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FINANCE COMMITTEE
73rd session
Rome, 13 March 2013

UNIDROIT 2013
F.C. (73) 2
Original: English/French
February 2013

Item No. 2 on the Agenda: Draft Budget for 2014 - First estimates

(prepared by the UNIDROIT Secretariat)

<i>Summary</i>	<i>First estimates of receipts and expenditure for 2014</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 92nd session (Rome, 8-10 May 2013)</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 2014, which the Secretariat prepared, in accordance with Article 26 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 revised, as appropriate, and submitted to the Governing Council at its 92nd session, which will be held in Rome from 8 to 10 May 2013. On the basis of these first estimates, the Council will establish the draft Budget for 2014, to be communicated to member States, for their review and comments. Comments by member States should be submitted to the Secretariat by 20 September 2013. Thereafter, the draft Budget, together with any comments received by the Secretariat, will be submitted to the Finance Committee for consideration at its 74th session in Rome, to be held in the first half of October 2013. The Committee will, at that time, formulate its opinion on the draft Budget before its submission to the General Assembly for review and adoption at its 72nd session, to be held in Rome in late November or early December 2013.

APPENDIX

**DRAFT BUDGET FOR THE 2014
FINANCIAL YEAR**

RECEIPTS (in Euro)

	Budget 2013	Budget 2014
Chapter 1: Contributions of member States		
Art. 1 (Italian Government) ¹	100,000.00	126,250.00
Art. 2 (Other member States) ²	2,031,050.00	2,093,225.00
Chapter 2: Other receipts:		
Art. 1 (Interest) ³	5,000.00	1,000.00
Art. 2 (Contributions to overhead expenses) ⁴	15,000.00	15,000.00
Art. 3 (Sale of publications) ⁵	54,000.00	22,000.00
Chapter 3: Various receipts	-	-
Tax reimbursement credit ⁶	-	15,000.00
Total of receipts	2,205,050.00	2,272,475.00

EXPLANATORY NOTES TO THE DRAFT BUDGET - RECEIPTS

¹ Estimate based on the amount which the Italian Government expects to be able to contribute to UNIDROIT in 2014.

² The Secretariat has estimated the total receipts on the basis of a unit of contribution amounting to € 2,530, which represents an increase of 3.2% – the first since 2008 – to meet costs increases resulting from inflation and the filling of vacancies in the Secretariat with qualified personnel.

³ Interests earned on deposits in checking accounts, which have declined dramatically since the year 2007 and have reached a historic low level of some 0.5%. At the same time, the irregularity in the Institute's cash flow, which is due to the unpredictable pattern of payment by several member States, including a few larger contributors, does not allow UNIDROIT to commit funds to more lucrative longer-term investment. In these circumstances, this document makes a more conservative estimate of the amount of interest that may be earned by UNIDROIT on its banking accounts in the year 2014.

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 as sales of other publications of the Institute. The first estimates for the budget for 2014 anticipate a lower level of income from sales as a result of the outsourcing of the production, editing and distribution of the *Uniform Law Review* to Oxford University Press (OUP). Under the agreement with OUP, all costs related to the shortfall in receipts from that publication (which amounted to some € 20,000 in the year 2012), is largely offset by the elimination of printing (some € 12,000), postage (some € 10,000) and staff costs incurred by the production, editing and distribution of the Review by UNIDROIT until 2013 (estimated at € 87,000 in 2012). Savings under the first two budget lines will translate in lower expenditure in 2014, while staff released from tasks related to production, editing and distribution will be directed to perform other functions more directly linked to the legislative and research activities of the Institute.

⁶ 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 newly appointed to the UNIDROIT Secretariat, under the terms of a tax reimbursement agreement currently under negotiation.

