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Item No. 10 on the agenda: Preparation of the draft budget for the 2010 financial year and other institutional, financial and personnel matters

(Memorandum of the Secretariat)

<i>Summary</i>	<i>First estimates of receipts and expenditure for 2010</i>
<i>Action to be taken</i>	<i>Preparation of the draft budget for the 2010 financial year</i>
<i>Related documents</i>	<i>F.C (65) 2; F.C. (65) 4</i>

Introduction

1. The first estimates of receipts and expenditure for the 2010 financial year prepared by the Secretariat (F.C. (65) 2) were examined by the Finance Committee at its 65th session held in Rome on 25 February 2009, in accordance with Article 31 of the Regulations as amended by the General Assembly at its 61st session. The Governing Council, on the basis of these first estimates, is called upon to draw up the draft Budget for 2010 (cf. Appendix I) to be communicated to member Governments for observations. Governments will have until 20 September 2009 to make observations. The draft Budget will then be submitted, together with any comments by the Governments, to the Finance Committee at its 66th session in Rome, on 30 September 2009. The Committee will at that time give its opinion of the draft Budget before its submission to the General Assembly at its 64th session in Rome at the end of November 2009.

2. The first estimates have been drafted bearing in mind the recommendation expressed by the organs of the Institute, and in particular by the Finance Committee and the General Assembly, to envisage ways of reducing expenditure, thus permitting the contributions of member States, other than Italy, be maintained to the same level as 2009.

3. The Secretariat is pleased to note that some member States have succeeded in considerably reducing their arrears compared to the situation in 2008 (see Appendix II to this document). This encourages the Secretariat to persevere in its efforts vis-à-vis the competent authorities of Governments that have fallen behind to settle their dues; the position of one Government, Bolivia, remains critical and is a cause for keen concern. The Secretariat wishes to invite the Governing Council to take note of these results, and of the Secretariat's determination to pursue this course of action in the months to come.

4. At the time of writing (beginning of March 2009), the final accounts for the 2008 financial year are not yet available. It is however possible to affirm that there will be a sum carried forward from that financial year to 2009, some member States having settled the arrears in the payment of their contributions.

Expenditure

5. The Secretariat proposes to increase Article 2 of Chapter 2 of the expenditure for 2010, on the following grounds.

6. As to Chapters 2 (Remunerations) and 3 (Social charges), the Secretariat considers that the annual increase in staff remuneration (the Secretariat forecasts an increase of approx. 3%, one part of which covers the increases provided for by the system operated by the Co-ordinated Organisations to which the Institute belongs, the other part covering increases connected with career advances) will be compensated by a reorganization of the staff which should entail savings, thus permitting the harmonisation the conditions of service of professional staff and the inclusion in the organigramme of the Institute of the members of the staff who are at the moment *hors cadre*.

7. The Secretariat proposes however to increase Article 2 of Chapter 2, to be able to count on a modest contingency reserve permitting it to accommodate unforeseen events that could happen before the finalisation of one of the projects. The sum included for this purpose in this Article corresponds to part of the budgetary allocation which was rendered available thanks to the extra-statutory contribution of the United Kingdom and aimed at financing in part, for the fifth and last year, the position of Deputy Secretary General/Chief administrator (cf. § 14). This sum would be carried over to the following year if the unforeseen events were not to happen.

8. As to the Budget allocations for items other than Chapter 2 and Chapter 3, the Secretariat will try to compensate cost rises with an effort to make savings, in particular by an increased recourse to new technologies. The Secretariat wishes to underline that many meetings are hosted with either complete or partial funding of the organisers, be this the case of the member Governments that kindly host diplomatic conferences for negotiation of draft UNIDROIT Conventions, or of institutions that kindly host sessions of UNIDROIT working groups and committees designed to build broader consensus around the Institute's drafts. It also receives gifts, i.e. books for the Library, and extra-budgetary contributions aimed at some specific projects, such as the scholarships and the databases (see Appendix III).

9. Overall, the Secretariat would therefore propose expenditure for 2010 amounting to € 2,313.725.00, corresponding to an increase of 1.2% in comparison with the expenditure included in the Budget for 2009, noting that the sum corresponding to this increase will be used for the creation of a small reserve which would permit the Institute to face unforeseen events that could happen before the finalisation of one of the projects and which would be carried over to the following year if such events were not to happen.

