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Item No. 2 on the Agenda: Draft Budget for 2019 - First estimates

(prepared by the UNIDROIT Secretariat)

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|---------------------------|---|
| <i>Summary</i> | <i>First estimates of receipts and expenditure for 2019</i> |
| <i>Action to be taken</i> | <i>Opinion of the members of the Finance Committee with regard to the first estimates of the Secretariat prior to the formal establishment of the draft Budget by the Governing Council at its 97th session (Rome, 2-4 May 2018)</i> |
| <i>Related documents</i> | <i>None</i> |

Introduction

1. Appendix I to this document sets out the first estimates for a draft Budget for the financial year 2019, which the Secretariat has prepared for an initial review by the Finance Committee, in accordance with Article 26 of the Regulations.

2. These estimates will be revised, as appropriate, in the light of the Finance Committee's comments, and submitted to the Governing Council at its 97th session, which will be held in Rome from 2 to 4 May 2018. On the basis of these first estimates, the Council will establish the draft Budget for 2019, to be communicated to member States, for their review and comments. Thereafter, the draft Budget, together with any comments received by 17 September 2018, will be submitted to the Finance Committee for consideration at its 85th session in Rome, to be held in late September or the first half of October 2018. The Committee will, at that time, formulate its opinion on the draft Budget before its submission to the General Assembly for review and adoption at its 77th session, to be held in Rome in late November or early December 2018.

APPENDIX

**DRAFT BUDGET FOR THE 2019
FINANCIAL YEAR**

RECEIPTS (in Euro)

| | Budget 2018 | Budget 2019 |
|--|---------------------|---------------------|
| Chapter 1: Contributions of member States¹ | | |
| Contributions of member States | 2,223,870.00 | 2,223,870.00 |
| | | |
| 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 |
| | | |
| Chapter 3: Various receipts | | |
| Tax reimbursement credit ⁶ | 15,000.00 | 15,000.00 |
| | | |
| Total of receipts | 2,271,870.00 | 2,289,370.00 |

EXPLANATORY NOTES TO THE DRAFT BUDGET - RECEIPTS

1 The Secretariat retains the same sum for contributions of members States as the previous years, however this sum will be revised in accordance with the new UNIDROIT Contributions Chart. That Chart will come into effect in 2019 and will make use of the United Nations scale of assessments for 2019-2021, which is expected to be issued in December 2018 (see UNIDROIT 2017 – A.G. (76) 10, paras. 43-49; UNIDROIT 2017 – A.G. (76) 6).

2 The Secretariat estimates the interests 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 2019 the third 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.

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 4).

EXPENDITURE (in Euro)

| | 2018 | 2019 |
|--|---------------------|---------------------|
| 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 | 4,500.00 |
| Art. 3 (Administrative tribunal) | - | - |
| Art. 4 (Committees of Experts) | 120,000.00 | 107,500.00 |
| Art. 5 (Official journeys and promotion of activities) | 50,000.00 | 55,000.00 |
| Art. 6 (Interpreters) | 36,000.00 | 36,000.00 |
| Art. 7 (Representation) | 8,000.00 | 8,000.00 |
| Subtotal | 268,500.00 | 261,000.00 |
| Chapter 2 – Salaries and allowances | | |
| Art.1 (Salaries of Categories D, P and GS staff and consultant) ² | 1,179,293.00 | 1,189,293.00 |
| Art. 2 (Remuneration for occasional collaborators) ³ | 20,000.00 | 32,500.00 |
| Art. 3 (Tax reimbursement) ⁴ | 15,000.00 | 15,000.00 |
| Subtotal | 1,214,293.00 | 1,236,793.00 |
| Chapter 3 – Social security charges | | |
| Art. 1 (Insurance against disablement, old age and sickness) ⁵ | 414,327.00 | 434,327.00 |
| Art. 2 (Accidents' insurance) ⁶ | 9,000.00 | 9,000.00 |
| Art. 3 (Compensation retired members of staff) ⁷ | 2,250.00 | 2,250.00 |
| Subtotal | 425.577.00 | 445.577.00 |
| Chapter 4 – Administrative expenses ⁸ | | |
| Art. 1 (Stationery) | 20,000.00 | 15,000.00 |
| Art. 2 (Telephone, fax and Internet) | 23,000.00 | 18,000.00 |
| Art. 3 (Postage) | 11,500.00 | 10,000.00 |
| Art. 4 (Miscellaneous) | 5,000.00 | 5,000.00 |
| Art. 5 (Printing of publications) | 15,000.00 | 15,000.00 |
| Subtotal | 74,500.00 | 63,000.00 |
| Chapter 5 – Maintenance costs ⁹ | | |
| Art. 1 (Electricity) | 20,000.00 | 16,000.00 |
| Art. 2 (Heating) | 20,000.00 | 20,000.00 |
| Art. 3 (Water) | 7,000.00 | 7,000.00 |
| Art. 4 (Insurance of premises) | 12,000.00 | 12,000.00 |
| Art. 5 (Office equipment) | 26,000.00 | 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 | 160,000.00 | 154,000.00 |
| Chapter 6 – Library ¹⁰ | | |
| 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 | 2,271,870.00 | 2,289,370.00 |

