexpected shortfall of receipts in 2011 (€ 186,000), coupled with some unanticipated expenditure (approximately € 30,000) meant that no surplus could be carried over to the year 2012. A similar situation also arose in respect of the financial year 2010. The secretariat believes that it would be more prudent, and in line with the budgeting and accounting practice generally followed by most international organisations and national public bodies, if the budget estimates for UNIDROIT would assume an absolute balance of income and expenditure by the end of the budget cycle, rather than factor in an expected surplus to be carried over to the following financial year.

² Estimate based on the amount which the Italian Government expects to be able to contribute to UNIDROIT in 2012.

³ The Secretariat has estimated the total receipts on the basis of a unit of contribution amounting to € 2,450, which is identical with the current unit of contribution. The total amount which could be expected may be lower than the first estimates, however, depending on the outcome of the consideration of objections that may be raised by the affected member States to the revisions to the contributions chart approved by the General Assembly at its 69th session. If all countries that indicated an intention to raise objections effectively did so, and if all objections resulted in a reversal or suspension of the reclassification of the countries concerned, the total level of statutory contributions for the year 2012 might be some € 80,850 lower than in the above first estimated.

⁴ This sum represents the share of the Office for Italy and San Marino of the International Labour Organization in the operating expenses of the premises of UNIDROIT.

⁵ This receipt includes sales of the *Uniform Law Review* as well sales of other publications of the Institute. The first estimates for the budget for 2013 anticipate a slightly lower level of sales than is anticipated in the course of 2012 since the only new instrument expected to be published in 2012 are the UNIDROIT principles and rules on close out netting, currently under preparation.

⁶ As in 2012, the Secretariat deems it more prudent to revert to the previous practice of not including any such extraordinary income in the regular budgeting process.

EXPENDITURE (in Euro)

	2012	2013
Chapter 1 – Reimbursement of expenses		
Art. 1 (Governing Council and Permanent Committee) ¹	48,000.00	48,000.00
Art. 4 (Auditor) ²	3,605.00	3,605.00
Art. 5 (Committees of Experts) ³	60,000.00	80,000.00
Art. 6 (Official journeys of representatives and staff) ⁴	28,000.00	40,000.00
Total	139,605.00	171,605.00
Chapter 2 – Salaries and allowances		
Art.1 (Salaries of Categories A, B and C staff and consultant) ⁵	1,337,200.00	1,256,884.00
Art. 2 (Remuneration for occasional collaborators) ⁶	20,000.00	20,000.00
Total	1,357,200.00	1,276,884.00
Chapter 3 – Social security charges		
Art. 1 (Insurance against disablement, old age and sickness) ⁷	465,450.00	437,861.00
Art. 2 (Accidents' insurance) ⁸	8,500.00	8,500.00
Total	473,950.00	446,361.00
Chapter 4		
Compensation retired members of staff ⁹	2,500.00	2,500.00
Chapter 5		
Publications' printing costs ¹⁰	31,500.00	31,500.00
Chapter 6 – Administrative expenses¹¹		
Art. 1 (Stationery)	21,000.00	21,000.00
Art. 2 (Telephone, fax and Internet)	21,000.00	21,000.00
Art. 3 (Postage)	15,000.00	16,000.00
Art. 4 (Representation)	4,650.00	5,000.00
Art. 5 (Interpreters) ¹²	27,500.00	32,000.00
Art. 6 (Miscellaneous)	6,700.00	6,700.00
Total	95,850.00	101,700.00
Chapter 7 – Maintenance costs¹³		
Art. 1 (Electricity)	12,500.00	13,000.00
Art. 2 (Heating)	20,000.00	22,000.00
Art. 3 (Water)	7,000.00	7,000.00
Art. 4 (Insurance of premises)	11,500.00	12,000.00
Art. 5 (Office equipment)	21,000.00	23,000.00
Art. 6 (Upkeep of building, charges for public services) ¹⁴	21,000.00	24,000.00
Art. 7 (Labour costs) ¹⁵	42,420.00	45,000.00
Total	135,420.00	146,000.00
Chapter 9 – Library		
Art. 1 (Purchase of books) ¹⁶	82,000.00	90,000.00
Art. 2 (Binding)	9,000.00	10,000.00
Art. 3 (Software)	22,000.00	22,000.00
Total	113,000.00	122,000.00
Chapter 10		
Promotion of UNIDROIT instruments ¹⁷	0.00	20,000.00
Chapter 11		
Legal co-operation programme ¹⁸	10,000.00	10,000.00
Total ordinary expenditure	2,359,025.00	2,328,550.00

