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Item No. 5 on the Agenda: Adjustments to the Budget for the 2023 financial year

(prepared by the UNIDROIT Secretariat)

<i>Summary</i>	<i>Explanation of the adjustments proposed by the Secretariat to the 2023 Budget</i>
<i>Action to be taken</i>	<i>For information of the Members of the Finance Committee.</i>
<i>Related documents</i>	UNIDROIT 2022 F.C. (93) 2 ; UNIDROIT 2022 C.D. (101) 20 ; UNIDROIT 2022 F.C. (94) 6 ; UNIDROIT F.C. (94) 8 ; UNIDROIT A.G. (81) 7 ; UNIDROIT F.C. (95) 3

INTRODUCTION

1. The first estimates of receipts and expenditure for the 2023 financial year prepared by the Secretariat ([F.C. \(93\) 2](#)) were examined by the Finance Committee at its 93rd session (hybrid session, 25 May 2022), in accordance with Article 26 of the Regulations. Those first estimates were then submitted to the Governing Council, which, at its 101st session (Rome, June 2022), established the draft Budget for 2023 ([C.D. \(101\) 20](#)), and authorised the Secretariat to transmit it to Member States without amendments ([C.D. \(101\) 21](#)).

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. The governments of Brazil and of Ireland were the only countries to submit comments. The governments of Ireland and -although not expressly notified- Portugal would voluntarily remain in a higher Member State contribution category in 2023, while the governments of Argentina¹ and Brazil requested an extension of the temporary suspension of its reclassification in the Contributions Chart.

3. The resulting document was then presented to the Finance Committee at its 94th session (hybrid session, 20 October 2022) ([F.C. \(94\) 6](#)). During that meeting, the Secretariat anticipated that adjustments to the Budget for 2023 would need to be made in the course of 2023 to reflect the consistent increase in salary payments to UNIDROIT staff. Having taken note of this, the Finance Committee at its 94th session requested a positive opinion to be transmitted to the General Assembly

¹ The Republic of Argentina submitted a Note Verbale to this end on the day of the General Assembly's 81st session in December 2022.

on the draft Budget ([F.C. \(94\) 8](#)). At its 81st session (Rome, 15 December 2022), the General Assembly approved the Budget for the 2023 financial year ([A.G. \(81\) 7](#); [A.G. \(81\) 9](#)).

4. Every year it is customary for the Secretariat to submit, first to the Finance Committee and then to the General Assembly, a document indicating any adjustments that may need to be made to the Budget for that financial year. Such indications are to be based on the Accounts available for the previous financial year, the partial accounts available for the current financial year and any other modifications due to exceptional circumstances.

5. At its 95th session (hybrid session, 23 March 2023), the Finance Committee first reviewed proposed amendments to the Budget for the 2023 financial year ([F.C. \(95\) 3](#)). The estimate for the contributions of Member States was revised upwards, based on the expectation that arrears in Member State contributions would be reduced. It was also anticipated that the receipts due to the sale of publications would increase in 2023, mainly due to the publication of the 5th edition of the Official Commentary to the Aircraft Protocol and the expected entry into force of the Rail Protocol. Regarding expenditure, the proposed adjustments mainly concerned an anticipated increase of expenses under Chapter 2 (Salaries and allowances) and the related Chapter 3 (Social security charges) due to the design of the salary system, resulting in an increase of salary payments of about 2.5% per year.

4. At the time of writing, the Secretariat considers that it is necessary to introduce a few refinements to the Budget for the 2023 financial year, as indicated in the notes to the revised budget contained in Appendix I to this document. The total amount of receipts and expenditure in 2023 is expected to remain € 2,427,586.00, as anticipated to the Finance Committee in March 2023. Adjustments have only been made to the allocation of expenses under the various budget lines, based on the actual expenditure in 2023 until end-September.

5. The Finance Committee is invited to review the proposed adjustments to the Budget for the financial year 2023, as set out in Appendix I, and to recommend their approval by the General Assembly, at its 82nd session.

