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Item No. 12 on the Agenda: Approval of the draft Budget for 2024 and observations submitted by Member States

(prepared by the UNIDROIT Secretariat)

<i>Summary</i>	<i>Explanation of the proposed expenditure and receipts under the 2024 draft Budget, the proposed contributions of Member States and observations submitted by Member States</i>
<i>Action to be taken</i>	<i>Approval of the draft Budget for 2024</i>
<i>Related documents</i>	<i>Draft Budget 2024 – First estimates (UNIDROIT 2023 F.C. (95) 4); Finance Committee Report – 95th session (UNIDROIT 2023 F.C. (95) 6); Governing Council Document – 102nd session (UNIDROIT 2023 C.D. (102) 24); Governing Council Report – 102nd session (UNIDROIT 2023 C.D. (102) 25) Report of the Finance Committee (UNIDROIT 2023 – F.C. (96) 8)</i>

INTRODUCTION

1. The first draft of the 2024 Budget, providing estimates of receipts and expenditure for the 2024 financial year ([F.C. \(95\) 4](#)) was examined by the Finance Committee at its 95th session (hybrid session, March 2023) for preliminary opinion in accordance with Article 26 of the UNIDROIT Regulations (see Report [F.C. \(95\) 6](#)). For the first time in many years, the Secretariat had proposed an increase in Member State contributions (of 6%), in consideration of the high increase in inflation and of the increases that had been approved at other organisations active in this field of work. While the Finance Committee was generally understanding of the proposed increase – with two Members (the representatives of Canada and the United States) explicitly expressing support for it – it was agreed that the Secretariat would provide additional explanations regarding the need for the proposed increase in the Institute's Budget to the Finance Committee after its meeting in March 2023. To this end, an Explanatory Note was circulated to the Members of the Finance Committee on a confidential basis in April 2023.

2. The first estimates for a draft Budget for the 2024 financial year were then submitted to the Governing Council, accompanied by the Explanatory Note on the proposed increase in Member States' contributions. In accordance with Article 11 of the UNIDROIT Statute, the Governing Council at its 102nd session (Rome, May 2023) officially drew up the draft Budget for 2024 ([C.D. \(102\) 24](#); [C.D. \(102\) 25](#)), as set forth in Appendix I to this document, and authorised the Secretariat to transmit it to Member States without amendments.

3. Accordingly, the draft Budget for 2024 resulting from this procedure has been submitted, together with the confidential Explanatory Note (C.D (102) 24 – Add.), to the Governments of UNIDROIT Member States, which were invited to submit any comments by 11 September 2023 at the latest. The Governments of Colombia and Mexico explicitly expressed support for the proposed increase in Member State contributions as suggested in the draft Budget for 2024, while several other Member States (France, Portugal, Singapore) responded as not having any comments on the draft Budget. The Government of Brazil requested an extension of the suspension of its reclassification in the Contributions Chart. The comments submitted by Member States by means of *Notes Verbales* are provided under Appendix II to this document.

4. In the draft Budget for 2024, the Secretariat estimates a total of receipts of € 2,555,742.00. This amount considers the proposed increase in Member State contributions by 6%, the payment of arrears, and an expected increase in income from the sale of publications in 2024 (an increase of € 15,000 compared to the Budget for 2023) based on the publication of the fifth edition of the Official Commentary on the Aircraft Protocol, the expected entry into force of the Rail Protocol, and the anticipated finalisation of the institutional framework for the MAC Protocol.

5. Regarding expenditure, the Secretariat forecasts an increase in costs with respect to Chapter 1 – Meeting and travel costs. In particular, compared to the Budget for 2023, an increase in expenditure is expected for the following budget lines: Governing Council and Permanent Committee (€ 3,000); Committees of Experts (€ 23,000); and Official journeys and promotion of activities (€ 10,000). The latter takes into account that UNIDROIT's Governing Council approved three new instruments at its 102nd session in May 2023,¹ for which promotion activities are anticipated in 2024, in addition to regular promotion activities of existing UNIDROIT instruments. The forecasted increase under Chapter 2 – Salaries and allowances, and Chapter 3 – Social security charges is explained by the annual increase in salaries due to the design of the salary system.

