



**INTERNATIONAL TROPICAL
TIMBER ORGANIZATION**

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**Matters related to Article 19 of the ITTA, 2006 on the Administrative
Account**

(Item 11 of the Provisional Agenda)

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A. Introduction and Structure of the Administrative Account

Introduction

1. Pursuant to Article 19 of the International Tropical Timber Agreement (ITTA), 2006, the expenses necessary for the administration of the ITTA, 2006 shall be reflected in the Administrative Budget and shall be met by annual contributions paid into the Administrative Account by members. At the request of the Informal Advisory Group, the Secretariat is providing a report on recent developments in member payments to the Administrative Account in order to facilitate discussions on factors contributing to the increase in delayed or non-payments and possible ameliorative measures (Table 1 and Chart 1 below show recent trends in payments of assessed contributions). Implications of delayed/non-payment of assessed contributions for the current and future functioning of the Organization, including (inter alia) the operations of the Secretariat, members' voting rights and Council decision-making, and members' eligibility to apply for project funding, are also considered in this document.

How the Administrative Account and Budget are Structured

2. The Administrative Account is established as an assessed contribution account, in accordance with Article 18 of the ITTA, 2006, and is used for expenses necessary for the administration of the Agreement met by annual contributions paid by members in accordance with Article 19, paragraphs 4, 5 and 6.
3. The administrative budget includes the following costs:
 - a) Basic administrative costs such as salaries and benefits (averages nearly 85% of total basic administrative costs), installation costs, and official travel; and
 - b) Core operational costs such as those related to communication and outreach, expert meetings convened by the Council and preparation and publication of studies and assessments pursuant to articles 24, 27 and 28 of the Agreement.
4. The basic administrative costs are shared equally among producer and consumer members and assessed in the proportion the number of each member's votes bears to the total votes of the member's group. The core operational costs are shared among members in the proportions of 20% for producers and 80% for consumers, also assessed in the proportion the number of each member's votes bears to the total votes of the member's group. The core operational costs are to be no more than one third of the total of the basic administrative costs. In assessing contributions, the votes of each member shall be calculated without regard to the suspension of any member's voting rights or any redistribution of votes resulting therefrom.
5. In accordance with Rule 3 of the Financial Rules, the Executive Director, before the end of each financial biennium, prepares a draft budget for the Administrative Account for the following biennium, which is sent to all members at least 90 days before the session of the Council at which the budget is to be approved. The draft budget is discussed in detail in the Committee on Finance and Administration (CFA), and a final budget is recommended to Council for adoption. Once the budget is approved through a Council decision, the Executive Director, within seven working days after the close of the last Council Session of each financial biennium, advises each member of the amount of its contributions to the Administrative Account for the following biennium.
6. In accordance with Rule 2.4 and 5.10 of the Financial Rules, the Administrative Account also contains a Working Capital Reserve, which is detailed in section B, a Special Reserve, which is set aside to meet obligations towards the staff members of the Organization in the event that the ITTO ceases to exist (current balance \$2,500,000), and a reserve provided by interest income authorized to be used by the Executive Director to hire on a temporary and intermittent basis, consultants and contractors to support the Secretariat in carrying out its duties (current balance \$240,872).

Contributions of Members to the Administrative Account

7. In accordance with Article 19 of the ITTA, 2006, contributions to the Administrative Account become due on the first day of each financial year (i.e. January 1). Contributions of members in respect of the financial biennium in which they join the Organization are due on the date on which they become members.

8. In accordance with Article 19, paragraph 9 of the ITTA, 2006, any member which has paid its full contribution within four months of the due date shall receive a discount at a rate to be determined from time to time by the Council. Such discounts shall be applied in the form of rebates from the assessed contributions of members in the financial biennium following that in which the discount was earned, and the total amount of such discounts become part of the estimated expenditures of the basic administrative costs for the budget of the Administrative Account for the following biennium. The current discount rate decided by the Council through Financial Rules Rule 4.4 is 5.5%.
9. In accordance with Article 19, paragraph 8 of the ITTA, 2006, if a member has not paid its full contribution to the Administrative Account within four months after such contribution becomes due, the Executive Director will request that member to make payment as quickly as possible. If that member has still not paid its contribution within two months after such request, that member shall be requested to state the reasons for its inability to make payment. If at the expiry of seven months from the due date of contribution, that member has still not paid its contribution, its voting rights shall be suspended until such time as it has paid in full its contribution, unless the Council, by special vote decides otherwise. If a member has not paid its contribution in full for two consecutive years (unless Council avails to the member the provisions contained in Article 30 of the ITTA, 2006 on relief from obligations) that member shall become ineligible to submit project or pre-project proposals for funding consideration.
10. A member whose rights have been suspended under the paragraph above remains liable to pay its contributions.
11. Additionally, In accordance with Decision 7 (XXXIII):
 1. The Executive Director is authorized to write off, on an annual basis, one-fifth of a member's arrears of the period 1986-1996 for any member which has no arrears in its contributions to the Administrative Budget in respect to its obligations from the year 2002 and beyond; and
 2. The Secretariat will not process project and pre-project proposals submitted by members with cumulative arrears to the Administrative Account beginning from 2002 which are equal to or in excess of three times the member's annual assessed contribution in the year proposals are submitted.