Receipts

10. The Secretariat would propose that the proposed expenditure for 2010 be covered as follows:

Estimated balance from the 2009 financial year	€	80,000.00
Statutory contribution of Italy	€	258,000.00
Statutory contributions of other member States (including two new members States)	€	1.783.056.00

Extra-statutory contribution of the United Kingdom	€	56,500.00
Other receipts	€	63,975.00
Various receipts	€	30,000.00

11. The balance that the Secretariat would anticipate being carried over from the 2009 financial year is based on the fact that the Institute is striving to follow the recommendations of the Finance Committee and of the General Assembly to limit expenditure. The Secretariat is also seeking to obtain financing from private sources for particular projects, i.e. the scholarship programme, the Library and the promotion of UNIDROIT instruments.

12. The contribution of Italy is an estimate made by the Secretariat, based to the contribution paid in 2008.

13. The Secretariat would propose that the statutory contributions of member States other than Italy for 2010 be calculated on the basis of a unit of contribution amounting to € 2,450, identical to the unit of contribution approved by the General Assembly for the statutory contributions of member States other than Italy for 2009.

14. The extra-statutory contribution of the United Kingdom is based on a letter from Ms Rachel Sandy-Thomas, member of the Governing Council, announcing that she is prepared to offer, from the budget of the Department for Business Enterprise and Regulatory Reform, the amount of £ 50,000 towards the funding, for the fifth and final year, of the post of Deputy Secretary-General carrying the function of Chief Administrator. The Secretariat wishes to express its gratitude for this generous offer.

15. Under this proposal, the statutory contributions of member States would not rise in comparison with the year 2009 and would be as follows:

Category I	€ 122,500
Category II	€ 53,900
Category III	€ 44,100
Category IV	€ 31,850
Category V	€ 26,950
Category VI	€ 22,050
Category VII	€ 19,600
Category VIII	€ 12,250
Special Category	€ 2,450

16. The statutory contributions of member States other than Italy include the contributions of the new member States, Indonesia and Saudi Arabia.

17. The miscellaneous receipts (Chapter 2) that the Secretariat would anticipate receiving in 2010 are made up of € 5,000 by way of interest, € 12,000 by way of the contributions to overhead expenses to be made by the Office for Italy and San Marino of the International Labour Organization in return for use of certain services connected with the use of certain parts of its premises and € 46,975 by way of sales of the Uniform Law Review and the other Institute's publications.

18. The Secretariat has included € 30,000 in the various receipts (Chapter 3), corresponding to sums given by private donors for some activities of the Institute, i.e. by the databases.

19. The Finance Committee, at its 65th session, expressed the following opinion: "The Finance Committee had a detailed discussion of the draft budget for 2010 put forward by the UNIDROIT Secretariat. It also warmly welcomed and thanked for the extra-statutory contribution of the United Kingdom for another and a final year, as announced by the British member of the Finance Committee and the Secretary-General. The Finance Committee highly appreciates the efforts undertaken by the Secretariat to aim for zero increase in expenditures and is convinced that it will be possible even to achieve a zero increase regarding the contribution of member States, given the accession of two new member States and the special contribution of the British Government. Furthermore, the Committee would also support the recommendation of the Secretary-General that the Governing Council should bear in mind the financial and human resources of UNIDROIT when discussing the strategic programme and eventual new projects".

20. *The Secretariat would invite the Governing Council to approve the draft Budget for 2010.*

APPENDIX I

**DRAFT BUDGET FOR 2010
FIRST ESTIMATES**

RECEIPTS (in Euro)

	Budget 2009	Budget 2010
Estimated balance on 1 January ¹	80,000.00	80,000.00
Chapter 1: Contributions of member States		
Art. 1 (Italian Government) ²	265,000.00	258,000.00
Art. 2 (Other member States) ³	1,778,700.00	1,825,250.00
Extra-statutory contribution from United Kingdom	65,450.00	56,500.00
Chapter 2: Other receipts:		
Art. 1 (Interest)	5,000.00	5,000.00
Art. 2 (Contributions to overhead expenses) ⁴	12,000.00	12,000.00
Art. 3 (Sale of publications) ⁵	49,700.00	46,975.00
Chapter 3: Various receipts ⁶	30,000.00	30,000.00
Total of receipts	2,285,850.00	2,313,725.00

