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Item No. 3 on the Agenda : Adjustments to the budget for the 2006 financial year
(prepared by the UNIDROIT Secretariat)

<i>Summary</i>	<i>Chapter by chapter explanation of the adjustments proposed by the Secretariat to the 2006 Budget</i>
<i>Action to be taken</i>	<i>Opinion to be transmitted to the General Assembly at its 60th session.</i>
<i>Related documents</i>	<i>None</i>

1. It is customary for the Secretariat to submit, first, to the Finance Committee and then to the General Assembly each autumn a paper indicating any adjustments that may need to be made to the Budget for that financial year, on the basis of the Accounts available for the previous financial year, the partial accounts available for that financial year and any other modifications due to exceptional circumstances.
2. At the time of writing, the Secretariat considers that it is necessary to formulate some adjustments to the budget for the 2006 financial year, as illustrated hereafter.
3. Concerning Chapter 1 – Reimbursement of expenses - it is necessary to make some adjustments to the Articles. In fact Article 4 – Committee of experts – has been already expended at this date, because the organisation of the second Conference of intergovernmental experts for the Intermediated Securities project in March and the first session of the Working Group on the third edition of the Unidroit Contract Principles in June have brought an expenditure of € 56.500; in addition, in November the Institute will have to incur the costs of the third Conference of experts of the Intermediated Securities project (expected expenditure € 10.000); Article 6 – Official journeys of representatives, members of staff and collaborators - will bring expenditures higher than the budget allocation (€ 28.000), due to the necessity of journeys of some officers for the organisation of the Institute's activity, in particular of the two diplomatic conferences which will be held in 2007 (for the adoption, respectively, of the Rail Protocol to the Cape Town Convention and of the Intermediated Securities Convention), as well as some other legislative projects of the Institute.

In this same Chapter, Article 1 – Governing Council - has brought a lower expenditure (allocation of € 55.000, expenditure of € 35.834,92), due to the shorter duration of the Council's meeting and consequently of the lower cost of the reimbursements of expenses to the members of the Council. The Secretariat therefore proposes an adjustment amongst the Articles of the Chapter. It is however possible that, notwithstanding this adjustment, the necessities linked to Articles 5 and 6 will exceed the economies made on Article 5. (check chapter refs – are these correct?)

4. Chapter 2 – Salaries and allowances - shows a significant increase, provoked by the salary of the new Deputy Secretary General, selected outside the Institute; however this expenditure is almost entirely covered by the extra-budgetary contribution offered for this purpose by the Government of the United Kingdom (€ 72.475). Besides, an officer *hors cadre* in charge of the project "Securities" has joined in 2006 the ranks of the Institute, but his salary is completely financed by an external contribution (€ 78.000) coming from the German Banking Federation. This Chapter thus requires adjustments but it should be compensated by the increases of the receipts.

5. Chapter 3 – Social Charges -, notwithstanding the increases of Chapter 2 to which it is linked, should require only very slight modifications, because the new Deputy Secretary General may benefit of a very favourable position on this matter due to the conditions of her leave from the University of Bologna, which continues in paying most of her charges, and because the contract with the officer *hors cadre* in charge of the Securities project contains a provision according to which the social charges are included in his salary.

6. Chapter 5 – Publications' printing costs – needs some adjustments, because the Institute is affording in 2006 expenditures higher than the Budget allocation (around € 50.000 towards a provision of € 36.500); that should however be compensated by the direct distribution, since January 2006, of the Uniform Law Review and by the sale of the Institute's publications, notably the Acts and Proceedings of the Cape Town Convention, published in 2006, and some of the various language versions of the Principles 2004.

7. Chapter 6 – Administrative expenses - is a source of concern. In fact nearly all the Articles of this Chapter show expenditures higher than the Budget allocations. This is due, once more, to the organisation of the Institute's activities which carry postage and telephone expenditures higher than had been foreseen, as well as an increase of the costs for the interpreters. It is to note that the increase in the costs of the telephone is due also to a more intense use of the Internet. Accordingly, the Secretariat has negotiated more favourable conditions with Telecom in order to reduce the costs; it must be noted, however, that the need for the Institute to dispose of connexions having particular technical characters (public IP and other) make it impossible at this stage to address to other operators which might offer their services at more competitive price. The Institute is trying to make economies on the Articles 4 – Entertainment – and 6 – Miscellaneous – but these are unlikely to counterbalance the increases of the other Articles of this Chapter.

8. Chapter 7 – Maintenance costs - should permit some economies; the Secretariat has in fact tried to reduce to the minimum the expenditures connected with the Office equipment and with the Upkeep of building, which have been limited to the strict necessity. The reduction of the expenses should be around € 20.000. The Secretariat must nevertheless underline that it is possible that from now to the end of the year unexpected expenditures, due to unforeseen events, may be incurred under this Chapter.

9. Chapter 9 – Library – needs some adjustments, in relation to the purchase and the installation of the software for the running of the on-line catalogue of the Library. It had been foreseen to distribute the payment of this software over several financial years; however, for technical reasons, this would have been too expensive. It is therefore necessary to adjust the allocations for the various Articles of this Chapter and to increase its overall amount.

10. For the above indicated reasons, the Secretariat proposes to make some adjustments to the 2006 Budget, consisting essentially in:

- different budgetary allocations of the Articles inside Chapter 1;
- increase in the allocation indicated for Chapter 2, balanced by the extra-budgetary contributions received for this purpose;
- increase in the allocation indicated for Chapter 5, balanced by the increase of the receipts coming from the sale of the publications;
- increase of about € 20.000 of the allocation of Chapter 6, and adjustments amongst the Articles of this Chapter;
- reduction of the allocation of Chapter 7 of about € 20.000, subject to any unforeseen events;
- adjustments in the Articles of Chapter 9 and increase of its overall allocation.

11. It is at this stage difficult to indicate more precisely these adjustments, because some meetings and official journeys are yet to be defined. They are connected with the realization of the Strategic Plan of the Institute, whose activity has gained an acceleration, with the final crystallisation of several legislative instruments. Therefore the Secretariat proposes that the Finance Committee endorse the above indicated adjustments, which could eventually require the use of part of the credit balance of the financial year 2006, and to recommend to the General Assembly to approve those adjustments.