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Item No. 7 on the Agenda: Draft Budget for 2023 and observations submitted by Member States

(prepared by the UNIDROIT Secretariat)

<i>Summary</i>	<i>Explanation of the proposed expenditure and receipts under the 2023 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 81st session (Rome, December 2022)</i>
<i>Related documents</i>	<i>Draft Budget 2023 – First estimates (UNIDROIT 2022 F.C. (93) 2); Finance Committee Report – 93rd session (UNIDROIT 2022 F.C. (93) 6); Governing Council Document – 101st session (UNIDROIT 2022 C.D. (101) 20); Governing Council Report – 101st session (UNIDROIT 2022 C.D. (101) 21)</i>

INTRODUCTION

1. The first draft of the 2023 Budget, providing estimates of receipts and expenditure for the 2023 financial year ([F.C. \(93\) 2](#)), was examined by the Finance Committee at its 93rd session (hybrid session, 25 May 2022), for preliminary opinion in accordance with Article 26 of the UNIDROIT Regulations (see Report [F.C. \(93\) 6](#)).
2. Those first estimates were then submitted to the Governing Council, which established at its 101st session (Rome, June 2022) the draft Budget for 2023 ([C.D. \(101\) 20](#); [C.D. \(101\) 21](#)), as set forth in the Appendix to this document, and authorised the Secretariat to transmit it to Member States without amendments.
3. Accordingly, the draft Budget for 2023 resulting from this procedure has been submitted to the Governments of UNIDROIT Member States with a view to their formulation of such comments as they might wish to make by 25 August 2022 at the latest. The governments of Brazil and of Ireland were the only countries to submit comments (see Appendix II). The government of Ireland confirmed that Ireland would voluntarily remain in a higher Member State contribution category in 2023, while the government of Brazil requested an extension of the temporary suspension of its reclassification in the Contributions Chart.

4. Overall, the Secretariat estimates a total of receipts of € 2,345,000.00 for the year 2023, which is € 10,000.00 more than under the 2022 Budget. This increase is due to an expected increase in income from the sale of publications in 2023 based on the expectation that (i) the Rail Protocol comes into force during 2022 or early 2023, and (ii) work concluded to create the institutional framework for the MAC Protocol is finalised. Moreover, the publication of the 5th edition of the Official Commentary on the Aircraft Protocol, which includes a considerable extension of some parts of the Commentary, should bring about an increase in sales.

5. Regarding expenditure, the Secretariat forecasts an increase in costs with respect to Chapter 1 – Meeting and travel costs. In particular, an increase in expenditure is expected for the budget lines Committees of Experts (€ 20,000) and Official journeys and promotion of activities (€ 5,000), assuming that travel goes back to pre-COVID-19 levels and considering that six projects from the current Work Programme (2020-2022) will continue to run simultaneously in 2023 while initial work on additional projects under the new Work Programme (2023-2025) is also expected to start, subject to the approval of the General Assembly at its 81st session, and promotional activities for existing instruments will continue. On the other hand, the Secretariat forecasts a slight decrease in expenditure under the remaining Chapters (Salaries and allowances; Social security charges; Administrative expenses; Maintenance costs; Library).

APPENDIX

DRAFT BUDGET FOR THE 2023 FINANCIAL YEAR

RECEIPTS (in Euro)

	Budget 2022 ¹	Budget 2023
Chapter 1: Contributions of Member States		
Contributions of Member States	2,277,000.00	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	20,000.00	30,000.00
Art. 4 (Aviareto) ⁶	23,000.00	23,000.00
Total of receipts	2,335,000.00	2,345,000.00

EXPLANATORY NOTES TO THE DRAFT BUDGET – RECEIPTS

¹ The numbers given in this column correspond to the official budget for 2022 approved by the Finance Committee at its 92nd session in Rome on 4 November 2021 (see [UNIDROIT 2021 – F.C. \(92\) 6](#)), and subsequently approved by the General Assembly at its 80th session in Rome on 9 December 2021 (see [UNIDROIT 2021 – A.G. \(80\) 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 2023 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 long-standing trend of ultra low interest rate environment, the Secretariat estimates the interest earned on deposits in checking accounts to be zero (or very close thereto) also for 2023. However, this is a conservative approach, since the increase in inflation rates may push up interest rates in deposit accounts.