6. The Finance Committee expressed itself in favour of the draft Budget for the 2024 financial year, including the 6% increase in Member State contributions, and recommended that the General Assembly, at its 82nd session (Rome, 14 December 2023), adopt the draft Budget for the 2024 financial year.

7. In light of the foregoing, the General Assembly, at its 82nd session, may wish to adopt the draft Budget for 2024 as set forth in Appendix I to this document. An updated version of the Contributions Chart, which includes the 6% increase in Member State contributions, is included in Appendix IV to this document.

¹ The UNIDROIT/UNCITRAL Model Law on Warehouse Receipts (currently subject to UNCITRAL State negotiations); the UNIDROIT Model Law on Factoring; and the UNIDROIT Principles on Digital Assets and Private Law.

APPENDIX I

**DRAFT BUDGET FOR THE 2024
FINANCIAL YEAR**

RECEIPTS (in Euro)

	Budget 2023¹	Budget 2024
Chapter 1: Contributions of Member States		
Art. 1 (Member States' Contributions)	2,277,000.00	2,472,742.00 ²
Chapter 2: Other receipts		
Art. 1 (Interest)	0.00	0.00 ³
Art. 2 (Contributions to overhead expenses)	15,000.00	15,000.00 ⁴
Art. 3 (Sale of publications)	30,000.00	45,000.00 ⁵
Art. 4 (Aviareto)	23,000.00	23,000.00 ⁶
Total receipts	2,345,000.00	2,555,742.00

EXPLANATORY NOTES TO THE DRAFT BUDGET – 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 expected amount of contributions of Member States for 2024 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.](#)), increased by 6% to adjust for inflation.

³ The Secretariat estimates the interest earned on deposits in checking accounts to be close to zero again for 2024. However, this is a conservative approach, since the interest rates in deposit accounts are currently increasing.

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 anticipates that the receipts from publications will be slightly higher than the amount originally expected in 2023.

⁶ UNIDROIT is to receive in 2024 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 for Aviareto to make available to users of the International Registry.

EXPENDITURE (in Euro)

	Budget 2023¹	Budget 2024
Chapter 1 – Meeting costs and official travel²		
Art. 1 (Governing Council and Permanent Committee)	50,000.00	53,000.00
Art. 2 (Auditor)	5,000.00	5,000.00
Art. 3 (Administrative Tribunal)		
Art. 4 (Committees of Experts)	147,000.00	170,000.00
Art. 5 (Official journeys and promotion of activities)	60,000.00	70,000.00
Art. 6 (Interpreters)	20,000.00	20,000.00
Art. 7 (Representation)	8,000.00	8,000.00
Subtotal	290,000.00	326,000.00
Chapter 2 – Salaries and allowances³		
Art. 1 (Salaries of Categories D, P and GS staff and consultants)	1,245,000.00	1,367,520.00
Art. 2 (Remuneration for occasional collaborators)	15,000.00	15,000.00
Art. 3 (Tax reimbursement)	0.00	0.00
Subtotal	1,260,000.00	1,382,520.00
Chapter 3 – Social security charges⁴		
Art. 1 (Insurance against disablement, old age, and sickness)	507,750.00	552,972.00
Art. 2 (Accident insurance)	5,000.00	5,000.00
Art. 3 (Compensation for retired members of staff)	2,250.00	2,250.00
Subtotal	515,000.00	560,222.00
Chapter 4 – Administrative expenses		
Art. 1 (Stationery)	10,000.00	10,000.00
Art. 2 (Telephone, fax, and Internet)	20,000.00	15,000.00
Art. 3 (Postage)	6,000.00	6,000.00
Art. 4 (Miscellaneous)	2,000.00	2,000.00
Art. 5 (Printing of publications)	10,000.00	10,000.00
Subtotal	48,000.00	43,000.00
Chapter 5 – Maintenance costs⁵		
Art. 1 (Electricity)	15,000.00	20,000.00
Art. 2 (Heating)	23,000.00	25,000.00
Art. 3 (Water)	5,000.00	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	30,000.00
Art. 7 (Labour costs)	15,000.00	15,000.00
Subtotal	118,000.00	130,000.00
Chapter 6 – Library		
Art. 1 (Purchase of books)	80,000.00	80,000.00
Art. 2 (Binding)	4,000.00	4,000.00
Art. 3 (Software)	30,000.00	30,000.00
Subtotal	114,000.00	114,000.00
Total expenditure	2,345,000.00	2,555,742.00

