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Item No. 4 on the Agenda: Adjustments to the Budget for the 2021 financial year

(prepared by the UNIDROIT Secretariat)

<i>Summary</i>	<i>Explanation of the adjustments proposed by the Secretariat to the 2021 Budget</i>
<i>Action to be taken</i>	<i>For information of the Members of the Finance Committee.</i>
<i>Related documents</i>	UNIDROIT 2020 F.C. (88) 2 ; UNIDROIT 2020 C.D. (99) A.6 ; UNIDROIT 2020 F.C. (90) 6 rev.2 ; UNIDROIT 2020 A.G. (79) 7 ;

INTRODUCTION

1. The first estimates of receipts and expenditure for the 2021 financial year prepared by the Secretariat ([F.C. \(88\) 2](#)) were examined by the Finance Committee at its 88th session (Rome, remote session, March 2020), in accordance with Article 26 of the Regulations. Those first estimates were then submitted to the Governing Council, which established, at its 99th session (A) (Remote session April/May 2020), the draft Budget for 2021, as set forth in the Appendix to that document ([C.D. \(99\) A.6](#)), 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 4 September 2020. The resulting document was then presented to the Finance Committee at its 90th session (Rome, 22 October 2020) ([F.C. \(90\) 6 rev.2](#)), which expressed its opinion that the General Assembly be invited to adopt the draft budget for 2021 at its 79th session (Rome, 17 December 2020) ([A.G. \(79\) 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. At the time of writing, the Secretariat considers that it is necessary to introduce a few adjustments to the budget for the 2021 financial year, as indicated in the notes to the revised budget contained in Appendix I to this document. The Secretariat deems it prudent to anticipate a shortfall in ordinary receipts of €39,660.00. The Secretariat intends to compensate, as much as possible, for any shortfall in receipts or any unforeseen expenditure in 2021 with a reduction of expenditure under various chapters, though the Secretariat would encourage member States to make any outstanding contributions in a timely manner.

4. *The Finance Committee is invited to review the proposed adjustments to the Budget for the financial year 2021, as set out in Appendix I, and to recommend their approval by the General Assembly, at its 80th session.*

APPENDIX I

**ADJUSTMENTS TO THE BUDGET FOR THE 2021
FINANCIAL YEAR**

RECEIPTS (in Euro)

	2021		
	Budget¹	Estimate	Balance
Income			
Chapter 1: Contributions of Member States			
Art. 1 (Member State Contributions)	2,282,060.00	2,226,400.00 ²	-50,600.00
Chapter 2: Other Receipts			
Art. 1 (Interest) ³	0.00	0.00	0.00
Art. 2 (Contribution to overhead expenses) ⁴	15,000.00	15,000.00	0.00
Art. 3 (Sale of publications) ⁵	17,000.00	17,000.00	3,000.00
Art. 4 (Aviareto) ⁶	23,000.00	23,000.00	0.00
Chapter 3: Various receipts			
Tax reimbursement credit ⁷	8,000.00	21,000.00	6,000.00
Miscellaneous receipts ⁸		3,000.00	3,000.00
Total receipts	2,345,060.00	2,305,400.00	-39,660.00

EXPLANATORY NOTES TO THE ADJUSTED RECEIPTS

¹ The numbers given in this column correspond to those found in the budget for 2021 approved by the Finance Committee at its 90th session in Rome on 22 October 2020 (see [UNIDROIT 2020 – F.C. \(90\) 6 rev.2](#)), and subsequently approved by the General Assembly at its 79th session in Rome on 17 December 2020 (see [UNIDROIT 2020 – A.G. \(79\) 7](#)).

² 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 2021 as noted by the General Assembly at its 79th session in Rome on 17 December 2020 (see [UNIDROIT 2020 – A.G. \(79\) 10](#)): Ireland and Portugal both decided to waive their right to a lower contribution and remain in the previous, higher category. This is based on the assumption that Argentina and Brazil's respective requests for an additional one-year, temporary suspension of the application of the higher categories stemming from the reclassification exercise and the adoption of the new contributions chart will be approved by the General Assembly.

³ In light of the current ultra-low interest rate environment, the Secretariat estimates the interest earned on deposits in checking accounts to be zero.

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 The Secretariat estimates the income earned from the sale of publications to be approximately the same as in previous years. 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.

⁶ UNIDROIT is to receive in 2021 a payment of USD 25,000 from Aviareto, the International Registry under the Aircraft Protocol to the Cape Town Convention, in accordance with a renewed licencing agreement by which UNIDROIT is to provide an electronic version of the fourth edition of the Aircraft Protocol Official Commentary by Sir Roy Goode to Aviareto to make available to users of the International Registry.