EXPLANATORY NOTES TO THE DRAFT BUDGET - EXPENDITURE

- 1 **Purpose of expenditure:** to cover travel and subsistence expenses incurred by the members of the Governing Council and of the Permanent Committee in their attendance of sessions of those bodies.

No change is proposed for 2013.

- 2 **Purpose of expenditure:** fees due to the auditor appointed by the General Assembly.

No change is proposed for 2013.

- 3 **Purpose of expenditure:** to cover the expenditure that will be incurred by the Institute in organising the meetings of committees of experts and other meetings associated with the organisation's Work Programme.

For many years, the amount available under the budget has been kept at the same nominal level, despite the steady increase in the cost of meeting facilities in Rome, thus leading to a decline in real terms of this article of the budget, as compared to others, in particular those relating to fixed items of expenditure. An increase of € 20,000 (33.33%) is proposed in the 2013 with a view to progressively correcting this imbalance in the distribution of UNIDROIT resources by allocating more funds to project-related activities of UNIDROIT. The allocation of these resources in 2012 can be anticipated as follows:

(a) In 2013 the Secretariat plans to hold one or two sessions of a Committee of Governmental Experts, as well as two meetings of a study group on the principles and rules on close-out netting, a project to which the General Assembly, at its 67th session (Rome, 1 December 2010) agreed to assign the highest priority;

(b) the Secretariat foresees other meetings of study groups to carry out other work or informal consultations mandated by the General Assembly in respect of the preparation of (i) a legislative guide on principles and rules capable of enhancing trading in securities in emerging markets; (ii) other protocols to the Cape Town Convention, in particular on matters specific to agricultural, mining and construction equipment; (iii) an international instrument on third party liability for Global Navigation Satellite System (GNSS) Services; (iv) studies on private law aspects of agricultural investment and production.

The Secretariat will continue to make every effort to obtain external financing to cover part of these expenses. The proposed increase in this article will be achieved by reallocation of resources from other chapters of the budget, in particular from chapter 2 (Salaries and allowances), without the need for increases in contributions by member States.

- 4 **Purpose of expenditure:** to cover the travel and subsistence expenses incurred by representatives of the Institute, members of staff and collaborators in connection with the attendance of meetings of other organisations with which UNIDROIT cooperates, as well as missions intended to further awareness of the Institute's work in general and, where appropriate, to encourage accession to the Statute of the Institute.

An increase is proposed for 2013 to enable the Secretariat to better promote the work of UNIDROIT and to resume attendance of meetings of other organisations and participation in their work, which have been severely limited in recent years due to financial constraints.

- 5 **Purpose of expenditure:** to cover the salaries and allowances of the staff of the professional, administrative, secretarial and library members of the staff of UNIDROIT as well remuneration of a consultant.

Pursuant to a decision taken by the General Assembly at its 36th session (Rome, 12 December 1983), the salaries and allowances of Category A staff members 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. According to a decision taken by the General Assembly, at its 38th session (Rome, 28 November 1985), salaries and allowances of Categories B and C members of staff follow a modified version of the relevant part of the Salaries Scales of the Co-ordinated Organisations, albeit on a considerably reduced scale.

The appropriation under this chapter, which amounted to € 1,212,875.00 in 2011, was increased by €158,075.00 in to allow for the filling of two vacancies in the course of 2012. A procedure for the selection of a Deputy Secretary-General was started in December 2011 and is expected to be concluded in April 2012. The total financial implication of filling that position will depend on the exact level of the post that may be offered to the successful candidate (A6 or A5), the place of recruitment and origin of the selected candidate (local or expatriate; internal or external candidate), the family situation (single, married with dependants). For the time being, the Secretariat has decided not to fill the second post, a junior officer vacancy, until the exact level of contributions for the year 2012 has been determined.