EXPLANATORY NOTES TO THE DRAFT BUDGET - 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 **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 a higher amount for this line of expenditure compared to the Budget for 2023. This is because, in 2024, several projects under the 2020-2022 Work Programme are expected to be finalised, while new projects under the 2023-2025 Work Programme classified as high-priority will have begun as well.

With respect to Article 5 (Official journeys and promotion of activities), the Secretariat also deems it prudent to forecast an increase in expenditure (€ 10,000) as compared to the Budget for 2023, in light of the promotion activities for existing instruments and new instruments expected to be approved in 2023 and 2024.

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 consultants), the Secretariat deems it prudent to forecast an increase of approximately 2.5% in order to reflect the annual increase in salaries due to the design of the salary system.

With respect to Article 2 (Remuneration for occasional collaborators), the Secretariat foresees a similar need to rely on occasional collaborators as in 2023, 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, sickness, and accidents, 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 increase for this line of expenditure in order to reflect the same trend in staff remuneration (see point 3).

⁵ **Purpose of expenditure:** to cover utility 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). The Secretariat is forecasting an increase in electricity expenses and heating expenses, considering that the outstanding VAT credit expires in 2023, as well as an increase in expenses under Article 6 (Upkeep of building, public services).

APPENDIX II

COMMENTS RECEIVED BY MEMBER STATES

N° 05

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/1106, dated 18 July 2023, and to Note Verbale MSc/17, of 16 January 2020, as well as in view of the upcoming 96th 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 2024 financial year and the reclassification of Brazil in the Contributions Chart.

2. The Embassy of Brazil would like to reiterate the request of Brazil suspend any increase in its contribution to the UNIDROIT budget in the 2024 financial year. In that regard, the Embassy recalls the recent difficulties Brazil has faced in order to pay its contributions to the Institute in a timely manner, due to severe budgetary restrictions. Despite the efforts of the Brazilian Government to fulfill all of its international obligations, including to UNIDROIT, the federal budget remains under significant constraint, a situation that preceded the COVID-19 pandemic and was aggravated by it.

3. 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.

4. Furthermore, in the most recent definition of the United Nations scale of contributions, the Brazilian participation in the organization's budget was reduced. As a result, if Brazil accounted for 3.82% of the total contributions to the United Nations budget at the time when the reclassification proposal started being discussed at UNIDROIT (2016–2018 triennium), we came to account for 2.95% of the total contributions in the following period (2019–2021 triennium) and currently account for only 2.01% of total contributions (2022–2024 triennium).

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 at least 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, 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, 21st August 2023.





**EMBAIXADA DE PORTUGAL
ROMA**

N. 258
Proc. 09.02.1

The Embassy of Portugal in Rome presents its compliments to the International Institute for the Unification of Private Law (UNIDROIT) and, in reference to Note Verbale FCo/1106, has the honour to inform that Portugal has no comments on the Accounts for the 2022 financial year nor on the draft Budget for 2024.

The Embassy of Portugal in Rome avails itself of this opportunity to renew to the International Institute for the Unification of Private Law the assurances of its highest consideration.




Rome, 24 August 2023

**International Institute for the Unification of Private Law
ROME**

MÉXICO
EMBAJADA EN ITALIA



AMBASCIATA DEL MESSICO
IN ITALIA

ITA1877

The Embassy of Mexico presents its compliments to the International Institute for the Unification of Private Law (UNIDROIT) and has the honor to refer to the communication CJA 03233 of July 19, regarding the request for comments on the Income and Expenditure Accounts for fiscal year 2022 and the Draft Budget for financial year 2024, which will be discussed at the 96th session of the Finance Committee, to be held in Rome, Italy, on October 12.