B. Working Capital Reserve Policy and Current Situation

ITTO's Working Capital Reserve Policy

12. In accordance with Rule 3 and 5 of the Financial Rules, the Administrative Account contains the Working Capital Reserve (WCR) which is used to receive:
 - a) any surplus of revenues over expenditures from the Administrative Account for the previous financial year as approved by Council;
 - b) any payments by members of their contributions to the Administrative Account that are received after the year in which they are due; and
 - c) the initial contribution of any member joining the Organization after the entry into force of the ITTA, 2006, in accordance with Rule 4, paragraph 2 of the rules
13. The WCR (originally called the Working Capital Account) was first created in 1992 in accordance with Decision 7(XII) to place arrears when received in this account except where a Council decision has specified otherwise. Together with this decision, the Executive Director was requested to use \$350,000 of this account to make up the 1992 budget shortfall and was further authorized to withdraw \$325,000 to meet expenses of the first preparatory committee meeting for the renegotiation of ITTA, 1983.
14. In 2003, the Council through Decision 2 (XXXIV), authorized the Executive Director to transfer, if and when necessary, an amount not exceeding \$300,000 annually from the WCR to the current account in the Administrative Account to meet the shortfall of funds to implement the work programme of the Organization. This Decision is reflected in Rule 5.5 in the Financial Rules, which also states that all other uses of the WCR require a Council Decision.
15. Furthermore, Financial Rule 5.6 states that the Executive Director will notify the Council if the amount of the WCR falls below 15% or approximately two months of annual operating expenses of the Administrative Budget. Using the 2021 approved budget amount of \$7,104,313, this is equivalent to \$1,065,647 (15%) or

\$1,184,052 (1/6th). The current estimated balance of the WCR at the end of 2021 is over \$5.6 million, sufficient to cover approximately 9 months of operations.

Utilization of the Working Capital Reserve to meet the shortfall of Administrative Account Funds

16. Since the Working Capital Reserve was created in 1992, the Council, through various Council Decisions, has authorized up to the following amounts to be utilized from the Reserve to meet the shortfall of funds in the Administrative Account to implement the work programme of the Organization:

• 1992	\$350,000	• 2002	\$300,000
• 1993	\$630,000	• 2003	\$900,000
• 1994	\$370,000	• 2004-2015	\$300,000
• 1995	\$530,000	• 2016	\$2,100,000
• 1996	\$168,000	• 2017-2018	\$300,000
• 1997	\$120,000	• 2019	\$600,000
• 2000	\$200,000	• 2020	\$1,300,000
• 2001	\$200,000	• 2021	\$300,000

17. The shortfall of funds was due to not all contributions assessed for members to the Administrative Budget being received before the end of each financial year, and the received amount falling short of the estimated total expenditures incurred within the budget approved by Council. It should be noted that the figures shown above are the maximum approved amounts and the actual amounts drawn from WCR in recent years to run the Secretariat are shown in Table 2 as well as total amounts used for other purposes approved by Council.

18. In recent years, while the approved administrative budget has remained more or less the same, the assessed contributions received by Members by the end of the year have been gradually declining (as seen in table 1 and chart 1 below). While the total expenditures have been reduced by 15-20% of the approved budget due to the freezing of recruitment and other cost-saving efforts by the Secretariat, the amount not received during the fiscal year from Members exceeds this and is causing an annual shortfall in the administrative budget of close to \$600,000 per year in recent years.

Table 1

	2018	2019	2020	2021
<i>Approved Administrative Budget</i>	\$7,123,539	\$7,170,242	\$7,091,488	\$7,104,313
<i>Assessed Contributions Received by the end of the financial year</i>	\$5,572,241	\$5,465,184	\$5,457,890	\$5,025,692*
<i>Total Administrative Budget expenditures</i>	\$5,820,268	\$6,045,649	\$6,059,756	\$5,577,000**
<i>Shortfall met by the Working Capital Reserve</i>	\$248,027	\$580,465	\$601,866	\$551,308**