EXPENDITURE (in Euro)*

	2013	2014
Chapter 1 – Meeting and travel costs		
Art. 1 (Governing Council and Permanent Committee) ¹	48,000.00	48,000.00
Art. 2 (Auditor) ²	3,605.00	3,869.60
Art. 3 (Administrative tribunal) ³	-	-
Art. 4 (Committees of Experts) ⁴	80,000.00	88,000.00
Art. 5 (Official journeys and promotion of activities) ⁵	50,000.00	50,000.00
Art. 6 (Interpreters) ⁶	32,000.00	35,500.00
Art. 7 (Representation) ⁷	5,000.00	7,000.00
Subtotal	218,605.00	232,369.60
Chapter 2 – Salaries and allowances		
Art.1 (Salaries of Categories A, B and C staff and consultant) ⁸	1,197,350.00	1,242,481.00
Art. 2 (Remuneration for occasional collaborators) ⁹	20,000.00	20,000.00
Art. 3 (Tax reimbursement) ¹⁰	0	15,000.00
Subtotal	1,217,350.00	1,277,481.00
Chapter 3 – Social security charges		
Art. 1 (Insurance against disablement, old age and sickness) ¹¹	403,895.00	413,624.40
Art. 2 (Accidents' insurance) ¹²	8,500.00	8,500.00
Art. 3 (Compensation retired members of staff) ¹³	2,500.00	2,500.00
Subtotal	414,895.00	424,624.40
Chapter 4 – Administrative expenses¹⁴		
Art. 1 (Stationery)	21,000.00	20,000.00
Art. 2 (Telephone, fax and Internet)	21,000.00	23,000.00
Art. 3 (Postage)	16,000.00	10,000.00
Art. 4 (Miscellaneous)	6,700.00	5,000.00
Art. 5 (Printing of publications) ¹⁵	20,500.00	15,000.00
Subtotal	85,200.00	73,000.00
Chapter 5 – Maintenance costs¹⁶		
Art. 1 (Electricity)	13,000.00	10,000.00
Art. 2 (Heating)	22,000.00	22,000.00
Art. 3 (Water)	7,000.00	7,000.00
Art. 4 (Insurance of premises)	12,000.00	12,000.00
Art. 5 (Office equipment)	23,000.00	23,000.00
Art. 6 (Upkeep of building, public services)	24,000.00	25,000.00
Art. 7 (Labour costs)	45,000.00	45,000.00
Subtotal	146,000.00	144,000.00
Chapter 6 – Library¹⁷		
Art. 1 (Purchase of books)	82,000.00	90,000.00
Art. 2 (Binding)	9,000.00	9,000.00
Art. 3 (Software)	22,000.00	22,000.00
Subtotal	113,000.00	121,000.00
Chapter 7¹⁸		
Legal co-operation programme	10,000	0.00
Total expenditure	2,205,050.00	2,272,475.00

EXPLANATORY NOTES TO THE DRAFT BUDGET - EXPENDITURE

- * *The Secretariat has modified the format of the expenditure part of the budget by moving several lines of expenditure from chapter 6 (Administrative expenses) to chapter 1 (formerly "Reimbursement of expenses", now "Meeting and travel costs") so as to render more visible the allocation of expenditure other than personnel costs among the core activities of UNIDROIT (servicing of institutional and project related meetings, official travel, publications and library, on the one hand; and actual administrative and maintenance costs, on the other hand).*

Furthermore, with a view to simplifying the overall presentation of the budget, three chapters have been eliminated: chapter 4 (Compensation retired members of staff) has now become an article of chapter 3 (Social security charges); chapter 10 (Promotion of UNIDROIT instruments) has now become an article of chapter 1 (Meeting and travel costs) and chapter 11 (Legal co-operation) will as of 2014 be funded exclusively through voluntary contributions.

For the ease of comparison of the 2013 appropriations with the 2014 estimates line by line, the movements indicated above have also entailed re-arrangement of budget line, as they originally appeared in the 2013 budget, and re-calculation of the subtotals under the relevant chapter (i.e. chapters 1, 3 and former chapter 6, now chapter 4), which, as presented in this document, do not correspond to the subtotals in the 2013 budget.

- 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 2014.

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

A modest increase of this budget line is requested for 2014 to face cost increases.

- 3 **Purpose of expenditure:** to cover the costs of hearings of the Administrative Tribunal, registrar services and sums awarded by the Tribunal for settlement of claims.

No expenditure is anticipated under this article at the time of writing.

- 4 **Purpose of expenditure:** to cover the expenditure that will be incurred by the Institute in organising 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 € 8,000 (10%) is proposed in the 2014 with a view to cover expected increases in the cost of using conference facilities at the FAO premises and to continue correcting the historical imbalance in the allocation of UNIDROIT resources. A precise indication of the allocation of these resources in 2014 cannot be provided at the time of this writing, since the Work Programme for the triennium 2014-2016, which the General Assembly would be expected to consider and approve at its 72nd session, to be held in Rome later this year, is still under preparation.

- 5 **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.

No change is proposed for 2014, apart from merger, for the purpose of simplifying the structure of the budget, of this article and the former chapter 10 of the budget, which allocated the modest amount of € 10,000 to cover the cost of organising events and undertaking travel for the purpose of promoting the Institute's work.