In this regard, to contribute to the consultation process, the Embassy is pleased to inform you that, after carrying out the analysis of the draft, Mexico would accompany the approval of the Income and Expenditure Accounts of UNIDROIT as of December 31, 2022, as it maintains an acceptable balance of its operations with a slight deficit offset by a positive balance in the Cash Account for the year 2021, and an approving opinion by the Auditor on these Accounts at the close of the 2022 financial year.

Moreover, the Mexican delegation recognizes the strong impact that the budgets have, due to inflationary effects that have affected the purchasing power of the international organizations within the European Union, a situation that has also affected the Member States. Therefore, it is considered advisable for the Secretariat to carry out a new exercise to identify savings in some items, particularly in Chapter 1.

Lastly, Mexico could join the majority position by accepting the 6% increase in the budget for 2024.

The Embassy of Mexico avails itself of this opportunity to renew UNIDROIT the assurances of its highest consideration.



Rome, August 28th, 2023

International Institute for the Unification of Private Law
(UNIDROIT)
Via Panisperna, 28

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EMBAJADA DE MÉXICO
ROMA. ITALIA

APPENDIX III

Methodology for the classification of Member States in the UNIDROIT Contributions Chart

(as approved by the General Assembly at its 77th session, and as recommended for adoption by the Finance Committee at its 87th session)

Category I (corresponding to 50 units of contribution): States whose percentage contributions to the United Nations budget amounted to more than 4%;

Category II (corresponding to 36 units of contribution): States whose percentage contributions to the United Nations budget ranged from 2.5% to 3.99%;

Category III (corresponding to 22 units of contribution): States whose percentage contributions to the United Nations budget ranged from 2.00% to 2.49%;

Category IV (corresponding to 18 units of contribution): States whose percentage contributions to the United Nations budget ranged from 1.00% to 1.99%;

Category V (corresponding to 13 units of contribution): States whose percentage contributions to the United Nations budget ranged from 0.960% to 0.99%;

Category VI (corresponding to 11 units of contribution): States whose percentage contributions to the United Nations budget ranged from 0.5% to 0.959%;

Category VII (corresponding to 9 units of contribution): States whose percentage contributions to the United Nations budget ranged from 0.450% to 0.499%;

Category VIII (corresponding to 8 units of contribution): States whose percentage contributions to the United Nations budget ranged from 0.115% to 0.449%;

Category IX (corresponding to 5 units of contribution): States whose percentage contributions to the United Nations budget ranged from 0.040% to 0.114%;

Category X (corresponding to 4 units of contribution): States whose percentage contributions to the United Nations budget ranged from 0.005% to 0.039%; and

Special category (corresponding to 1 unit of contribution): States whose percentage contributions to the United Nations budget ranged from 0.001% to 0.004%.