EXPLANATORY NOTES TO THE FIRST ESTIMATES - RECEIPTS

- 1 The balance that the Secretariat would anticipate being carried over from the financial year 2010 is predicated on the assumption of the Institute making economies.
- 2 This receipt is an estimate of the Secretariat based on the contribution of the Italian Government in 2008.
- 3 The Secretariat has calculated this receipt on the basis of a unit of contribution amounting to € 2,450, identical to that of 2009. This receipt includes the contributions of two new member States, i.e. Indonesia and Saudi Arabia.
- 4 This receipt is based on an offer of extra-statutory contribution made by Ms Sanby-Thomas, member of the UNIDROIT Governing Council, on behalf of the Government of the United Kingdom (cf. § 14 of the document).
- 5 This receipt represents the contribution to overhead expenses made by the Office for Italy and San Marino of the International Labour Organization in return for use of certain services connected with the use of parts of its premises.
- 6 This receipt includes the sale of the Uniform Law Review as well as the sale of other publications of the Institute.
- 7 These receipts are contributions from private donors for some activities of the Institute, i.e. the databases.

EXPENDITURE (in Euro)

21.

	2009	2010
Chapter 1 – Reimbursement of expenses		
Art. 1 (Governing Council and Permanent Committee) ¹	55,000.00	55,000.00
Art. 4 (Auditor)	3,500.00	3,500.00
Art. 5 (Committees of Experts) ²	65,000.00	65,000.00
Art. 6 (Official journey of representatives and staff) ³	28,000.00	28,000.00
Total	151,500.00	151,500.00
Chapter 2 – Salaries and allowances		
Art.1 (Salaries of Categories A, B and C staff and consultant) ⁴	1,305,000.00	1,332,785.00
Art. 2 (Remuneration for occasional collaborators) ⁵	20,000.00	20,000.00
Total	1,325,000.00	1,352,785.00
Chapter 3 – Social security charges		
Art. 1 (Insurance against disablement, old age and sickness) ⁶	390,000.00	390,000.00
Art. 2 (Accidents' insurance) ⁷	8,500.00	8,500.00
Total	398,500.00	398,500.00
Chapter 4		
Compensation retired members of staff ⁸	2,500.00	2,500.00
Chapter 5		
Publications' printing costs ⁹	31,500.00	31,500.00
Chapter 6 – Administrative expenses		
Art. 1 (Stationery)	21,000.00	21,000.00
Art. 2 (Telephone, fax and Internet) ¹⁰	30,000.00	30,000.00
Art. 3 (Postage) ¹¹	25,000.00	25,000.00
Art. 4 (Entertainment and representation)	4,650.00	4,650.00
Art. 5 (Interpreters)	27,500.00	27,500.00
Art. 6 (Miscellaneous)	6,700.00	6,700.00
Total	114,850.00	114,850.00
Chapter 7 – Maintenance costs		
Art. 1 (Electricity)	14,500.00	14,500.00
Art. 2 (Heating)	20,000.00	20,000.00
Art. 3 (Water)	7,000.00	7,000.00
Art. 4 (Insurance of premises)	11,500.00	11,500.00
Art. 5 (Office equipment)	24,000.00	24,000.00
Art. 6 (Upkeep of building, local taxes) ¹²	20,000.00	20,000.00
Art. 7 (Labour costs) ¹³	27,000.00	27,000.00
Total	124,000.00	124,000.00
Chapter 9 - Library		
Art. 1 (Purchase of books) ¹⁴	92,000.00	92,000.00
Art. 2 (Binding)	9,000.00	9,000.00
Art. 3 (Software)	22,000.00	22,000.00
Total	123,000.00	123,000.00
Chapter 10		
Promotion of UNIDROIT instruments	5,000.00	5,000.00
Chapter 11		
Legal co-operation programme ¹⁵	10,000.00	10,000.00
Total ordinary expenditure	2,285,850.00	2,313,725.00