- 6 **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). This line of expenditure, which until 2013 appeared in chapter 6 (Administrative expenses), has been moved to chapter 1 so as to place together all costs related to convening UNIDROIT meetings.

Until now, for meetings of less than one day, UNIDROIT has used the services of two interpreters. It has so far been possible to service longer meetings with three interpreters only, instead of the four interpreters that would normally have been needed, because the interpretation team used by UNIDROIT has included two fully bilingual interpreters. After the retirement of one of them, and the departure of another, UNIDROIT meetings of more than one day are likely to require teams of four interpreters, given the scarcity of fully bilingual interpreters in Rome.

- 7 **Purpose of expenditure:** to cover the cost of representantion functions, such as receptions and similar events organised by UNIDROIT in connection with its meetings. This line of expenditure, which until 2013 appeared in chapter 6 (Administrative expenses), has been moved to chapter 1 so as to place together all costs related to convening Unidroit meetings.

A modest increase of this budget line is requested for 2014 to face increase in catering costs due to inflation.

- 8 **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.

As noted in the draft budget for 2013 (UNIDROIT 2012 – A.G. (71) 8), the appropriation under this article, which amounted to € 1,212,875.00 in 2011, was increased by €124,325.00 in 2012 to allow for the filling of two vacancies in the course of that year. The new Deputy Secretary-General was appointed by the Governing Council on 8 May 2012 and took office on 1 October 2012. The level of appointment and the terms of the contract result in a total compensation lower than the maximum that could be allocated to the post under the UNIDROIT Regulations. Nevertheless, the expected total level of contributions was still not

sufficient for filling a junior officer vacancy in the Secretariat. In the meantime, another staff member returned to his home country and required replacement by the Secretariat at a grade higher than the original incumbent.

The proposed increase of €45,131.00 is therefore intended to cover the added cost of filling a junior professional vacancy and of hiring an English-speaking secretary, which became urgently needed, upon retirement of the only native English speaker in Category B of the UNIDROIT staff.

- 9 **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.

No change is proposed for 2014.

- 10 **Purpose of expenditure:** to cover the cost of federal, state and municipal taxes payable by a US citizen newly appointed to the UNIDROIT Secretariat. These costs will be refunded by the Government of the United States of America, under the terms of a tax reimbursement agreement currently under negotiation.

- 11 **Purpose of expenditure:** insurance coverage of staff members against disability, old age and sickness. With a few exceptions, all staff members of staff are insured for these purposes with the Italian social security system (I.N.P.S.).

For the reasons explained in note 8 above, in 2014 the secretariat expects a slightly higher requirement for social security payments, as compared to 2013.

- 12 **Purpose of expenditure:** insurance coverage of all staff members against accidents. All staff members are insured for this purpose with a private Italian insurance company.

No change is proposed for 2014.

- 13 **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. This expenditure, which used to constitute a separate chapter of the budget (chapter 4), has now been combined with other expenditure under chapter 3 so as to simplify the budget structure.

No change is proposed for 2014.

- 14 **Purpose of expenditure:** to cover the printing cost of the official documents, legislative instruments and other publications of the Institute.

A cost decrease for the second year in a row results from the anticipated lower printing costs following the outsourcing of the *Uniform Law Review*.

- 15 **Purpose of expenditure:** to cover ordinary office running costs (stationary, telephone, fax, internet access). Postage of correspondence and publications, costs for interpretation and recording and occasional representation expenses have now been moved to chapter 1.

Modest decreases due to saving are proposed to the lines for stationary and miscellaneous expenses, with a modest increase for telephone cost to permit the upgrade of uploading capability of the Institute's internet access line. A significant decrease in postage expenses is expected due to the outsourcing of the *Uniform Law Review*.

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

Except as otherwise indicated, marginal decreases are anticipated in 2014 as a result of efficiency savings achieved by the Secretariat.

- 17 **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 (€ 8,000) is requested to cover the cost of new subscriptions to online databases and purchases of urgently needed monographs to expand the collection on topics related to the current work programme.

- 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.

The Secretariat proposes to eliminate this line of the budget as of 2014 and to obtain the same amount through voluntary contributions.

Overall, the Secretariat proposes a total expenditure of € 2,272,475.00 for the year 2014, which represents an increase of expenditure of € 67,425, as compared to the expenditure authorised as under the 2013 budget.