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 higher than in previous years. This is due to the likely increase in sales if, as expected, (i) the Rail Protocol comes into force during 2022 or early 2023, and (ii) work concluded to create the institutional framework for the MAC Protocol is finalised. Moreover, the publication of the 5th edition of the Aircraft Protocol Official Commentary, which includes a considerable extension of some parts of the Commentary, should bring about an increase in sales.

⁶ UNIDROIT is to receive in 2023 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.

EXPENDITURE (in Euro)

	2022¹	2023
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)	127,000.00	147,000.00
Art. 5 (Official journeys and promotion of activities)	55,000.00	60,000.00
Art. 6 (Interpreters)	25,000.00	20,000.00
Art. 7 (Representation)	8,000.00	8,000.00
Subtotal	270,000.00	290,000.00
Chapter 2 – Salaries and allowances³		
Art. 1 (Salaries of Categories D, P and GS staff and consultant)	1,246,422.00	1,245,000.00
Art. 2 (Remuneration for occasional collaborators)	15,000.00	15,000.00
Art. 3 (Tax reimbursement)	0.00	0.00
Subtotal	1,261,422.00	1,260,000.00
Chapter 3 – Social security charges		
Art. 1 (Insurance against disablement, old age and sickness) ⁴	508,328.00	507,750.00
Art. 2 (Accidents' insurance) ⁵	5,000.00	5,000.00
Art. 3 (Compensation retired members of staff) ⁶	2,250.00	2,250.00
Subtotal	515,578.00	515,000.00
Chapter 4 – Administrative expenses⁷		
Art. 1 (Stationery)	10,000.00	10,000.00
Art. 2 (Telephone, fax and Internet)	20,000.00	20,000.00
Art. 3 (Postage)	7,000.00	6,000.00
Art. 4 (Miscellaneous)	2,000.00	2,000.00
Art. 5 (Printing of publications)	10,000.00	10,000.00
Subtotal	49,000.00	48,000.00
Chapter 5 – Maintenance costs⁸		
Art. 1 (Electricity)	15,000.00	15,000.00
Art. 2 (Heating)	23,000.00	23,000.00
Art. 3 (Water)	8,000.00	5,000.00
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)	25,000.00	25,000.00
Art. 7 (Labour costs)	15,000.00	15,000.00
Subtotal	121,000.00	118,000.00
Chapter 6 – Library⁹		
Art. 1 (Purchase of books)	80,000.00	80,000.00
Art. 2 (Binding)	8,000.00	4,000.00
Art. 3 (Software)	30,000.00	30,000.00
Subtotal	118,000.00	114,000.00
Total expenditure	2,335,000.00	2,345,000.00

EXPLANATORY NOTES TO THE DRAFT BUDGET - EXPENDITURE

1 The numbers given in this column correspond to the official budget for 2022 approved by the Finance Committee at its 92nd session in Rome on 4 November 2021 (see [UNIDROIT 2021 – F.C. \(92\) 6](#)), and subsequently approved by the General Assembly at its 80th session in Rome on 9 December 2021 (see [UNIDROIT 2021 – A.G. \(80\) 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 € 20,000 for this line of expenditure to reflect the fact that 2023 will be a year in which no less than six projects under the current Work Programme (2020-2022) will be fully underway and simultaneously running, with an expected increase in the number of meetings contemplated for that year, while initial work on new projects under the Work Programme 2023-2025 may also start, subject to the approval of the General Assembly at its 81st session. Travel of experts to Rome for Working Group meetings is expected to go back to levels previous to the restrictions in place during the pandemic.

With respect to Article 5 (Official journeys and promotion of activities), the Secretariat deems it prudent to forecast an increase of €5,000 for this line of expenditure to return to the pre-COVID-19 levels and to reflect the fact that 2023 is expected to see an increase of missions to promote the implementation of the Institute's instruments.