APPENDIX IV

Contribution Chart 2024

Category	Corresponding range of contribution to UN budget for purposes UNIDROIT classification	No of units	State	UNIDROIT budget assessment 2024	Units	Unit value	Contr. 2024
I	4.0% +	50	China	6,00	50	€ 2.682	€ 134.100
		50	France	6,00	50	€ 2.682	€ 134.100
		50	Germany	6,00	50	€ 2.682	€ 134.100
		50	Italy*	6,00	50	€ 2.682	€ 134.100
		50	Japan	6,00	50	€ 2.682	€ 134.100
		50	United Kingdom	6,00	50	€ 2.682	€ 134.100
		50	United States	6,00	50	€ 2.682	€ 134.100
II	2.5%-3.99%	36	Canada	6,00	36	€ 2.682	€ 96.552
III	2.0%-2.49%	22	Australia	6,00	22	€ 2.682	€ 59.004
		22	Republic of Korea	6,00	22	€ 2.682	€ 59.004
		22	Russian Federation	6,00	22	€ 2.682	€ 59.004
		22	Spain	6,00	22	€ 2.682	€ 59.004
IV	1.0%-1.99%	18	Brazil**	6,00	18	€ 2.682	€ 48.276
		18	Mexico	6,00	18	€ 2.682	€ 48.276
		18	Netherlands	6,00	18	€ 2.682	€ 48.276
		18	Saudi Arabia	6,00	18	€ 2.682	€ 48.276
		18	Switzerland	6,00	18	€ 2.682	€ 48.276
		18	Türkiye	6,00	18	€ 2.682	€ 48.276
V	0.960%-0.99%	13			13		
VI	0.5%-0.959%	11	Austria	6,00	11	€ 2.682	€ 29.502
		11	Belgium	6,00	11	€ 2.682	€ 29.502
		11	Denmark	6,00	11	€ 2.682	€ 29.502
		11	India	6,00	11	€ 2.682	€ 29.502
		11	Indonesia	6,00	11	€ 2.682	€ 29.502
		11	Norway	6,00	11	€ 2.682	€ 29.502
		11	Poland	6,00	11	€ 2.682	€ 29.502
		11	Sweden	6,00	11	€ 2.682	€ 29.502
		11	Venezuela	6,00	11	€ 2.682	€ 29.502
VII	0.450%-0.499%	9	Ireland***	6,00	9	€ 2.682	€ 24.138
		9	Portugal****	6,00	9	€ 2.682	€ 24.138
		9	Republic of Singapore	6,00	9	€ 2.682	€ 24.138
VIII	0.115%-0.449%	8	Argentina*****	6,00	8	€ 2.682	€ 21.456
		8	Chile	6,00	8	€ 2.682	€ 21.456
		8	Colombia	6,00	8	€ 2.682	€ 21.456
		8	Czech Republic	6,00	8	€ 2.682	€ 21.456
		8	Egypt	6,00	8	€ 2.682	€ 21.456
		8	Finland	6,00	8	€ 2.682	€ 21.456
		8	Greece	6,00	8	€ 2.682	€ 21.456
		8	Hungary	6,00	8	€ 2.682	€ 21.456
		8	Iran	6,00	8	€ 2.682	€ 21.456
		8	Nigeria	6,00	8	€ 2.682	€ 21.456
		8	Pakistan	6,00	8	€ 2.682	€ 21.456
		8	Romania	6,00	8	€ 2.682	€ 21.456
		8	Slovakia	6,00	8	€ 2.682	€ 21.456
		8	South Africa	6,00	8	€ 2.682	€ 21.456

IX	0.040%-0.114%	5	Bulgaria	6,00	5	€ 2.682	€ 13.410
		5	Croatia	6,00	5	€ 2.682	€ 13.410
		5	Latvia	6,00	5	€ 2.682	€ 13.410
		5	Lithuania	6,00	5	€ 2.682	€ 13.410
		5	Luxembourg	6,00	5	€ 2.682	€ 13.410
		5	Slovenia	6,00	5	€ 2.682	€ 13.410
		5	Uruguay	6,00	5	€ 2.682	€ 13.410
X	0.005%-0.039%	4	Cyprus	6,00	4	€ 2.682	€ 10.728
		4	Estonia	6,00	4	€ 2.682	€ 10.728
		4	Malta	6,00	4	€ 2.682	€ 10.728
		4	Mongolia	6,00	4	€ 2.682	€ 10.728
		4	Paraguay	6,00	4	€ 2.682	€ 10.728
		4	Serbia	6,00	4	€ 2.682	€ 10.728
		4	Tunisia	6,00	4	€ 2.682	€ 10.728
XI	0.001%-0.004%	1	Holy See	6,00	1	€ 2.682	€ 2.682
		1	San Marino	6,00	1	€ 2.682	€ 2.682

* Pursuant to Host Agreement

** Assuming that Brazil confirms its will to suspend reclassification to a higher category for 2024

*** Assuming that Ireland confirms its will to waive its reclassification to a lower category for 2024

**** Assuming that Portugal confirms its will to waive its reclassification to a lower category for 2024

***** Assuming that Argentina confirms its will to suspend reclassification to a higher category for 2024