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Item No. 7 on the Agenda: Draft Budget for 2022 and observations submitted by Member States

(prepared by the UNIDROIT Secretariat)

<i>Summary</i>	<i>Explanation of the proposed expenditure and receipts under the 2022 draft Budget, the proposed contributions of Member States and observations submitted by Member States</i>
<i>Action to be taken</i>	<i>Formulation of opinion to be transmitted to the General Assembly at its 80th session (Rome, December 2021)</i>
<i>Related documents</i>	<i>Draft Budget 2022 – First estimates (UNIDROIT 2021 – F.C. (91) 2 rev) Finance Committee Report – 91st session (UNIDROIT 2021 – F.C. (91) 5); Governing Council Document – 100th session UNIDROIT 2021 – C.D. (100) A.3;</i>

INTRODUCTION

1. The first draft of the Budget, providing estimates of receipts and expenditure for the 2022 financial year prepared by the Secretariat ([UNIDROIT 2021 – F.C. \(91\) 2 rev](#)), was examined and approved by the Finance Committee at its 91st session (remote session, 25 March 2021), in accordance with Article 26 of the UNIDROIT Regulations (see Report [UNIDROIT 2021 – F.C. \(91\) 5](#)).
2. Those first estimates were then submitted to the Governing Council, which established at its 100th session (Remote session (A) April/May 2021) the draft Budget for 2022 ([C.D. \(100\) A.3](#)), as set forth in the Annex to this document, taking into account the opinion expressed by the Finance Committee.
3. In line with the Institute's practice, the draft Budget resulting from this procedure has been submitted to the Governments of UNIDROIT Member States with a view to their formulation of such observations as they might wish to make by 4 September 2021. The governments of Brazil and of Argentina were the only countries to submit comments (see Appendix II). Overall, the Secretariat proposes a total expenditure of € 2,335,000.00 for the year 2022. This total reflects a decrease compared to the expenditure authorised under the 2021 Budget of € 2,345,060.00, which is solely attributable to the estimated decrease in receipts from contributions of Member States (€10,060), resulting from the process of reclassification of Member States in the UNIDROIT Contributions Chart.

4. Regarding expenditure, the Secretariat would note that it assumes that 2022 may see a return to some level of pre-pandemic normality, with the Institute receiving many more experts and its officers travelling more frequently. This may entail a return to higher levels of expenditure with respect to Chapter 1 – Meeting and travel costs, with specific reference to Article 4 (Committees of Experts), and perhaps also Article 5 (Official journeys and promotion of activities). The Secretariat would note that the projected budget lines might be underestimating the actual expenditure needed for the six projects envisaged in the current Work Programme (2020-2022) fully underway and running simultaneously. This is the highest number of simultaneous projects ever recorded. In light of this, the Secretariat might seek the Finance Committee's authorisation at the Fall meeting in 2022 to use a part of the surplus accumulated from the previous years to that end under article 38, paragraph 4, point a) of the Regulations.

APPENDIX

**DRAFT BUDGET FOR THE 2022
FINANCIAL YEAR**

RECEIPTS (in Euro)

	Budget 2021 ¹	Budget 2022
Chapter 1: Contributions of Member States		
Contributions of Member States	2,282,060.00	2,277,000.00 ²
Chapter 2: Other receipts:		
Art. 1 (Interest) ³	0.00	0.00
Art. 2 (Contributions to overhead expenses) ⁴	15,000.00	15,000.00
Art. 3 (Sale of publications) ⁵	17,000.00	20,000.00
Art. 4 (Aviareto) ⁶	23,000.00	23,000.00
Chapter 3: Various receipts		
Tax reimbursement credit ⁷	8,000.00	0.00
Total of receipts	2,345,060.00	2,335,000.00

EXPLANATORY NOTES TO THE DRAFT BUDGET – RECEIPTS

1 The numbers given in this column correspond to the official 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 made this calculation on the basis of a unit of contribution amounting to € 2,530. The expected amount of contributions of Member States for 2022 corresponds to the UNIDROIT Contributions Chart adopted by the General Assembly at its 78th session (Rome, 12 December 2019) (see [UNIDROIT 2019 – A.G. \(78\) 12](#), and [A.G. \(78\) 11 rev.](#)). The stated amount is without any modifications made due to requests for temporary suspension of the application of the Contributions Chart.