APPENDIX I

**ADJUSTMENTS TO THE BUDGET FOR THE 2023
FINANCIAL YEAR**

RECEIPTS (in Euro)

	2023		
	Budget 2023¹	Estimate	Balance
Income			
Chapter 1: Contributions of Member States			
Art. 1 (Member State Contributions)	2,277,000.00	2,329,586.00 ²	52,586.00
Chapter 2: Other Receipts			
Art. 1 (Interest)	0.00	0.00 ³	0.00
Art. 2 (Contribution to overhead expenses)	15,000.00	15,000.00 ⁴	0.00
Art. 3 (Sale of publications)	30,000.00	60,000.00 ⁵	30,000.00
Art. 4 (Aviareto)	23,000.00 ⁴	23,000.00 ⁶	0.00
Total receipts	2,345,000.00	2,427,586.00	82,586.00

EXPLANATORY NOTES TO THE ADJUSTED RECEIPTS

¹ The numbers given in this column correspond to those found in the Budget for 2023 approved by the Finance Committee at its 94th session on 20 October 2022 (see [UNIDROIT 2022 – F.C. \(94\) 6](#)), and subsequently approved by the General Assembly at its 81st session in Rome on 15 December 2022 (see [UNIDROIT 2022 – A.G. \(81\) 7](#)).

² The Secretariat has based this estimate on the expectation that arrears in Member State contributions would be reduced, and considering that the Republic of Singapore acceded to the UNIDROIT Statute on 1 March 2023 and Mongolia on 21 April 2023.²

³ While interest rates are currently increasing, the Secretariat considers prudent to continue estimating the interest earned on deposits in checking accounts to be close to 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 has based this estimate on the receipts from the sale of publications in 2022 and considering that an increase in sales is anticipated due to (i) the expected entry into force of the Rail Protocol in 2023; (ii) the expected finalisation of the institutional framework for the MAC Protocol; and (iii) the publication of the 5th edition of the Official Commentary to the Aircraft Protocol.

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 fifth edition of the Aircraft Protocol Official Commentary by Sir Roy Goode to Aviareto to make available to users of the International Registry.

² In 2023, Brazil has paid its arrears for 2021 and 2022 (total € 91,080); Iran has paid its outstanding arrears from the period 2014-2022 (total € 141,680); Nigeria has paid its arrears for 2018, 2019, 2020 and a part of the arrears from 2021 (€ 62,619.93). In 2023, this led to a total payment of arrears of € 295,379.93.

EXPENDITURE (in Euro)

	Budget 2023¹	Adjusted	Balance
Chapter 1 – Meeting costs and official travel²			
Art. 1 (Governing Council and Permanent Committee)	50,000.00	52,000.00	2,000.00
Art. 2 (Auditor)	5,000.00	5,000.00	0.00
Art. 3 (Administrative Tribunal)			0.00
Art. 4 (Committees of Experts)	147,000.00	90,000.00	-57,000.00
Art. 5 (Official journeys and promotion of activities)	60,000.00	60,000.00	0.00
Art. 6 (Interpreters)	20,000.00	20,000.00	0.00
Art. 7 (Representation)	8,000.00	8,000.00	0.00
Total	290,000.00	235,000.00	-55,000.00
Chapter 2 – Salaries and allowances³			
Art.1 (Salaries of Categories D, P, and GS staff and consultant)	1,245,000.00	1,324,278.00	79,278.00
Art. 2 (Remuneration for occasional collaborators)	15,000.00	15,000.00	0.00
Art. 3 (Tax reimbursement)	0.00	0.00	0.00
Total	1,260,000.00	1,339,278.00	79,278.00
Chapter 3 – Social security charges⁴			
Art. 1 (Insurance against disablement, old age and sickness)	507,750.00	516,058.00	8,308.00
Art. 2 (Accidents' insurance)	5,000.00	8,000.00	3,000.00
Art. 3 Compensation for retired members of staff	2,250.00	1,900.00	-350.00
Total	515,000.00	525,958.00	10,958.00
Chapter 4 – Administrative expenses⁵			
Art. 1 (Stationery)	10,000.00	10,000.00	0.00
Art. 2 (Telephone, fax and Internet)	20,000.00	15,000.00	-5,000.00
Art. 3 (Postage)	6,000.00	4,000.00	-2,000.00
Art. 4 (Miscellaneous)	2,000.00	2,000.00	0.00
Art. 5 (Printing of publications)	10,000.00	10,000.00	0.00
Total	48,000.00	41,000.00	-7,000.00
Chapter 5 – Maintenance costs⁵			
Art. 1 (Electricity)	15,000.00	28,000.00	13,000.00
Art. 2 (Heating)	23,000.00	19,000.00	-4,000.00
Art. 3 (Water)	5,000.00	5,000.00	0.00
Art. 4 (Insurance of premises)	12,000.00	12,000.00	0.00
Art. 5 (Office equipment)	23,000.00	33,350.00	10,350.00
Art. 6 (Upkeep of building)	25,000.00	42,000.00	17,000.00
Art. 7 (Labour costs, local taxes)	15,000.00	25,000.00	10,000.00
Total	118,000.00	164,350.00	46,350.00
Chapter 6 – Library⁵			
Art. 1 (Purchase of books)	80,000.00	80,000.00	0.00
Art. 2 (Binding)	4,000.00	4,000.00	0.00
Art. 3 (Software)	30,000.00	38,000.00	8,000.00
Total	114,000.00	122,000.00	8,000.00
Total expenditure	2,345,000.00	2,427,586.00	82,586.00