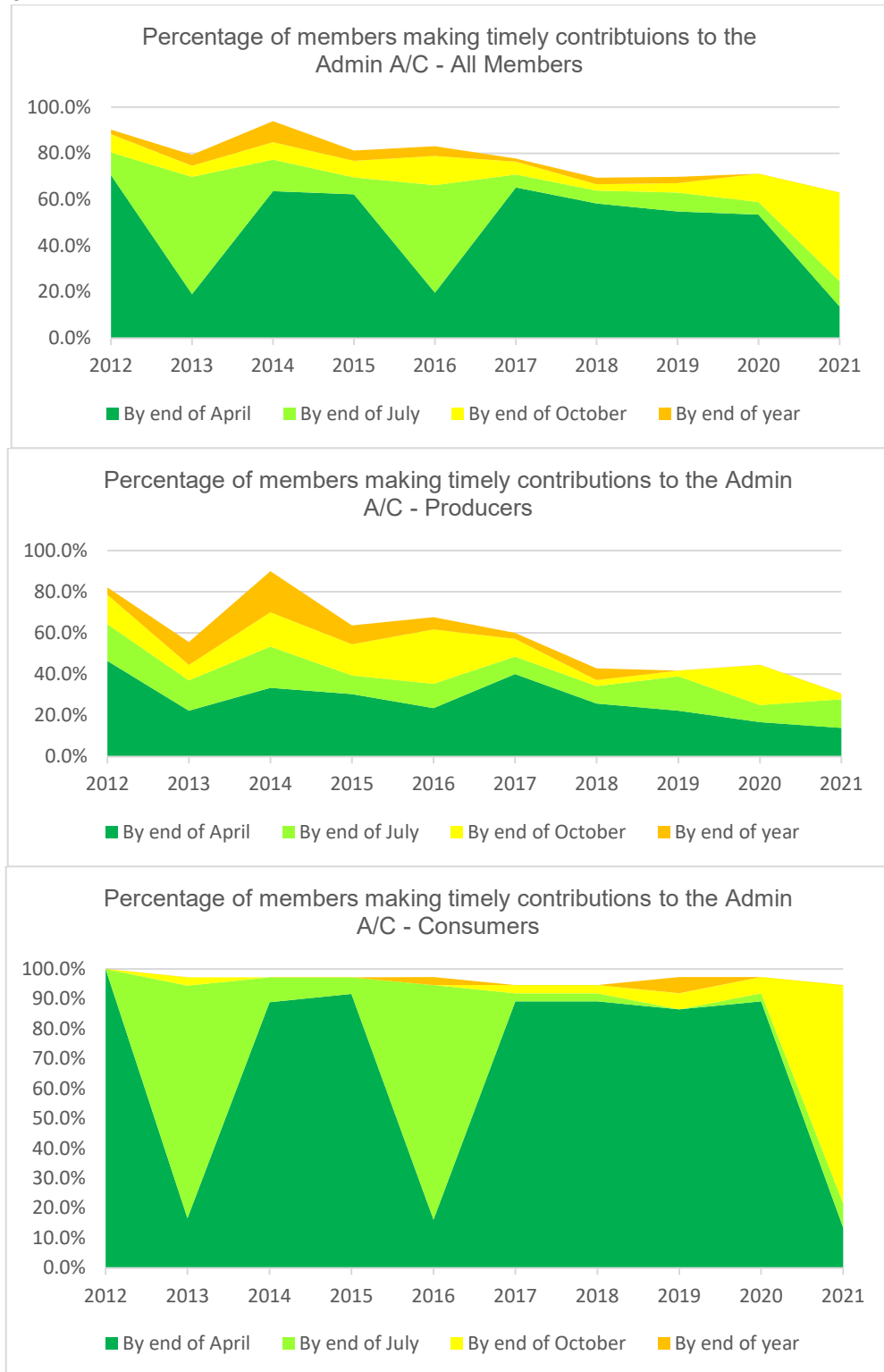
* Amount received as of 25 October 2021 ** Projection

19. Since Decision 2 (XXXIV) and Rule 5.5 of the Financial Rules authorizes the Executive Director to transfer only an amount not exceeding US\$300,000 annually from the WCR to the current account in the Administrative Account to meet the shortfall of funds to implement the work programme of the Organization, an additional Council Decision must be approved when it is anticipated that the shortfall for the year will be greater than US\$300,000, a situation that has arisen repeatedly during 2019-21 due to late and/or non-payment of assessed contributions by members.

20. In May and August 2021, the Secretariat was in a situation where the expenditures necessary to run the organization were projected to exceed the receipts from members by more than US\$300,000 if delays in receipt of assessed contributions from members continued. A letter from the Chairperson of Council was sent to all members at both times calling for a vote to raise the limit that could be utilized from the WCR in order to avoid the Secretariat running out of funds to implement the approved Administrative Budget. Unfortunately, the vote did not pass on both occasions due to insufficient members voting to meet the required threshold for a decision without meeting to pass. However, fortunately the Secretariat was able to maintain sufficient cashflow due to members with large assessments making their payment shortly after the letters were sent.

21. Assuming no further payments by members are received in the interim, the Secretariat now has enough funds to implement the approved Administrative Budget for 2021 until the end of November 2021, at which time the \$300,000 currently allowed to be drawn from the WCR will be fully used. Unless the Secretariat receives additional contributions from members by then, or a Decision is taken to authorize further utilization of the WCR, the Secretariat will not be able to execute the approved Administrative Budget after this Council Session and may have to suspend payment of salaries and other necessary expenditures to implement the work plan of the Organization as approved by Council. To avoid such a situation, a Decision to increase the utilization of the Reserve temporarily or (preferably) a more permanent solution involving a policy revision would be needed.