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 4 (Committees of Experts), the Secretariat notes that this line of expenditure had been increased by € 30,000 in the Budget for 2017 as a result of the departure of a long-serving staff member and in anticipation of possible additional activities in connection with the establishment and implementation of the triennial Work Programme for 2017-2019 (UNIDROIT 2016 – A.G. (75) 7, Expenditure, notes 1-2). It is estimated that, in light of current activities, the costs incurred by UNIDROIT in organising meetings of Committees of Experts and other meetings associated with the UNIDROIT's Work Programme can be reduced slightly. The Secretariat thus proposes a decrease of € 12,500.

With respect to Article 5 (Official journeys and promotion of activities), the Secretariat proposes that, with part of the payment from Aviareto (see Receipts, note 5), this line of expenditure be increased by € 5,000 in order to support further promotion of UNIDROIT's current activities and instruments, including those in connection with the Cape Town Convention on International Interests in Mobile Equipment and its Protocols.

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.

The Secretariat proposes that this line of expenditure be increased by € 10,000 to take into account regular within grade step increments pursuant to the UNIDROIT Regulations. This increase does not exceed the amount forecast by the expert consultant in connection with the review of the compensation package offered to UNIDROIT staff, which resulted in the transition of all staff to the UN salary scales localised for Rome in February 2018 (UNIDROIT 2018 – F.C. (84) 4); UNIDROIT 2017 – A.G. (76) 10, paras. 50-64), though the sum may ultimately differ depending upon the hiring of the new Secretary-General.

3 **Purpose of expenditure:** to cover the cost of remuneration of occasional collaborators, including to support UNIDROIT's legislative and promotional activities.

The Secretariat proposes that, with the remainder of the payment from Aviareto (see Receipts, note 5), this line of expenditure be increased by € 12,500 in order to provide greater funding for work with occasional collaborators to fulfil and promote UNIDROIT's current activities and instruments.

4 **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 2019 the estimate figure stated in the budget approved for the year 2018.

5 **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 primarily to (a) the departure of the former Secretary-General whose participation in the UN health and pension system had generated significant savings; and (b) the implementation of the compensation and social security package offered to UNIDROIT staff (UNIDROIT 2017 – A.G. (76) 10, Item No. 10) – though the sum may ultimately differ depending upon the implementation of the social security package and the hiring of the new Secretary-General.

The Secretariat thus proposes an increase of € 20,000.

6 **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 2019.

7 **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 2019.

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

The Secretariat proposes to decrease the following lines of expenditure in Chapter 4: Article 1 (Stationary) by € 5,000; Article 2 (Telephone, fax and Internet) by € 5,000; and Article 3 (Postage) by € 1,500. These savings are expected to result, *inter alia*, from: the implementation of a new paper saving policy, in accordance with the General Assembly's recommendation (UNIDROIT 2017 – A.G. (76) 10, paras. 35-39) and the increased use of online communications and teleconference services (e.g. Skype, GoToMeeting) in place of long-distance calling.

9 **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 decrease the following lines of expenditure in Chapter 5: Article 1 (Electricity) by € 4,000 and Article 5 (Office equipment) by € 2,000. These savings are expected to result from, *inter alia*, recent improvements to UNIDROIT's facilities and equipment.

10 **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 2019.

Overall, the Secretariat proposes a total expenditure of € 2,289,370.00 for the year 2019, which equals the expenditure authorised under the 2018 budget, except with the addition of the annual payment from Aviareto (see Receipts, note 5) and subject to the implementation of the new Contributions Chart (see Receipts, note 1).