EXPLANATORY NOTES TO THE ADJUSTED EXPENDITURE

¹ The numbers given in this column correspond to those found in the Budget for 2023 approved by the Finance Committee at its 94th session on 20 October 2022 (see [UNIDROIT 2022 – F.C. \(94\) 6](#)), and subsequently approved by the General Assembly at its 81st session in Rome on 15 December 2022 (see [UNIDROIT 2022 – A.G. \(81\) 7](#)).

² The Secretariat proposes two adjustments in expected expenditures under Chapter 1 – Meeting costs and official travel: an increase of € 2,000 to Art. 1 (Governing Council) and a decrease of € 57,000 to Art. 4 (Committees of Experts) considering the expenditure under these budget lines in 2023 so far.

³ The Secretariat proposes an increase in expenditures under Chapter 2, Art. 1 (Salaries of Categories D, P, and GS staff and consultant) of € 79,278.00 to reflect the steady increase in salary payments each year, in light of the accounts of the previous year, which had not been considered in the approved Budget for 2023. This estimate takes the actual expenditure in 2022 (€ 1,266,873.68) into account, which has been adjusted for 2023 to reflect the design of the salary system (which leads to an increase of about 2.5% in salary payments each year). In 2023, costs are expected to increase further due to: (i) changes in the USD-EUR exchange rate; and (ii) the arrival of two fixed term consultants.³

⁴ The change in the expected expenditure under Chapter 2, Art. 1 (Salaries) also causes an upward adjustment under Chapter 3, Art. 1 (Insurance against disablement, old age and sickness). Furthermore, the Secretariat anticipates an increase in expenditure of € 3,000 under Chapter 3, Art. 2 (Accidents' insurance) based on the actual expenditure in 2021 and 2022 (€ 8,786).

⁵ It is proposed to decrease the expected expenditures: (i) under Chapter 4, Art. 2 (Telephone, fax and internet) by € 5,000.00 and under Chapter 4, Art. 3 (Postage) by € 2,000, based on the actual expenditure in 2023 so far; and (ii) under Chapter 5, Art. 2 (Heating) by € 4,000 given that the Institute has benefited from a credit reimbursement relating to paid taxes (VAT) in previous years until April 2023.

Furthermore, the Secretariat proposes the following adjustments in expenditures under Chapter 5 – Maintenance costs: an increase of € 13,000 to Art. 1 (Electricity) due to higher electricity bills following the increase in (temporary) staff and the long period of heat in 2023 that has led to an increased use of air conditioning; an increase of € 10,350 to Art. 5 (Office equipment) given the extra staff that has joined the Secretariat; an increase of € 17,000 to Art. 6 (Upkeep of building) mainly due to the replacement of the air conditioning system in the Library; and an increase of € 10,000 to Art. 7 (Labour costs) mainly due to the higher number of institutional events in 2023.

⁶ The Secretariat proposes to adjust the expected expenditure under Chapter 6 – Library by € 8,000 to reflect the higher actual expenditure for library software.

³ Based on the actual expenditure until September 2023, the anticipated expenditure under Chapter 2, Art. 1 was increased by € 10,000 compared to the estimate presented to the Finance Committee at its 95th session in March 2023.