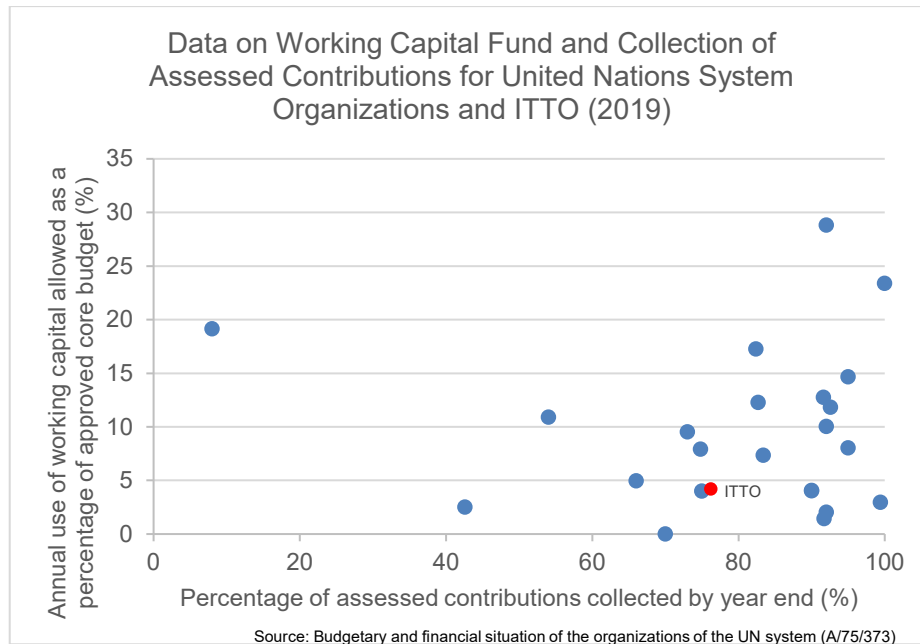
Chart 1



Working Capital Reserve Policies in Other International Organizations

22. According to the budgetary and financial situation of the organizations of the United Nations system (A/75/373, 1 October 2020) published by the UN System Chief Executives Board for Coordination (CEB), many, but not all, UN organizations have an amount of cash reserves mandated by their governing body to be held in case of funding fluctuations resulting from, among other things, foreign exchange impacts and funding changes. These can take the form of a liquidity policy, a working capital fund or other mechanism. The report includes the status of 33 organizations of the United Nations system with such a mechanism (Annex 2).
23. Within the United Nations system organizations, a common definition for the working capital fund exists in the "Glossary of financial and budgetary terms" (ACC/2000/6, 14 September 2000) as a "fund established by the appropriate legislative organ to finance budgetary appropriations pending receipt of Member's contributions and for such other purposes as may be authorized".
24. Furthermore, the United Nations gives the following explanation for the history and definition of their Fund: *The Working Capital Fund was established in 1946 to provide advances necessary to finance budgetary appropriations, pending the receipt of contributions, and to finance unforeseen and extraordinary expenses pending appropriation action by the General Assembly. In 1982 the level of the Fund was set at \$100 million, and in July 2006 the General Assembly decided that the level should be increased to \$150 million effective 1 January 2007.*
25. As for the specific rules and policies governing the Working Capital Fund for the United Nations, their Financial Regulations and Rules states the following:
 - Regulation 3.1 - pending the receipt of assessed contributions from Member States, the appropriations may be financed from the Working Capital Fund.
 - Regulation 3.6 - assessed contributions made by a Member State shall be credited first to the Working Capital Fund and then to the contributions due in the order in which the Member State was assessed.
 - Regulation 4.2 - there shall be established a working capital fund in an amount and for purposes to be determined from time to time by the General Assembly. The source of moneys of the Working Capital Fund shall be advances from Member States, and those advances, made in accordance with the scale of assessments as determined by the Assembly for the apportionment of the expenses of the United Nations, shall be carried to the credit of Member States that have made such advances.
 - Regulation 4.3 - advances made from the Working Capital Fund to finance budgetary appropriations shall be reimbursed to the Fund as soon as receipts from contributions are available for that purpose.
 - Regulation 4.4 - except when such advances are recoverable from some other source, advances made from the Working Capital Fund for unforeseen and extraordinary expenses or other authorized purposes shall be reimbursed through the submission of supplementary programme budget proposals.
26. Other organizations such as the United Nations Framework Convention on Climate Change have financial procedures where the replenishment of the working capital reserve is undertaken by applying cash received from Members who are in arrears for prior biennia firstly to the working capital reserve, which is similar to the approach that ITTO takes.
27. Based on the data available for the United Nations System Organizations in 2019 (Annex 2), the following chart was created to compare the receipt of assessed contributions and the level of working capital reserve authorized for use by each Organization. Data was used mainly from organizations that had information on both percentage of assessed contributions collected by the end of the year and the percentage of their working capital fund compared to their core budget. Unlike most other UN System Organizations, the entire balance of the ITTO WCR is not available for use to finance budgetary appropriations pending receipt of Members' contributions to ITTO. Therefore, for comparison purposes, the current authorization of \$300,000 per year to be used from the WCR (or 4.18% compared to the 2019 Administrative Budget) is used instead of the total WCR balance of \$5,167,833 in 2019. For the receipt of assessed contributions, figures of \$5,465,184 out of the approved budget of \$7,170,242 (or 76.22%) for 2019 was used. The results show that each organization's situation is unique in terms of level of assessed contributions received and working capital reserve authorized for use. However, with that said there appears to be still many organizations that have a higher level of working capital reserves authorized for use while receiving a higher level of assessed contributions than ITTO.