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 (or very close thereto).

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 2022 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 formerly 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 4). It is not expected that any payments will be made in this regard in 2022.

EXPENDITURE (in Euro)

	2021¹	2022
Chapter 1 – Meeting and travel costs²		
Art. 1 (Governing Council and Permanent Committee)	50,000.00	50,000.00
Art. 2 (Auditor)	5,000.00	5,000.00
Art. 3 (Administrative tribunal)	-	
Art. 4 (Committees of Experts)	108,383.50	127,000.00
Art. 5 (Official journeys and promotion of activities)	45,383.50	55,000.00
Art. 6 (Interpreters)	35,000.00	25,000.00
Art. 7 (Representation)	8,000.00	8,000.00
Subtotal	251,767.00	270,000.00
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
Art. 2 (Remuneration for occasional collaborators)	30,000.00	15,000.00
Art. 3 (Tax reimbursement) ⁴	0.00	0.00
Subtotal	1,250,293.00	1,261,422.00
Chapter 3 – Social security charges		
Art. 1 (Insurance against disablement, old age and sickness) ⁵	488,750.00	508,328.00
Art. 2 (Accidents' insurance) ⁶	9,000.00	5,000.00
Art. 3 (Compensation retired members of staff) ⁷	2,250.00	2,250.00
Subtotal	500,000.00	515,578.00
Chapter 4 – Administrative expenses⁸		
Art. 1 (Stationery)	12,000.00	10,000.00
Art. 2 (Telephone, fax and Internet)	21,000.00	20,000.00
Art. 3 (Postage)	10,000.00	7,000.00
Art. 4 (Miscellaneous)	5,000.00	2,000.00
Art. 5 (Printing of publications)	15,000.00	10,000.00
Subtotal	63,000.00	49,000.00
Chapter 5 – Maintenance costs⁹		
Art. 1 (Electricity)	16,000.00	15,000.00
Art. 2 (Heating)	25,000.00	23,000.00
Art. 3 (Water)	9,000.00	8,000.00
Art. 4 (Insurance of premises)	12,000.00	12,000.00
Art. 5 (Office equipment)	29,000.00	23,000.00
Art. 6 (Upkeep of building, public services)	35,000.00	25,000.00
Art. 7 (Labour costs)	25,000.00	15,000.00
Subtotal	151,000.00	121,000.00
Chapter 6 – Library¹⁰		
Art. 1 (Purchase of books)	90,000.00	80,000.00
Art. 2 (Binding)	9,000.00	8,000.00
Art. 3 (Software)	30,000.00	30,000.00
Subtotal	129,000.00	118,000.00
Total expenditure	2,345,060.00	2,335,000.00

EXPLANATORY NOTES TO THE DRAFT BUDGET - EXPENDITURE

1 The numbers given in this column correspond to the official 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 **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; the fees due to the auditor appointed by the General Assembly; the costs of hearings of the Administrative Tribunal, registrar services and sums awarded by the Tribunal for settlement of claims; the costs incurred by UNIDROIT in organising meetings of committees of experts and other meetings associated with UNIDROIT's Work Programme; the travel and subsistence expenses incurred by representatives of UNIDROIT, 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 UNIDROIT's work in general and, where appropriate, to encourage accession to the Statute of the Organisation; the cost of simultaneous interpretation at meetings held by UNIDROIT; and the cost of representation functions, such as receptions and similar events organised by UNIDROIT in connection with its meetings.

With respect to Article 4 (Committees of Experts), the Secretariat deems it prudent to forecast an increase of €18,616.50 for this line of expenditure to reflect the fact that 2022 will be a year in which no less than six projects under the new Work Programme (2020-2022) will be fully underway and simultaneously running, with an expected increase in the number of meetings contemplated for that year.

