



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

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Item 11 of the Council Agenda

Fifty-seventh Session of the ITTC  
29 November – 3 December 2021

# Introduction and Structure of the Administrative Account

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- Introduction
- How the Administrative Account and Budget are structured
  - ITTA, 2006 Article 18 and 19
  - Basic administrative & Core operational costs
  - Working Capital Reserve & Special Reserve
- Contributions of Members to the Administrative Account
  - Due dates
  - Discounts
  - Penalties and write-offs

# Working Capital Reserve (WCR) Policy and Current Situation

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- ITTO's WCR policy
  - Make up and purpose of WCR: shared member funds from late payments after year of assessment; to be used to meet admin budget shortfalls; NOT for project/activity funding
  - First created in 1992
  - Decision 2 (XXXIV) in 2003, authorizes ED to transfer, if and necessary an amount not exceeding \$300k from WCR (low compared to other Organizations)

# Working Capital Reserve (WCR) Policy and Current Situation



- Utilization of the WCR to meet the shortfall of Admin A/C funds
  - Amounts authorized for use each year

• 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

# Working Capital Reserve (WCR) Policy and Current Situation



- Utilization of the WCR to meet the shortfall of Admin A/C funds
  - Shortfall of funds in recent years

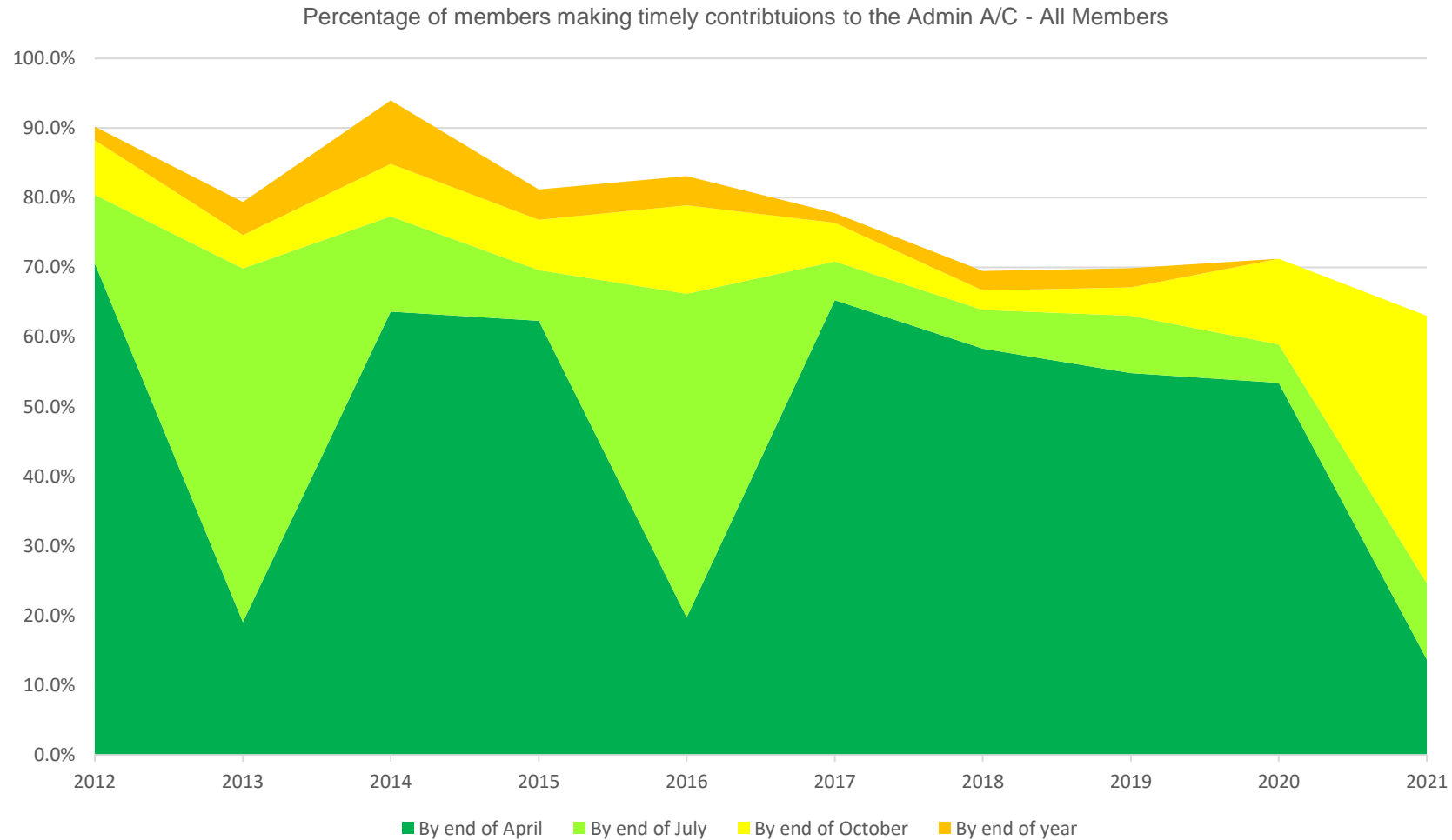
Table 1

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<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**