Chart 2



C. Recommendations

Increase the amount that can be utilized annually from the Working Capital Reserve to meet the shortfall of Administrative Account Funds

28. Including the projections for 2021, ITTO's shortfall of Administrative Account funds will have been above the authorized amount of \$300,000 usable from the WCR stated in Rule 5.5 of the Financial Rules for three years in a row (as seen in section B above). This limit (which was established in 2003 when the Administrative Budget was \$4,605,911 as opposed to \$7,104,313 in 2021) has not been sufficient to cover the shortfalls in the Administrative Account which is caused mainly due to assessed contributions not being received in a timely manner or at all by the end of the year. As there is a limit to how much the Secretariat can reduce expenditures due to the structure of the Administrative Budget, increasing the amount that can be utilized annually from the WCR is necessary to prevent cumbersome attempts to pass decisions without meeting between Council sessions to authorize the use of the WCR, and to prevent the Secretariat from suspending its payments and operations in case such decisions are not passed and sufficient payments are not received. Based on the experience of recent years, the Secretariat recommends that an upper limit of \$1 million be placed on withdrawals from the WCR by the Executive Director without explicit Council approval in order to maintain basic and core operations. All usage of the WCR will continue to be reported in detail to the CFA at each Council Session, including its balance.
29. In recent years, as seen below, the amount that the WCR has been replenished through arrears payments by members for prior year assessments has exceeded the amount utilized to cover shortfalls. The Secretariat does not therefore anticipate an immediate decline or depletion of the balance of the WCR as long as continued efforts are made for payments of assessed contributions by members and as long as most members continue to pay assessed contributions eventually. The growing number of "long-term" arrears, with members owing ITTO five or more years of annual contributions, should be a concern to members. Efforts should therefore focus on encouraging members to pay in a timely manner during the year they are assessed (e.g. through an enhanced discount scheme), and also on incentives for members to pay long-term arrears (e.g. through an enhanced write-off scheme). Proposals for amendments to such schemes already adopted by Council are contained in the following recommendations.

Table 2

	2018	2019	2020	2021 (projection)
<i>Working Capital Reserve utilized to cover shortfall of Administrative Account Funds</i>	\$248,027	\$580,465	\$601,866	\$551,308
<i>Working Capital Reserve replenished through arrear payment by members for prior year assessments</i>	\$605,421	\$662,566	\$987,603	\$848,534
<i>Expenses authorized through a Council Decision*</i>	\$112,711	\$140,279	\$6,100	\$13,936
<i>IPSAS adjustments (accruals, allowances, etc.)</i>	\$620,141	\$114,809	-\$167,504	-
<i>Year-end WCR balance as reported in the Financial Statements</i>	\$5,111,202	\$5,167,833	\$5,379,966	\$5,663,256
<i>Total year-end balance of arrears</i>	\$6,488,965	\$7,333,502	\$8,050,956	\$8,886,020

* Council often uses the WCR to fund decisions of common good to the members, often when there are no voluntary contributions forthcoming for such a purpose. The expenses shown represent only the amount utilized within the allowed budget and additional expenses may be incurred up to the maximum amount approved by Council until such time as the limit is reached or Council decides to declare that no more expenses should be incurred within the approved limit.

Create a more attractive discount scheme

30. In accordance with Article 19, paragraph 9 of the ITTA and the Financial Rules, any member currently who has paid its full assessed contribution within four months of the due date shall receive a discount of 5.5%. In order to increase the number of timely payments made by members, a progressively lower discount rate could be given to members who still pay the full assessed contribution within the fiscal year but later than four months after the due date. A possible discount scheme is as follows:

- Full payment within four month of the due date – 5.5%
- Full payment after fourth months but within seven months of the due date – 3%
- Full payment after seven months but within ten months of the due date – 1.5%

Update write-off scheme of Decision 7(XXXIII)

31. In accordance with Decision 7 (XXXIII), the Executive Director is authorized to write off, on an annual basis, one-fifth of a member's arrears of the period 1986-1996 for any member which has no arrears in its contributions to the Administrative Budget in respect to its obligations related to the year 2002 and beyond. This Decision adopted in 2002 has not been an effective tool to encourage Members with large arrears to regularize their payments, with only 5 countries benefitting from partial write-offs of arrears under its provisions in nearly 20 years. The write-off scheme has room for improvement since it does not address arrears incurred between 1997-2001 and the number of years that need to be paid in full to be eligible for any write-off is now approaching 20 years (2002-2021), which is likely too large to provide an incentive for some members.

32. While this topic probably needs more consideration by Council, one possibility for a more effective scheme could authorize the Executive Director to write off, on an annual basis, one-fifth of a member's arrears from the period under prior ITTAs (i.e. 1986-2011) for any Member which has no arrears in its contributions to the Administrative Budget in respect to its obligations related to the period under the current ITTA (i.e. 2012 until present). This would create a more appealing write-off scheme that could encourage Members with large arrears to make an effort to become up to date with their payments.