For the sake of prudence, the budget 2012 contemplated the most costly alternative for both appointments, as well as consequential career advancements that may take place within the Secretariat. The Secretariat expects both recruitments to be possible at a lower cost, which would result in a lower financial requirement than for the year 2012. Further cost reductions are expected to result from the retirement of staff members.

- 6 **Purpose of expenditure:** to cover the Secretariat's needs for external expert or 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 as well as in the Library.

No change is proposed for 2013.

- 7 **Purpose of expenditure:** insurance coverage of all Categories A, B and C members of staff against disability, 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.).

For the reasons explained in note 5 above, in 2013 the secretariat expects a slightly lower requirement for social security payments, as compared to 2012.

- 8 **Purpose of expenditure:** insurance coverage 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.

No change is proposed for 2013.

- 9 **Purpose of expenditure:** payments to two retired members of staff to cover the periods, in the past, during which they were not covered for social security purposes.

No change is proposed for 2013.

- 10 **Purpose of expenditure:** to cover the printing cost of the four issues of the *Uniform Law Review* that appear annually, official documents, legislative instruments and other publications of the Institute.

The Secretariat anticipates lower printing costs in 2013 as a result of a lower requirement and a re-organisation of the production and distribution process for the *Uniform Law Review*, which is currently underway.

- 11 **Purpose of expenditure:** to cover ordinary office running costs (stationary, telephone, fax, internet access), postage of correspondence and publications, and occasional representation expenses.

Marginal increases are proposed in 2013 to offset price raises.

- 12 **Purpose of expenditure:** to cover the cost of simultaneous interpretation at meetings held by Unidroit (General Assembly, Governing Council, Finance Committee, Committees of Governmental Experts).

A modest increase is requested for this article to offset an increase in the daily fees payable to interpreters and to allow for simultaneous interpretation in various project-related meetings.

- 13 **Purpose of expenditure:** to cover public utility charges, purchase and replacement of office equipment and building maintenance costs

Except as otherwise indicated, marginal increases are proposed in 2013 to offset price raises.

- 14 **Purpose of expenditure:** to cover building maintenance costs (ordinary repairs in the building, maintenance of elevators) and charges for municipal services (i.e. waste disposal).

A moderate increase is needed in 2013 to meet increases in municipal service charges, which only in 2011 amounted to € 12,480.74 or some 53% of the entire expenditure under this article.

- 15 **Purpose of expenditure:** buildings and library cleaning; disinfection and pest control; garden maintenance.

The amount proposed under the draft 2013 budget is based on the actual level of expenditure in 2011, the main items of which can be broken down as follows: buildings and library cleaning - € 35,557; disinfection and pest control - € 2,126.52; garden maintenance - € 3,951.33; miscellaneous - € 2,623.59.

- 16 **Purpose of expenditure:** to cover 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.

A modest increase (€ 10,000) is requested to cover the cost of new subscriptions to online databases and services and purchases of urgently needed monographs to expand the collection on topics related to the current work programme.

- 17 **Purpose of expenditure:** to cover the cost of promotion activities for UNIDROIT instruments.

The Secretariat proposed to replenish and increase this chapter of the budget, which amounted to € 5,000 in 2010 and had been reduced to zero in 2011, so as to cover the cost

of organising events and undertaking travel for the purpose of promoting the Institute's work. The Secretariat will nevertheless continue seek extra-budgetary financial contributions to supplement funding under the regular budget for such activities.

- 18 **Purpose of expenditure:** to cover 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.

No change is proposed for 2013.

All increases of expenditure will be achieved through reallocation of resources between different chapters of the budget.

Overall, the Secretariat proposes a total expenditure of € 2,328,550.00 for the year 2013, which represents a reduction of expenditure of € 30,475, as compared to the expenditure authorised as under the 2012 budget.