EXPLANATORY NOTES TO THE FIRST ESTIMATES - EXPENDITURE

- 1 This sum is designed to cover the travel and subsistence expenses incurred by the members of the Governing Council and of the Permanent Committee in their attendance of the sessions of those bodies, to be held in spring 2010.
- 2 This sum is designed to cover the expenditure that will be incurred by the Institute in organising the meetings of the committees of experts and other meetings associated with the current projects of the Institute. The Secretariat wishes to note that it makes every effort to obtain external financing to cover part of these expenses, and that many meetings are hosted with either complete or partial funding of the organisers, be this the case of the member Governments that kindly host diplomatic conferences for negotiation of draft UNIDROIT Conventions, or of institutions that kindly host sessions of UNIDROIT working groups and committees designed to build broader consensus around the Institute's drafts. In 2010 the Secretariat has planned the 5th session of the Working Group for the preparation of a 3rd edition of the UNIDROIT Principles of International Commercial Contracts as well as the 4th (and hopefully final) session of the Committee of governmental experts for the preparation of a draft Protocol to the Convention on International Interests in Mobile Equipment on Matters specific to Space Assets. Other meetings will be organized according to the Work Programme 2009-2011.
- 3 This sum is designed to cover the travel and subsistence expenses incurred by representatives of the Institute, members of staff and collaborators in connection with official travel on behalf of the Institute, in all cases other than those covered by Chapter 10 (Promotion of UNIDROIT instruments). These missions are accomplished for a number of purposes, whether to further awareness of the Institute's work in general and, where appropriate, to encourage accession to the Statute of the Institute, to attend meetings organised by the Institute's sister Organisations, the Hague Conference on Private International Law and the United Nations Commission on International Trade Law, or in respect of the Institute's ongoing work.
- 4 This Article covers the salaries and allowances of the Secretary-General, the two Deputy Secretaries-General, four full-time and one part-time professional members of staff, eight full-time and one part-time Category B administrative, secretarial and Library members of staff, three full-time Category C members of staff, as well as the salary of a consultant.

The increase of this Article will allow the Secretariat to create a modest contingency reserve which would permit it to face unforeseen events that could happen before the finalisation of one of the projects; this sum would be carried over to the following year if these events were not to happen.

The salaries and allowances of Category A members of staff, pursuant to a decision taken by the General Assembly at its 36th session, held in Rome on 12 December 1983, follow the Salaries Scales of the Co-ordinated Organisations, albeit with increases being reduced by an amount equal to 20% and delayed in their application by six months, whereas the salaries and allowances of Categories B and C members of staff follow a scheme, involving amendment of Articles 41 and 67 of the Regulations, approved by the General Assembly at its 38th session, held in Rome on 28 November 1985. Under this scheme, the salaries and allowances of Categories B and C members of staff are closely modelled on the Salaries Scales of the Co-ordinated Organisations, albeit on a considerably reduced scale.
- 5 In recent years this Article has essentially covered the Secretariat's needs for external technical support, for the updating and maintenance of the Institute's stock of computers and software or for special collaborations in transcription of materials.

- 6 This Article covers the insurance of all Categories A, B and C members of staff against disablement, old age and sickness. With a few exceptions, all members of staff are insured for these purposes with the Italian social security system (I.N.P.S.).
- 7 This Article covers the insurance of all Categories A, B and C members of staff against accidents with a private Italian insurance company.
- 8 This Chapter covers the payments made to certain retired members of staff to cover the periods, in the past, during which they were not covered for social security purposes. As time goes on and the members of staff in question become fewer and fewer in number, it will be possible to reduce expenditure under this Chapter. Currently, it covers the payments made to only two retired members of staff.
- 9 This Chapter is designed to cover the cost of printing both the four issues of the *Uniform Law Review* that appear annually and of some official documents of the legislative instruments of the Institute. In 2010 the Secretariat envisages the publication of the Official Commentary to the Convention on substantive rules regarding intermediated securities and of the French versions of the Official Commentary to the Capetown Convention and the Aircraft Protocol (revised edition), of the Official Commentary to the Luxembourg Rail Protocol and of the Official Commentary to the Model Law on Leasing.
- 10 This Article includes the cost for telephone, fax and the Internet. The Secretariat is exploring systems capable of entailing savings in this Article, although the special needs of the Institute (reliability of the communications, recourse to public IPs for the Library catalogue, the website and the databases, as well as for some on-line services, like Westlaw) oblige it to select high level solutions.
- 11 This Article covers expenditure for posting the Institute's correspondence and publications, including the publications sold by the Institute, which produce receipts.
- 12 This Article covers also the local taxes, which the Institute is held to pay since the headquarters agreement only exempts the Institute from national taxes.
- 13 This Article covers the cost of the two cleaners and the company which occasionally looks after the garden. None of these are members of staff: they are all outside contractors.
- 14 This Chapter covers the cost of acquisitions for the Library's stock of books and the maintenance of its subscriptions to law journals, as well as the cost of binding. It is to be noted that, with the ever escalating cost of both, the Library is necessarily forced severely to restrict its new acquisitions. It has to be added that the publication of the *Uniform Law Review* permits the Library to count on exchanges (170 publications) and on complimentary copies sent by the publisher and/or the author wishing to see a book-review published in the *Review*, and that the Library has received gifts from private donors.
- 15 This Chapter covers the cost of the Institute's contribution to its scholarships programme for lawyers from developing countries and countries engaged in the transition to a market economy. Some other scholarships are provided by special contributions of member States or of private donors.