Clarify relevant policies and incorporate into the Financial Rules

33. Rules and policies related to the administrative account, assessed contributions, and working capital reserve should all be included in the Financial Rules so that they can be easily accessed and referenced by members. In addition to the recommendations made above, rules on the eligibility to submit proposals included within Decision 7 (XXXIII) Annex1C, which supplements the rules under Article 19.8 of the ITTA, 2006, should be added as follows to the Financial Rules with modifications for consistency with the other recommendations:

In accordance with Article 19, Paragraph 8 of the Agreement, if a member has not paid its contribution in full for two consecutive years, taking into account the provisions contained in Article 30 of the Agreement, that member shall become ineligible to submit project or pre-project proposals for funding consideration under Article 25, paragraph 1 of the Agreement. Additionally, the Secretariat will not process project and pre-project proposals submitted by members with cumulative arrears to the Administrative Account beginning from the earliest period under the current Agreement which are equal to or in excess of three times the member's annual assessed contribution in the year proposals are submitted.

34. Policy on allocation of assessed contributions received when members are in arrears are not available in the Financial Rules and should also be clarified. Clarifying text can be added to the Rules stating that “Assessed contributions received by members shall be applied to the oldest outstanding assessment due under the current Agreement”, in order to avoid members making payment to arrears that are applicable for a write-off once conditions are met.
35. All of the above recommendations are included in a draft Council Decision as proposed in Annex 1 for Council consideration.



ANNEX 1

INTERNATIONAL TROPICAL TIMBER COUNCIL

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3 December 2021

FIFTY-SEVENTH SESSION
29 November -3 December 2021
Virtual Session

DRAFT DECISION xx (LVII)

AMENDMENT OF FINANCIAL RULES AND RULES RELATING TO PROJECTS OF THE ITTO

The International Tropical Timber Council,

Recalling the provisions of the International Tropical Timber Agreement, 2006 regarding the Administrative Account as provided for by Article 19;

Recognizing the provisions under Rules 29 of the Financial Rules and Rules Relating to Projects of the ITTO which provide for these rules to be amended by a decision of the Council;

Noting that the reference to the write-off scheme and eligibility for submission of proposals in Decision 7(XXXIII) are superseded by Rules 4.6 and 4.7 in the Financial Rules as adopted in this Decision;

Appreciating the continuing efforts made by the Secretariat in exercising cost savings in the expenditures from the Administrative Budget;

Noting with concern the insufficient receipts of contributions from members to the Administrative Budget due to untimely payment of assessed contributions which often fall short of the estimated total expenditures;

Further noting the urgent need to revise relevant rules to ensure that the Secretariat may continue to function and operate under fluctuations in the cash flow due to the unpredictable timing and amount of receiving assessed contributions, as documented in ITTC(LVII)/6;

Decides to:

1. Amend the Financial Rules and Rules Relating to Projects of the ITTO as contained in the Annex to this Decision;
2. Request Members to pay as early as possible and in full their annual assessed contributions to the Administrative Budget, as well as arrears in contributions from previous years; and
3. Urge the Secretariat to look for cost saving measures on a continuing basis and to exercise economies where possible in expending the Administrative Budget.

ANNEX

ORIGINAL TEXT

Financial Rules and Rules Relating to Projects of the International Tropical Timber Organization

Rule 4 : Contributions of Members to the Administrative Account

4. In accordance with Article 19, paragraph 8 of the Agreement, any member which has paid its full contribution within four months of the due date shall receive a discount at a rate to be determined from time to time by the Council. Such discounts shall be applied in the form of rebates from the assessed contributions of members in the financial biennium following that in which the discount was earned, and the total amount of such discounts shall become part of the estimated expenditures described in Rule 2 paragraph 2 (a) for the budget for the Administrative Account of the aforesaid following biennium. The discount rate shall be decided by the Council and initially shall be 5.5%.

6. N/A

AMENDMENTS

Change the discount scheme to the following to encourage payments during the fiscal year:

- Full payment within four month of the due date – 5.5%
- Full payment after fourth months but within seven months of the due date – 3%
- Full payment after seven months but within ten months of the due date – 1.5%

Update write-off scheme of Decision 7(XXXIII) and incorporate into the Financial Rules. The period of the write-off is changed from 1986-1996 to the period under the prior ITTA (i.e. 1986-2011) and the criteria to receive write-offs is changed from payment of 2002 and beyond to the period under the current ITTA (2012 and beyond).

FINAL TEXT

Financial Rules and Rules Relating to Projects of the International Tropical Timber Organization

Rule 4 : Contributions of Members to the Administrative Account

4. In accordance with Article 19, paragraph 8 of the Agreement, any member which has paid its full contribution within four months of the due date shall receive a discount at a rate to be determined from time to time by the Council. Such discounts shall be applied in the form of rebates from the assessed contributions of members in the financial biennium following that in which the discount was earned, and the total amount of such discounts shall become part of the estimated expenditures described in Rule 2 paragraph 2 (a) for the budget for the Administrative Account of the aforesaid following biennium. The discount rate shall be decided by the Council and initially shall be 5.5%. Additionally, any member which has paid its full contribution after four months but within seven months of the due date shall receive a 3% discount, and any member which has paid its full contribution after seven months but within ten months of the due date shall receive a 1.5% discount. Any discount received after a draft budget for the Administrative Account is circulated to members in accordance with Rule 3.1 shall be applied to the biennium following the period in the draft budget.

