



**INTERNATIONAL TROPICAL
TIMBER COUNCIL**

Distr.
GENERAL

ITTC(LVIII)/4
7 October 2022

Original: ENGLISH

FIFTY-EIGHTH SESSION
7-11 November 2022
Yokohama, Japan (Hybrid Session)

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

(Item 11 of the Provisional Agenda)

Table of Contents

A. Introduction and Mandate of the Working Group	3
• Background	3
• Operational Mode of the Working Group	3
B. Recommendations of the Working Group	4
Annex 1 – Background Paper for the Decision 3(LVII) Working Group on The Management of the Administrative Budget	5
Annex 2 – Minutes of the Working Group	18
Annex 3 – Summary of Assessed Contributions categorized by different ITTAs and Summary of Countries Receiving Write-Offs under Decision 7(XXXIII)	34
Annex 4 – Proposed Draft Decision	37

A. Introduction and Mandate of the Working Group

Background

1. At the request of the Informal Advisory Group, the Secretariat prepared a report (ITTC(LVII)/7) for Council at its 57th Session (2021) of the International Tropical Timber Council (ITTC), 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.
2. After deliberations, the Council adopted Decision 3(LVII) "Management of the Administrative Budget for 2021-2022", which contained the following decisions:
 - Authorizing the Executive Director to transfer, if necessary, such as in emergency situation, an amount not exceeding 10% of the budget from the Working Capital Reserve, to meet any shortfall of funds to implement the work programme of the Organization, and to report to the CFA on a timely basis with regards to any drawdowns from the Working Capital Reserve.
 - Request members to pay as early as possible their assessments and arrears, and to urge the secretariat to undertake appropriate cost savings and efficiency measures.
 - Establish a virtual intersessional group made up of 6 producer members and 6 consumer members

Operational mode of the Working Group

3. In accordance with Decision 3(LVII), a virtual intersessional working group (WG) was convened consisting of 6 producer members and 6 consumer members nominated by each caucus as follows:
 - Mr. Björn Merzell, Representative of the Government of Sweden, Chairperson of CFA
 - Ms. Natacha Nssi Bengone épse Ona Abiaga, Representative of the Government of Gabon
 - Mr. Mouncharou Ndjayou Georges Collins, Representative of the Government of Cameroon
 - Ms. Carmela Gina Quintanilla Centenaro, Representative of the Government of Peru
 - Mr. Dambis Kaip, Representative of the Government of Papua New Guinea
 - Mr. Azelan Ishak, Representative of the Government of Malaysia
 - Mr. Eloy Ignacio Sanchez, Representative of the Government of Mexico
 - Mr. Daniel Van Assche, Representative of the EU Commission
 - Ms. Yoshiko Motoyama, Representative of the Government of Japan
 - Ms. Aysha Ghadiali, Representative of the Government of USA
 - Ms. Anna Tyler, Representative of the Government of New Zealand
 - Mr. Keiran Andrusko, Representative of the Government of Australia
4. Specific tasks assigned to the WG under paragraph 6 of this decision are to:
 - i. Make recommendations on any change to the threshold for annual use of the Working Capital Reserve by the Executive Director without Council approval;
 - ii. Propose ways to prompt members to pay contributions to the administrative budget;
 - iii. Explore ways to adapt the budget of the Organization to the long-term trends in payment of contributions; and
 - iv. Prepare a report for consideration of Council at its 58th Session
5. The WG convened twice virtually on 3 August 2022 and 1 September 2022. A background document (Annex 1) was provided beforehand including updated figures and information to the report previously circulated by the Secretariat at ITTC57 (ITTC(LVII)/7).
6. Mr. Björn Merzell and Ms. Natacha Nssi Bengone épse Ona Abiaga were elected by the WG as Co-chairs of the WG. The outcome and recommendations resulting from the deliberations of the WG are captured in this report. The minutes of the two meetings are also included in this report in Annex 2.

B. Recommendations of the Working Group

1. Make recommendations on any change to the threshold for annual use of the Working Capital Reserve by the Executive Director without Council approval

- Change the threshold for annual use of the Working Capital Reserve by the Executive Director without Council approval to 15% of the budget.
- Amendments to Rule 5 of the Financial Rules to improve cashflow of the Administrative Account could be considered by the Committee on Finance and Administration (CFA) in order to allow arrear payments to be placed directly into the current operational account for the year in which it is received, and to allow flexibility for annual budgets to be used within the same financial biennium without being returned to the Working Capital Reserve at the end of the year.
- Add information on the assessed contribution collection rate per year in the secretariat's annual report to the CFA.

2. Propose ways to prompt members to pay contributions to the administrative budget

- There was a wide discussion on how to propose ways to prompt members to pay contributions, but no conclusion was reached. The WG defers this discussion to the CFA at the ITTC 58 for an open and frank exchange within the members, and for the CFA to make its recommendations to the Council,
- The WG requested the Secretariat to produce information on member's arrears categorized under each different ITTA period, and which countries have received write-offs under Decision 7 (XXXIII). The information is contained in Annex 3 of this to be used as reference for further discussions.

