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Item No. 16 on the Agenda: (a) Preparation of the draft Budget for the 2020 financial year

(prepared by the UNIDROIT Secretariat)

<i>Summary</i>	<i>First estimates of receipts and expenditure for 2020</i>
<i>Action to be taken</i>	<i>Preparation of the draft Budget for the 2020 financial year</i>
<i>Related documents</i>	<i>Draft Budget 2020 – First estimates (UNIDROIT 2019 – F.C. (86) 2)</i>

Introduction

1. The first estimates of receipts and expenditure for the 2020 financial year prepared by the Secretariat (UNIDROIT 2019 – F.C. (86) 2) were examined by the Finance Committee at its 86th session (Rome, 4 April 2019), in accordance with Article 26 of the UNIDROIT Regulations. At this session, the Finance Committee took note of the anticipated increase in receipts from contributions of Member States (€53,130, or roughly 2.4%) resulting from the process of reclassification of Member States in the UNIDROIT Contributions Chart (see UNIDROIT 2019 – F.C. (86) 3).
2. On the basis of those initial estimates and as set forth in the Appendix to this document, the Governing Council is called upon to draw up the draft Budget for 2020 to be communicated to the Governments of Member States for observations. Governments will have until 6 September 2019 to submit their observations.
3. Together with any comments received by the Secretariat, the draft Budget will be transmitted to the Finance Committee, for consideration at its 87th session, to be held in Rome in late September or early October 2019. The Committee will at that time give its opinion on the draft Budget before its submission to the General Assembly at its 78th session, to be held in Rome in late November or early December 2019.

APPENDIX

**DRAFT BUDGET FOR THE 2020
FINANCIAL YEAR**

RECEIPTS (in Euro)

	Budget 2019	Budget 2020
Chapter 1: Contributions of Member States ¹		
Contributions of Member States	2,223,870.00	2,277,000.00
Chapter 2: Other receipts:		
Art. 1 (Interest) ²	1,000.00	1,000.00
Art. 2 (Contributions to overhead expenses) ³	15,000.00	15,000.00
Art. 3 (Sale of publications) ⁴	17,000.00	17,000.00
Art. 4 (Aviareto) ⁵	17,500.00	17,500.00
Chapter 3: Various receipts		
Tax reimbursement credit ⁶	15,000.00	15,000.00
Total of receipts	2,289,370.00	2,342,500.00

EXPLANATORY NOTES TO THE DRAFT BUDGET - RECEIPTS

¹ The Secretariat has made this calculation on the basis of a unit of contribution amounting to € 2,530, which is identical to the current unit of contribution. The increase in receipts from contributions of Member States (€53,130, or roughly 2.4%) results from the process of reclassification of Member States in the UNIDROIT Contributions Chart (see UNIDROIT 2019 – F.C. (86) 3), as applicable following the decision of the General Assembly at its 76th session (Rome, 7 December 2017). Should that ongoing process result in any increases or decreases in the anticipated contributions of Member States (see UNIDROIT 2019 – F.C. (86) 3 and UNIDROIT Statute, Art. 16), the Secretariat will adjust the estimated receipts and expenditures accordingly and submit a revised draft Budget to the Finance Committee for consideration at its 87th session, to be held in Rome in late September or early October 2019.

² The Secretariat estimates the interest earned on deposits in checking accounts to be the same as in previous years.

³ 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.

⁴ The Secretariat estimates the income earned from the sale of publications to be approximately the same as in previous years.

⁵ UNIDROIT is to receive in 2020 the fourth of five annual USD 20,000 payments from Aviareto, the International Registry under the Aircraft Protocol to the Cape Town Convention, in accordance with a five-year licencing agreement by which UNIDROIT provided an electronic version of the third edition of the Aircraft Protocol Official Commentary by Sir Roy Goode to Aviareto to make available to users of the International Registry. Such payments were previously noted in the Budget (UNIDROIT 2017 – A.G. (76) 8, Receipts, note 2), but have now been incorporated into it (see, e.g., UNIDROIT 2018 – A.G. (77) 7, Receipts, note 5).

6 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 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 3).