6. The Executive Director is authorized to write off, on an annual basis, one-fifth of a member's arrears from the period under the prior ITTA for any member which has no arrears in its contributions to the Administrative Budget in respect to its obligations related to the period under the current ITTA.

ORIGINAL TEXT**AMENDMENTS****FINAL TEXT**

7. N/A

Incorporate into the Financial Rules the clause on eligibility for members to submit proposals included under ITTA, 2006, Article 19.8 and Decision 7(XXXIII) Annex1C. Changes are made to the Rules included under Decision 7(XXXIII) from 2002 to the beginning of the current ITTA (2012) for the period that is counted towards determining eligibility.

7. In accordance with Article 19, Paragraph 8 of the Agreement, if a member has not paid its contribution in full for two consecutive years, taking into account the provisions contained in Article 30 of the Agreement, that member shall become ineligible to submit project or pre-project proposals for funding consideration under Article 25, paragraph 1 of the Agreement. Additionally, the Secretariat will not process project and pre-project proposals submitted by members with cumulative arrears to the Administrative Account beginning from the earliest period under the current Agreement which are equal to or in excess of three times the member's annual assessed contribution in the year proposals are submitted.

8. N/A

Policy on allocation of assessed contributions received when members are in arrears are clarified in order to avoid members making payment to arrears that are applicable for a write-off once conditions are met.

8. Assessed contributions received by members shall be applied to the oldest outstanding assessment due under the current Agreement.

Rule 5 : Administration of the Administrative Account

5. If and when necessary, the Executive Director is authorized to transfer an amount not exceeding US\$300,000 annually from the Working Capital Reserve to the current account in the Administrative Account to meet the shortfall of funds to implement the work programme of the Organization. All other uses of the Working Capital Reserve require a Council decision.

Increasing the maximum annual amount from the Working Capital Reserve authorized for use to meet the shortfall of funds to implement the work programme of the Organization.

Rule 5 : Administration of the Administrative Account

5. If and when necessary, the Executive Director is authorized to transfer an amount not exceeding US\$1,000,000 annually from the Working Capital Reserve to the current account in the Administrative Account to meet the shortfall of funds to implement the work programme of the Organization. All other uses of the Working Capital Reserve require a Council decision.

ANNEX 2

Tables from the Budgetary and financial situation of the organizations of the United Nations system (A/75/373)

**/ Data on ITTO is not included in original table. For data on year-end working capital, unlike most United Nations system organizations, the entire balance of the ITTO working capital reserve is not available for use to finance budgetary appropriations pending receipt of members' contributions to ITTO. Therefore, for ITTO the annual amount authorized for utilization by the Executive Director is also shown for comparison purposes.*

Table 7
Collection of assessed contributions (2018–2019)

	2018			2019		
	Percentage collected as at 30 June	Percentage collected as at 31 December	Amount outstanding as at 31 December (US dollars)	Percentage collected as at 30 June	Percentage collected as at 31 December	Amount outstanding as at 31 December (US dollars)
United Nations	60.0	79.0	528 653 445	63.0	75.0	699 030 951
United Nations peacekeeping	78.7	–	–	79.8	–	2 065 742 025
CTBTO	61.0	92.0	28 744 571	58.0	92.0	30 622 574
FAO	53.9	78.6	133 297 961	35.8	74.8	181 000 154
IAEA	63.0	93.0	51 096 791	60.0	90.0	61 605 367
IARC	49.6	82.5	4 618 573	54.5	82.7	4 436 533
ICAO	68.0	96.0	12 911 684	59.4	83.4	21 746 519
ICC	86.0	90.0	24 112 123	78.0	90.0	28 763 501
ILO	64.0	80.0	110 303 199	60.0	70.0	175 658 885
IMO	84.0	99.0	482 295	84.5	99.4	270 583
IOM	47.0	92.0	4 323 424	39.0	92.0	7 628 314
ITC	–	–	–	50.0	100.0	–
ITLOS	–	–	–	86.4	91.6	967 561
ITTO */	66.0	78.2	1 551 298	50.0	76.2	1 705 058
ITU	86.0	97.0	3 841 642	86.0	95.0	6 186 802
OPCW	58.0	97.0	2 458 667	53.7	92.6	5 525 109
PAHO	45.0	71.0	42 769 474	8.9	42.6	88 872 182
UNEP	34.0	66.0	218 545 000	46.0	54.0	240 667 000
UNESCO	51.0	73.0	89 686 239	58.0	92.0	20 095 914
UNFCCC	69.0	80.0	6 563 816	62.0	75.0	16 374 307
UNFCCC	81.0	100.0	–	88.0	100.0	–
UNIDO	75.3	89.5	8 203 336	72.0	95.0	3 977 166
UN-Women	–	–	–	8.0	8.0	9 315 357
UNWTO	72.8	81.8	20 062 307	67.6	82.4	19 852 506
UPU	–	–	–	81.0	91.0	3 157 976
WHO	40.0	78.0	153 214 851	50.0	66.0	236 652 799
WIPO	89.1	92.3	7 585 137	86.5	91.7	8 438 614
WMO	57.0	78.0	19 901 388	55.0	73.0	29 102 630
WTO	65.0	91.0	26 679 850	78.0	92.0	25 652 315

Notes:

- The percentage collected as at 30 June and as at 31 December reflects the current fiscal year's assessments.
- The amount outstanding reflects total uncollected assessments for all years (namely, current and prior).
- New organizations reporting from 2017: CTBTO, ICC and UNFCCC; from 2018: IARC, OPCW and UNITAID; and from 2019: ITLOS.
- UNFCCC has two budgets approved by the Conference of the Parties to the Convention; both are financed from indicative (assessed) contributions with different scales of assessment and different membership.

