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**FINANCE COMMITTEE**  
**89<sup>th</sup> session**  
**Remote session – 25 June 2020**

UNIDROIT 2020  
F.C. (89) 2  
Original: English  
June 2020

**Item No. 2 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>For information of the Members of the Finance Committee.</i>
<i>Related documents</i>	<a href="#">Unidroit 2019 F.C. (86) 2</a> ; <a href="#">Unidroit 2019 F.C. (87) 6</a> ; <a href="#">Unidroit 2019 A.G. (78) 7</a> ; <a href="#">UNIDROIT 2020 F.C. (88) 4</a> ;

**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 86<sup>th</sup> 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 98<sup>th</sup> 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 87<sup>th</sup> 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 78<sup>th</sup> 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 88<sup>th</sup> 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 88<sup>th</sup> 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 2021 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.

5. To address the latter point, the Secretariat has endeavoured to calculate the impact that the very significant recourse to alternative methods of meeting, due to travel restrictions, is likely to have in the current financial year (2020). However, the information contained in this document is likely to be revised as the situation evolves and more information is available. The next ordinary session of the Finance Committee to be held in the early Autumn should provide a more reliable and stable picture.

6. *The Finance Committee is invited to review the proposed adjustments to the Budget for the financial year 2020, as set out in Appendix I, and to share any observations as they see fit.*

**APPENDIX I**

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

**RECEIPTS (in Euro)**

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

**EXPLANATORY NOTES TO THE ADJUSTED RECEIPTS**

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

<sup>2</sup> 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 78<sup>th</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> UNIDROIT is to receive 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.

<sup>5</sup> 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 3). The amount actually received from the United States Government for the reimbursement of taxes paid in 2018 is reflected in the second column.

<sup>6</sup> 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)<sup>1</sup>**

	<b>Budget</b>	<b>Adjusted</b>	<b>Balance</b>
<b>Chapter 1 – Meeting costs and official travel<sup>2</sup></b>			
Art. 1 (Governing Council)	50,000.00	30,000.00	-20,000.00
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	40,000.00	-20,130.00
Art. 6 (Interpreters)	37,000.00	30,000.00	-7,000.00
Art. 7 (Representation)	8,000.00	4,000.00	-4,000.00
<b>Total</b>	<b>287,130.00</b>	<b>159,000.00</b>	<b>-128,130.00</b>
<b>Chapter 2 – Salaries and allowances<sup>3</sup></b>			
Art.1 (Salaries of Categories D, P, and GS staff and consultant)	1,189,293.00	1,208,133.00	18,840.00
Art. 2 (Remuneration for occasional collaborators)	32,500.00	20,000.00	-12,500.00
Art. 3 (Tax reimbursement) <sup>4</sup>	15,000.00	10,758.35	-4,241.65
<b>Total</b>	<b>1,236,793.00</b>	<b>1,238,891.35</b>	<b>2,098.35</b>
<b>Chapter 3 – Social security charges</b>			
Art. 1 (Insurance against disablement, old age and sickness) <sup>5</sup>	454,327.00	462,697.00	8,370.00
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
<b>Total</b>	<b>465,577.00</b>	<b>473,947.00</b>	<b>8,370.00</b>
<b>Chapter 4 – Administrative expenses<sup>6</sup></b>			
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
<b>Total</b>	<b>63,000.00</b>	<b>59,000.00</b>	<b>-4,000.00</b>
<b>Chapter 5 – Maintenance costs</b>			
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) <sup>7</sup>	24,000.00	34,600.00	10,600.00
Art. 6 (Upkeep of building, local taxes)	30,000.00	30,000.00	0.00
Art. 7 (Labour costs) <sup>8</sup>	45,000.00	15,000.00	-30,000.00
<b>Total</b>	<b>161,000.00</b>	<b>141,600.00</b>	<b>-19,400.00</b>
<b>Chapter 6 – Library</b>			
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)	30,000.00	30,000.00	0.00
<b>Total</b>	<b>129,000.00</b>	<b>129,000.00</b>	<b>0.00</b>
<b>Total ordinary expenditure</b>	<b>2,342,500.00</b>	<b>2,201,438.35</b>	<b>-141,061.65</b>

**EXPLANATORY NOTES TO THE ADJUSTED EXPENDITURE**

<sup>1</sup> 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.

<sup>2</sup> 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 €20,000 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 three Working Group meetings and other meetings in 2020, some participants may only be able to participate via videoconferencing technology; a decrease of €20,130.00 to Art. 5 (Official journey of representatives and staff) to reflect the lower levels of travel owing to the pandemic; a decrease of €7,000 to Art. 6 (Interpreters); and a decrease of €4,000 to Art. 7 (Representation).

<sup>3</sup> The Secretariat proposes a number of adjustments in expected expenditures under Chapter 2 – Salaries and allowances: an increase of €18,840 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); a decrease of €12,500 to Art. 2 (Remuneration for occasional collaborators); and a decrease of €4,241.65 to Art. 3 (Tax reimbursement) (see also note 4 below).

<sup>4</sup> 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.

<sup>5</sup> The Secretariat proposes the following adjustment in expected expenditures under Chapter 3 – Social security charges: an increase of €8,370 to Art. 1 (Insurance against disablement, old age and sickness) 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).

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

<sup>7</sup> 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 plexiglass separators for the library and €600 for personal protection equipment for use by the members of the Secretariat.

<sup>8</sup> The Secretariat estimates a reduction in labour costs of €30,000 due to a change in the status of the type of employment contract of a GS staff member (see also note 3 above).