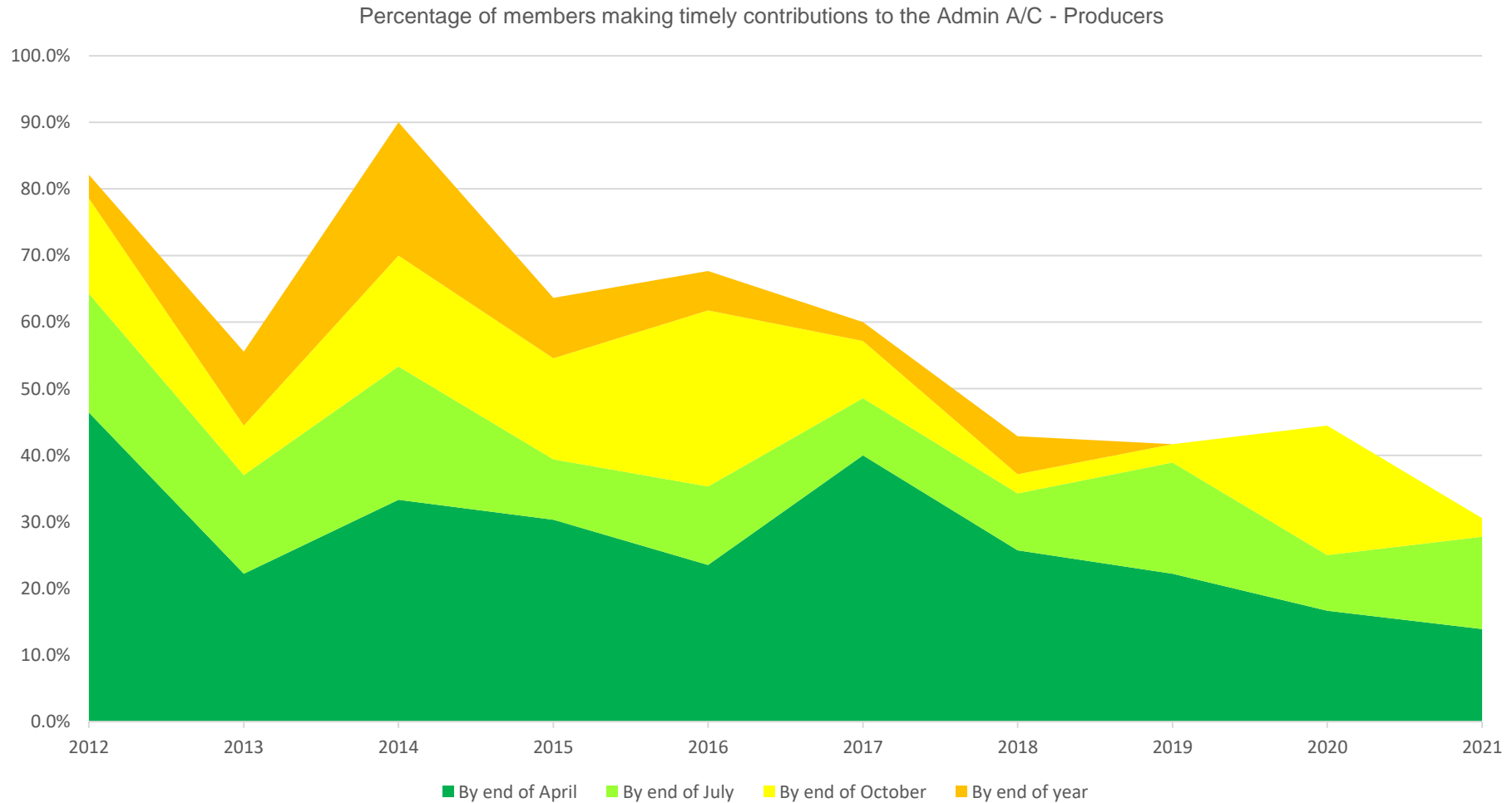
\* Amount received as of 25 October 2021