Table 8
Working capital funds by organization at year end (2018–2019)

(United States dollars)

Organization	2018			2019		
	Total revenue excluding voluntary non-core (earmarked) contributions	Working capital as at 31 December	Percentage of working capital funds to revenue	Total revenue excluding voluntary non-core (earmarked) contributions	Working capital as at 31 December	Percentage of working capital funds to revenue
United Nations	3 126 724 924	150 000 000	4.80	3 742 814 956	150 000 000	4.01
CTBTO	131 101 737	2 647 292	2.02	130 968 663	2 647 313	2.02
FAO	565 124 000	25 745 272	4.56	548 128 913	43 304 194	7.90
IAEA	427 948 613	17 363 014	4.06	422 340 885	16 975 446	4.02
IARC	27 302 281	3 836 815	14.05	26 816 906	3 293 623	12.28
ICAO	100 748 355	8 000 000	7.94	108 955 691	8 000 000	7.34
ICC	166 687 513	11 451 336	6.87	163 147 698	6 641 864	4.07
IFAD	282 235 469	2 560 288 000	907.15	450 178 000	2 075 285 000	460.99
ILO	448 730 672	35 460 993	7.90	432 791 797	–	0.00
IMO	61 109 987	2 461 850	4.03	64 299 332	1 887 663	2.94
ITC	67 080 063	9 272 139	13.82	47 015 000	10 989 000	23.37
ITLOS	–	–	–	11 451 563	1 461 085	12.76
ITTO (authorized amount) <u>*/</u>	7 123 539	300 000	4.21	7 170 242	300 000	4.18
ITTO (total amount) <u>*/</u>	7 123 539	5 111 202	71.75	7 170 242	5 167 833	72.07
ITU	160 710 888	27 802 432	17.30	174 461 780	25 574 735	14.66
OPCW	73 870 139	8 382 748	11.35	76 868 715	9 084 756	11.82
PAHO	805 840 820	21 716 450	2.69	993 269 006	25 000 000	2.52
UN-Habitat	25 172 664	296 116 000	1 176.34	43 758 999	247 102 000	564.69
UNAIDS	189 893 398	95 600 000	50.34	186 554 203	100 300 000	53.76
UNDP	994 127 346	404 642 384	40.70	1 050 206 625	283 001 000	26.95
UNEP	320 023 336	36 204 000	11.31	330 360 515	36 004 000	10.90
UNESCO	387 095 127	24 622 673	6.36	311 383 655	31 222 673	10.03
UNFCCC	53 075 705	47 955 268	90.35	49 721 201	49 181 108	98.91
UNFPA	466 063 874	75 476 000	16.19	478 923 490	74 225 589	15.50
UNHCR	724 486 790	100 000 000	13.80	802 458 089	100 000 000	12.46
UNIDO	156 077 399	8 473 863	5.43	103 144 598	8 284 714	8.03
UNITAID	188 138 000	60 000 000	31.89	230 285 000	60 000 000	26.05
UNOPS	942 476 159	–	0.00	1 211 767 043	252 044 896	20.80
UNSSC	5 062 428	9 591 441	189.46	4 613 767	5 353 535	116.03
UN-Women	169 454 352	26 800 000	15.82	169 972 034	32 529 000	19.14
UNWTO	18 726 851	3 196 648	17.07	18 106 031	3 125 294	17.26
WHO	637 112 526	31 000 000	4.87	626 669 685	31 000 000	4.95
WIPO	424 477 073	6 425 925	1.51	457 610 434	6 505 013	1.42
WMO	70 665 829	6 687 453	9.46	71 032 821	6 771 866	9.53
WTO	234 906 706	63 738 831	27.13	228 597 843	65 863 561	28.81

Notes:

- (a) Working capital funds are usually established to allow a “buffer” against reductions in revenues during a fiscal year or to finance temporary cash deficits as a result of delay in receipt of income. Since these funds cannot be used to offset losses in non-core (earmarked) contributions, they are compared against total revenue excluding voluntary non-core (earmarked) contributions.
- (b) The financial statements of IFAD are prepared in accordance with the International Financial Reporting Standards.
- (c) For UNOPS, total revenue core (unearmarked) refers to principal revenue, in accordance with IPSAS.
- (d) New organizations reporting from 2017: CTBTO, ICC, UNCDF, UNFCCC and UNSSC; from 2018: IARC, OPCW and UNITAID; and from 2019: ITLOS.