With respect to Article 5 (Official journeys and promotion of activities), the Secretariat deems it prudent to forecast an increase of €9,616.50 for this line of expenditure to return to the pre-Covid-19 levels and to reflect the fact that 2022 is expected to see a return to ordinary missions.

With respect to Article 6 (Interpreters), the Secretariat forecasts a decrease of €10,000 for this line of expenditure to reflect the lower level of actual expenditure seen in the course of 2020.

3 **Purpose of expenditure:** to cover the salaries and allowances of the professional, administrative, secretarial and library members of UNIDROIT staff as well as remuneration of consultants.

With respect to Article 1 (Salaries of Categories D, P and GS staff and consultant), the Secretariat deems it prudent to forecast an increase of €26,129.00 for this line of expenditure in order to reflect changes in staffing anticipated for 2022 as well as the within-grade increases in line with the UN salary scale.

With respect to Article 2 (Remuneration for occasional collaborators), the Secretariat foresees a lesser need to rely on occasional collaborators, which would lower costs in this regard, and for which reason the Secretariat proposes reducing the amount of expenditure for this line by €15,000.00.

4 **Purpose of expenditure:** to cover the cost of federal, state and municipal taxes payable by a US citizen who was 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 signed in September 2013.

The first financial year in which taxes were refunded by UNIDROIT was the year 2015. Given that the US citizen left the employment of the Secretariat in 2019, it is not foreseen that there will be any need for reimbursement in 2022. The Secretariat therefore foresees a reduction to €0 for the year 2022.

5 **Purpose of expenditure:** insurance coverage of staff members against disability, old age and sickness in accordance with the UNIDROIT Regulations.

With respect to Article 1 (Insurance against disablement, old age and sickness) the Secretariat deems it prudent to forecast an increase of €19,578.00 for this line of expenditure in order to reflect changes in staffing anticipated for 2022 as well as increased costs due to the within-grade increases in line with the UN salary scale.

6 **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. The Secretariat forecasts a decrease of €4,000 for this line of expenditure to reflect the lower level of actual expenditure anticipated.

7 **Purpose of expenditure:** payments to one retired member of staff to cover the periods, in the past, during which he was not covered for social security purposes.

No change is proposed for 2022.

8 **Purpose of expenditure:** to cover ordinary running expenses of UNIDROIT (purchase of stationary, telephone charges, postage of materials and correspondence, etc.).

In order to reflect the lower level of actual expenditure seen in the course of 2020, the Secretariat proposes the following modifications for 2022: a decrease of €2,000 under Article 1 (Stationery), a decrease of €1,000 to Article 2 (Telephone, fax and Internet), a reduction of €3,000 to Article 3 (Postage), a reduction of €3,000 to Article 4 (Miscellaneous), as well as a reduction of €5,000 to Article 5 (Printing of publications).

9 **Purpose of expenditure:** to cover utilities fees (electricity, water and gas bills), building maintenance costs (insurance, ordinary repairs in the building, maintenance of elevators) and charges for municipal services (i.e. waste disposal).

In order to reflect the lower level of actual expenditure seen in the course of 2020 or lower levels of anticipated expenditure, the Secretariat proposes the following modifications for 2022: a decrease of €1,000 under Article 1 (Electricity), a decrease of €2,000 to Article 2 (Heating), a decrease of €1,000 to Article 3 (Water), a reduction of €6,000 to Article 5 (Office equipment), a reduction of €10,000 to Article 6 (Upkeep of building, public services), as well as a reduction of €10,000 to Article 7 (Labour costs).

10 **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, binding of periodicals and subscriptions to electronic journals and databases.

In order to reflect the lower level of actual expenditure seen in the course of 2020, the Secretariat proposes a decrease in 2022 of €10,000 under Article 1 (Purchase of books) and a decrease of €1,000 under Article 2 (Binding).