APPENDIX II

**OUTSTANDING CONTRIBUTIONS IN RESPECT OF THE 2008 AND PREVIOUS FINANCIAL YEARS
IN EURO AS OF 3 FEBRUARY 2009**

	1999-2002	2003	2004	2005	2006	2007	2008	TOTAL
Bolivia	10,850.00	11,000.00	11,195.00	11,380.00	11,525.00	11,825.00	11,860.00	79,635.00
Colombia							4,624.42	4,624.42
Israel							18,976.00	18,976.00
Iran					11,460.00			11,460.00
Pakistan							11,860.00	11,860.00
Total	10,850.00	11,000.00	11,195.00	11,380.00	22,985.00	11,825.00	47,320.42	126,555.42

APPENDIX III**Information on the extra-budgetary contributions received in the years 2008/2009
and on their allocation to the activities and projects of the Institute**

(document of the UNIDROIT Secretariat)

- F.C. (65) 2 - Appendix III -**Introduction**

1. At its 60th session, the General Assembly showed the interest to know in detail the extra-budgetary contributions received from member States or private donors. The Secretariat prepared documents to this effect that were submitted to the Governing Council at its 58th session, held in Rome from 16 to 18 April 2007, and to the Finance Committee at its 62nd session, held in Rome on 4 October 2007, with a view to receiving their opinion.
2. The Governing Council and the Finance Committee shared the interest shown by the General Assembly and agreed that those contributions would have been better appreciated if allocated to the projects and activities of the Institute. This may permit the institutions of UNIDROIT to have a more precise picture of the finances of the Institute.
3. This paper accounts for these contributions as well as the expenditure that were, or will be, funded accordingly in 2008/2009. It is to be noted that other contributions, i.e. direct organization of meetings, payment of travel and accommodation expenses of members of the staff, participation of persons external to the Institute, are not indicated in this paper.

**Summary of the extra-budgetary contributions received in 2008/2009 and of their
allocation to the projects and activities of the institute.****1. SCHOLARSHIPS PROGRAMME**

The Institute received in the last years contributions from the Governments of China, Korea and Spain, in 2008 from the UK Foundation for International Uniform Law (in 2008: € 6,318.74), from the members of the Governing Council (€ 2,800) and from the Secretary-General (€ 3,000), which have financed several scholarships, for the funding of research periods of approx. two months in the UNIDROIT Library for young lawyers from developing countries or countries in economic transition, in addition to the scholarships funded by the UNIDROIT regular budget (€ 10,000). Prof. Lyou, member of the Governing Council, has informed the Secretariat that the Government of Korea will make a generous contribution of € 10,000 for the scholarships in 2009. For more details, readers are referred to the document on the Scholarships Programme.

2. PROJECT "CAPITAL MARKETS"

The Institute received the following contribution:

In 2008 :			
from the Government of Switzerland	€	20,000.00	for the partial funding of the post of the researcher in charge of the project

This contribution, which was not included in the budget, *for reasons of accounting and transparency will be included in the 2008 Accounts, as well as the expenditure to which it was allocated.*

3. SPACE PROTOCOL TO THE CAPETOWN CONVENTION

The Institute received the following contributions:

In 2008/2009			
from the UK Foundation	€	50,000.00	for funding a post of assistant researcher for two years
from the German Space Agency	€	8,000.00	

4. CAPE TOWN CONVENTION & PROTOCOLS: PROMOTION / IMPLEMENTATION / DEPOSITARY FUNCTIONS

The Institute received the following contributions:

In 2008			
From Aviareto Ltd	€	5,000.00	for partly funding the revised edition of the Official Commentary to the Capetown Convention and the Aircraft Protocol

5. DATABASES

In 1999 the Institute received important funds from private donors that financed the UNILAW database until 2006, in particular covering the cost of a part-time collaborator (until May 2007) and the costs of the website (until 2006).

In 2008, the database was funded by the Uniform Law Foundation as follows:

part-time collaborator			
website			
3 internships of 3 months each for young lawyers			
total	€	40,200.00	

In 2009 the Foundation will continue funding of the project.

For more details, it is possible to consult the financial documents of the Uniform Law Foundation.

6. LIBRARY

The Institute received the following contributions:

In 2008			
From the UK Foundation	€	4,000.00	for purchasing books on topics concerning the projects of the Institute, in particular on capital markets law and on leasing
	€	10,000.00	for purchasing English books

In 2008, as in previous years, the Institute received an important donation consisting in books for the Library from the Hamburg Max-Planck Institute.