EXPENDITURE (in Euro)

	2019	2020
Chapter 1 – Meeting and travel costs ¹		
Art. 1 (Governing Council and Permanent Committee)	50,000.00	50,000.00
Art. 2 (Auditor)	4,500.00	5,000.00
Art. 3 (Administrative tribunal)	-	-
Art. 4 (Committees of Experts)	107,500.00	127,000.00
Art. 5 (Official journeys and promotion of activities)	55,000.00	60,130.00
Art. 6 (Interpreters)	36,000.00	37,000.00
Art. 7 (Representation)	8,000.00	8,000.00
Subtotal	261,000.00	287,130.00
Chapter 2 – Salaries and allowances ²		
Art.1 (Salaries of Categories D, P and GS staff and consultant)	1,189,293.00	1,189,293.00
Art. 2 (Remuneration for occasional collaborators)	32,500.00	32,500.00
Art. 3 (Tax reimbursement) ³	15,000.00	15,000.00
Subtotal	1,236,793.00	1,236,793.00
Chapter 3 – Social security charges		
Art. 1 (Insurance against disablement, old age and sickness) ⁴	434,327.00	454,327.00
Art. 2 (Accidents' insurance) ⁵	9,000.00	9,000.00
Art. 3 (Compensation retired members of staff) ⁶	2,250.00	2,250.00
Subtotal	445,577.00	465,577.00
Chapter 4 – Administrative expenses ⁷		
Art. 1 (Stationery)	15,000.00	15,000.00
Art. 2 (Telephone, fax and Internet)	18,000.00	18,000.00
Art. 3 (Postage)	10,000.00	10,000.00
Art. 4 (Miscellaneous)	5,000.00	5,000.00
Art. 5 (Printing of publications)	15,000.00	15,000.00
Subtotal	63,000.00	63,000.00
Chapter 5 – Maintenance costs ⁸		
Art. 1 (Electricity)	16,000.00	16,000.00
Art. 2 (Heating)	20,000.00	25,000.00
Art. 3 (Water)	7,000.00	9,000.00
Art. 4 (Insurance of premises)	12,000.00	12,000.00
Art. 5 (Office equipment)	24,000.00	24,000.00
Art. 6 (Upkeep of building, public services)	30,000.00	30,000.00
Art. 7 (Labour costs)	45,000.00	45,000.00
Subtotal	154,000.00	161,000.00
Chapter 6 – Library ⁹		
Art. 1 (Purchase of books)	90,000.00	90,000.00
Art. 2 (Binding)	9,000.00	9,000.00
Art. 3 (Software)	30,000.00	30,000.00
Subtotal	129,000.00	129,000.00
Total expenditure	2,289,370.00	2,342,500.00

EXPLANATORY NOTES TO THE DRAFT BUDGET - EXPENDITURE

1 **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 2 (Auditor), the Secretariat notes that this line of expenditure has been increased by €500 to anticipate a slight increase in the cost of this service.

With respect to Article 4 (Committees of Experts), the Secretariat notes that this line of expenditure had been decreased from €120,000 to €107,500 in the Budget for 2019 due to a decrease – with certain projects being finalised – in the number of meetings contemplated for that year (see UNIDROIT 2018 – A.G. (77) 7, Expenditure, note 1). Recalling that 2020 will be the year in which the new Work Programme begins, the Secretariat deems it prudent to forecast an increase of €19,500 for this line of expenditure.

With respect to Article 5 (Official journeys and promotion of activities), the Secretariat proposes that, by partially earmarking the payment from Aviareto (see Receipts, note 5), as well as a portion of the increase in receipts from Member States' contributions (see Receipts, note 1), this line of expenditure be increased by €5,130 in order to support further promotion of UNIDROIT's current activities and instruments including, for example, promotion of the MAC Protocol in 2020, in the aftermath of the Diplomatic Conference on that Protocol (Praetoria, 11-22 November 2019).

With respect to Article 6 (Interpreters), the Secretariat notes that there was an overage with respect to this line in 2017, due to interpretation needs at various meetings. As a result, the Secretariat deems it prudent to forecast a slight increase of €1,000 for this line of expenditure.

2 **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.

While some changes in staffing are anticipated by 2020 which could lower costs in this regard, the Secretariat proposes retaining the same amount of expenditure for this line for the time being. At the Finance Committee's 87th session in late September or early October 2019, more accurate information will be provided.

3 **Purpose of expenditure:** to cover the cost of federal, state and municipal taxes payable by a US citizen 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. The Secretariat has retained for the year 2020 the estimate figure stated in the Budget for 2019.

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

The Secretariat estimates that this line of expenditure will increase due to anticipated staffing changes and the implementation of the compensation and social security package offered to UNIDROIT staff. The Secretariat thus proposes an increase of €20,000 and notes that an update regarding implementation of the social security package is provided in document UNIDROIT 2019 – C.D. (98) 15(b).

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.

No change is proposed for 2020.

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 2020.

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

No change is proposed for 2020.

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).

The Secretariat proposes to increase Article 2 (Heating) by €5,000 to budget for any extraordinary maintenance on the building's heating system. Article 3 (Water) has also been increased by €2,000 in order to anticipate possible increases that might be billed by the water company.

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 change is proposed for 2020.