⁷ 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. The amount actually received from the United States Government for the reimbursement of taxes paid in 2019 is reflected in the second column.

⁸ 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)¹

	Budget	Adjusted	Balance
Chapter 1 – Meeting costs and official travel²			
Art. 1 (Governing Council)	50,000.00	37,000.00	-13,000.00
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)	108,383.50	50,000.00	-58,383.50
Art. 5 (Official journey of representatives and staff)	45,383.50	20,400.00	-24,983.50
Art. 6 (Interpreters)	35,000.00	35,000.00	0.00
Art. 7 (Representation)	8,000.00	8,000.00	0.00
Total	251,767.00	155,400.00	-96,367.00
Chapter 2 – Salaries and allowances³			
Art.1 (Salaries of Categories D, P, and GS staff and consultant)	1,220,293.00	1,246,422.00	26,129.00
Art. 2 (Remuneration for occasional collaborators)	30,000.00	15,000.00	-15,000.00
Art. 3 (Tax reimbursement)	0.00	0.00	0.00
Total	1,250,293.00	1,261,422.00	11,129.00
Chapter 3 – Social security charges			
Art. 1 (Insurance against disablement, old age and sickness) ⁴	488,750.00	508,328.00	19,578.00
Art. 2 (Accidents' insurance)	9,000.00	5,000.00	-4,000.00
Art. 3 Compensation for retired members of staff	2,250.00	2,250.00	0.00
Total	500,000.00	515,578.00	15,578.00
Chapter 4 – Administrative expenses⁵			
Art. 1 (Stationery)	12,000.00	11,000.00	-1,000.00
Art. 2 (Telephone, fax and Internet)	21,000.00	18,000.00	-3,000.00
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
Total	63,000.00	59,000.00	-4,000.00
Chapter 5 – Maintenance costs			
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) ⁶	29,000.00	43,000.00	14,000.00
Art. 6 (Upkeep of building, local taxes)	35,000.00	35,000.00	0.00
Art. 7 (Labour costs)	25,000.00	30,000.00	5,000.00
Total	151,000.00	170,000.00	19,000.00
Chapter 6 – Library			
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) ⁷	30,000.00	45,000.00	15,000.00
Total	129,000.00	144,000.00	15,000.00
Total ordinary expenditure	2,345,060.00	2,305,400.00	-39,660.00

EXPLANATORY NOTES TO THE ADJUSTED EXPENDITURE

¹ 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.

² 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 € 13,000 to Art. 1 (Governing Council) to reflect current and expected restrictions on international travel; a decrease of € 58,383.50 to Art. 4 (Committees of Experts) to reflect the fact that while the Secretariat expects to have numerous Working Group meetings and other meetings in 2021, some participants may only be able to participate via videoconferencing technology; a decrease of € 24,983.50 to Art. 5 (Official journey of representatives and staff) to reflect the lower levels of travel owing to the pandemic.

³ The Secretariat proposes a number of adjustments in expected expenditures under Chapter 2 – Salaries and allowances: an increase of € 26,129 to Art. 1 (Salaries of Categories D, P and GS staff and consultant) to account for the arrival of a new legal officer; a decrease of € 15,000 to Art. 2 (Remuneration for occasional collaborators).

⁴ The Secretariat proposes the following adjustment in expected expenditures under Chapter 3 – Social security charges: an increase of € 19,578.00 to Art. 1 (Insurance against disablement, old age and sickness). Part of this increase reflects the arrival of a new legal officer, whereas the remainder is to account for adjustments required due to staff turnover between the years 2018 and 2020, with particular reference to the departure, in 2018, of the previous Secretary General, whose special UN-based social security scheme required lower contributions than the INPS and ISRP systems.

⁵ The Secretariat proposes the following adjustment in expected expenditures under Chapter 4 – Administrative Expenses: a decrease of € 1,000 to Art. 1 (Stationery), and a decrease of € 3,000 to Art. 2 (Telephone, fax and Internet).

⁶ The Secretariat proposes the following adjustment in expected expenditures under Chapter 5 – Maintenance costs: an increase of € 14,000 to Art. 5 (Office equipment) to cover costs related to the launch of UNIDROIT's revamped website; an increase of € 5,000 to Art. 7 (Labour costs).

⁷ The Secretariat proposes the following adjustment in expected expenditures under Chapter 6 – Library: an increase of € 15,000 to Art. 3 (Software) for the revamping of UNIDROIT's website, the importance of which has only grown given the ever-increasing shift towards online activities and events in light of restrictions on international travel due to the global pandemic.