\*\* Projection

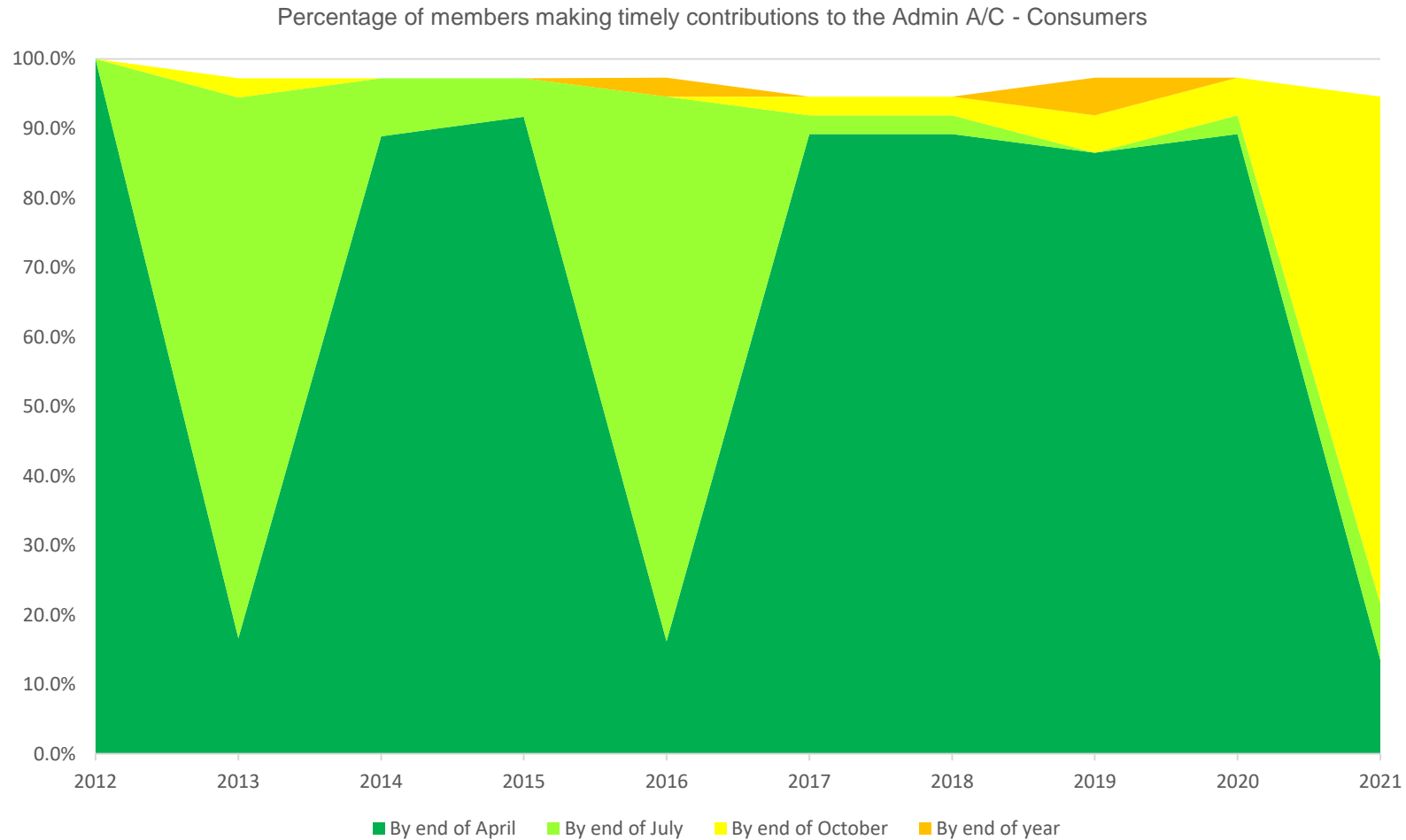
# Working Capital Reserve (WCR) Policy and Current Situation



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# Working Capital Reserve (WCR) Policy and Current Situation







# Recommendations

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1. Increase the amount that can be utilized annually from the WCR to meet the shortfall of Admin Account Funds
  - From \$300k to \$1M per year
  - In recent years, amount of WCR replenished through arrears payments has exceeded amount utilized to cover shortfalls.
  - Secretariat does not anticipate an immediate decline or depletion of the balance of the WCR

# Recommendations



	2018	2019	2020	2021 <i>(projection)</i>
<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.



# Recommendations

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2. Create a more attractive discount scheme
  - Progressively lower discount rates for members that pay within the year but later than four months after the due date.
3. Update write-off scheme of Decision 7(XXXIII)
  - If a member has paid all obligations under the current ITTA, partial write-offs from periods under the previous ITTA may be given



# Recommendations

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4. Clarify relevant policies and incorporate into the Financial Rules
  - Policies on assessed contributions and reserves should be captured in the Financial Rules
  - Rules on project submission eligibility included in Decision 7(XXXIII) should be included in the Financial Rules
  - Policy on allocation of assessed contributions received when members are in arrears should be clarified in the Financial Rules



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Thank you very much

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