With respect to Article 6 (Interpreters), the Secretariat forecasts a decrease of €5,000 for this line of expenditure to reflect the level of actual expenditure seen in the previous years.

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 a small decrease of approximately € 1500 in order to reflect changes in staffing anticipated for 2023 as well as the within-grade increases in line with the UN salary scales.

With respect to Article 2 (Remuneration for occasional collaborators), the Secretariat foresees a similar need to rely on occasional collaborators as in 2022, for which reason the Secretariat proposes keeping the same amount of expenditure for this line at € 15,000.00.

4 **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 a slight decrease for this line of expenditure in order to reflect the same trend in the staff remuneration.

5 **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 the same level of expenditure.

6 **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 2023.

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

8 **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).

9 **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.

Nº 02

The Embassy of the Federative Republic of Brazil presents its compliments to the International Institute for the Unification of Private Law (UNIDROIT) and with reference to Note Verbale FCo/1035, dated 20 July 2022, and to Note Verbale MSc/17, of 2020, as well as in view of the upcoming 94th Session of the Finance Committee, has the honor, in conformity with Article 16 of the Statute of UNIDROIT, to convey comments regarding the draft Budget for the 2023 financial year and the reclassification of Brazil in the Contributions Chart.

2. The Embassy of Brazil takes note of the fact that, in the draft Budget for the 2023 financial year, the calculation of the contributions of Member States already took into account requests for temporary suspension of the application of the Contributions Chart.

3. In that respect, the Embassy of Brazil would like to reiterate that the severe worldwide crisis brought by the COVID-19 pandemic continues to have a major impact on the Brazilian economy. Hence, Brazil cannot accept any increase in its contribution to the UNIDROIT budget in the 2023 financial year.

4. Furthermore, in spite of Brazil's support to the efforts made by UNIDROIT in order to reduce gaps between categories of contribution and to adjust them to the United Nations chart, in accordance with the decisions of the General Assembly, the practical effects of the reclassification are, in Brazil's case, clearly excessive. Brazil's contribution ended up being doubled, an atypical 100% raise, which is not in accordance with the Institute's practice of gradual progression of contributions.

5. The Embassy of Brazil would also like to underline that, in 2012, when a suspension of reclassification was granted to other member states, the then Secretary-General of UNIDROIT stated that it should apply for three years, until the issue of the reclassification was taken again, on the basis of the revised UN assessment scale (72nd FC Report, paragraph 23). Based on this precedent, the suspension of Brazil's reclassification should be extended until the next review, instead of being analyzed on a yearly basis. It should also be emphasized that the requirement to present supporting documentation is not in accordance with the UNIDROIT practice – it was not demanded, for instance, between 2012 and 2017, when other member states were in the same situation. It is not justified, then, to give a different treatment to Brazil this time.

6. Therefore, the Embassy of Brazil would like to request the extension of the suspension of its reclassification in the UNIDROIT Contributions Chart, at least until the next review, in line with the recent practice of the Institute.

7. The Embassy of the Federative Republic of Brazil in Rome avails itself of this opportunity to renew to the International Institute for the Unification of Private Law (UNIDROIT) the assurances of its highest consideration.

Rome, 03 August 2022





NOTE VERBALE

Rif. n° 88/2022

The Embassy of Ireland in Italy presents its compliments to the International Institute for the Unification of Private Law (UNIDROIT) and refers to its Note FCo/1035 of 20 July 2022.

The Embassy of Ireland has the honour to confirm that Ireland will voluntarily maintain 9 units of contribution in the amount of €22,770 in the 2023 financial year – one unit of contribution more than Ireland's actual category of 8 units.

The Embassy of Ireland further has the honour to advise that Ireland reserves the right to reduce our contribution to our actual category of 8 units and will continue to consider and confirm our contribution in future years.

The Embassy of Ireland in Italy avails itself of this opportunity to renew to the International Institute for the Unification of Private Law (UNIDROIT) the assurances of its highest consideration.

Rome, 23 August 2022



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