3. Explore ways to adapt the budget of the Organization to the long-term trends in payments of contributions

- Extensive discussions were held on this mandate item, but due to the topic requiring further intrinsic research and monitoring over the next few years, the WG suggests the Council extends the mandate of the WG for an additional year to allow for further explorations to be made into all the mandate items.

4. Prepare a report for consideration of council at its 58th Session

- This report summarizes the discussions and recommendations of the WG for consideration by the Council at its 58th Session.
- Annex 4 contains proposed text for a draft Decision reflecting the recommendations of the WG.



Annex 1

ITTC(LVIII)/4
Page 5

INTERNATIONAL TROPICAL TIMBER ORGANIZATION

Background Paper for the Decision 3(LVII) Working Group on The Management of the Administrative Budget

Table of Contents

A. Introduction and Structure of the Administrative Account	3
• Introduction	3
• How the Administrative Account and Budget are Structured	3
• Contributions of Members to the Administrative Account	3
B. Working Capital Reserve Policy and Current Situation	4
• ITTO's Working Capital Reserve Policy	4
• Utilization of the Working Capital Reserve to meet the shortfall of Administrative Account Funds	5
• Working Capital Reserve Policies in Other International Organizations	8
C. Mandate of the Decision 3(LVII) Working Group	9
D. Comments by Members made at the ITTC57 regarding improving ITTO's discount/write-off policy	10
Annex 1 - Tables from the Budgetary and financial situation of the organizations of the United Nations system (A/75/373)	11

C. Introduction and Structure of the Administrative Account

Introduction

7. 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

8. 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.
9. 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.
10. 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.
11. 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.
12. 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 \$221,059).

Contributions of Members to the Administrative Account

13. 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.

14. 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%.
15. 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.
16. A member whose rights have been suspended under the paragraph above remains liable to pay its contributions.
17. 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.

D. Working Capital Reserve Policy and Current Situation

ITTO's Working Capital Reserve Policy

12. In accordance with Rule 2 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. In 2021, the Council further amended this policy through Decision 3 (LVII) to authorize the Executive Director to transfer, if necessary, such as in emergency situations, an amount not exceeding 10% of the current Administrative Budget annually from the Working Capital Reserve to meet the shortfall of funds, as long as expenditures stay within the specified annual budget. 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 5.5 states that the Executive Director shall report to the Committee on Finance and Administration, through its Chair, on a timely basis with regards to any drawdowns from the Working

Capital Reserve. 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 2022 approved budget amount of \$7,031,320, this is equivalent to \$1,054,698 (15%) or \$1,171,887 (1/6th). The current estimated balance of the WCR at the end of 2022 is approximately \$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	• 2003	\$900,000
• 1993	\$630,000	• 2004-2015	\$300,000
• 1994	\$370,000	• 2016	\$2,100,000
• 1995	\$530,000	• 2017-2018	\$300,000
• 1996	\$168,000	• 2019	\$600,000
• 1997	\$120,000	• 2020	\$1,300,000
• 2000	\$200,000	• 2021	\$710,432
• 2001	\$200,000	• 2022	\$703,132
• 2002	\$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 \$300,000 - \$600,000 per year in recent years.

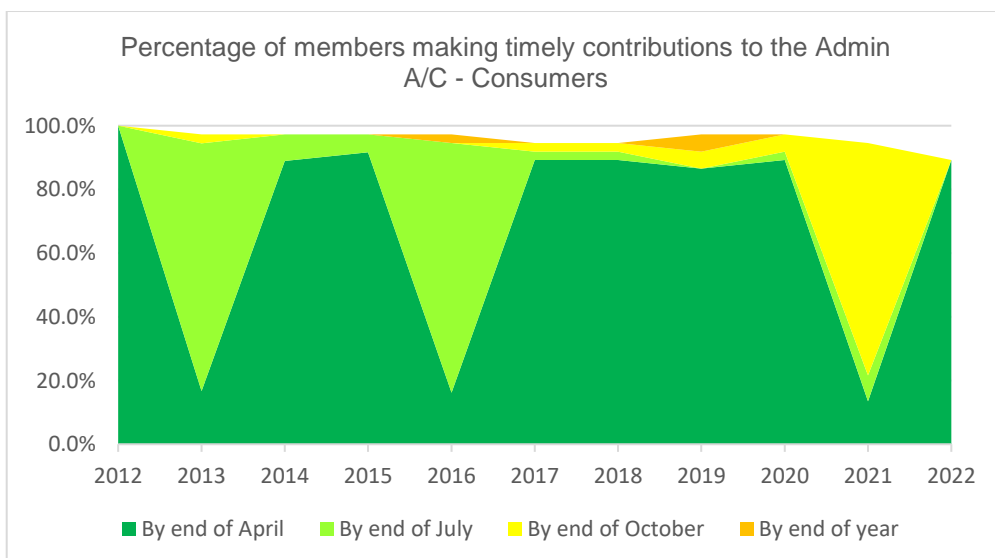
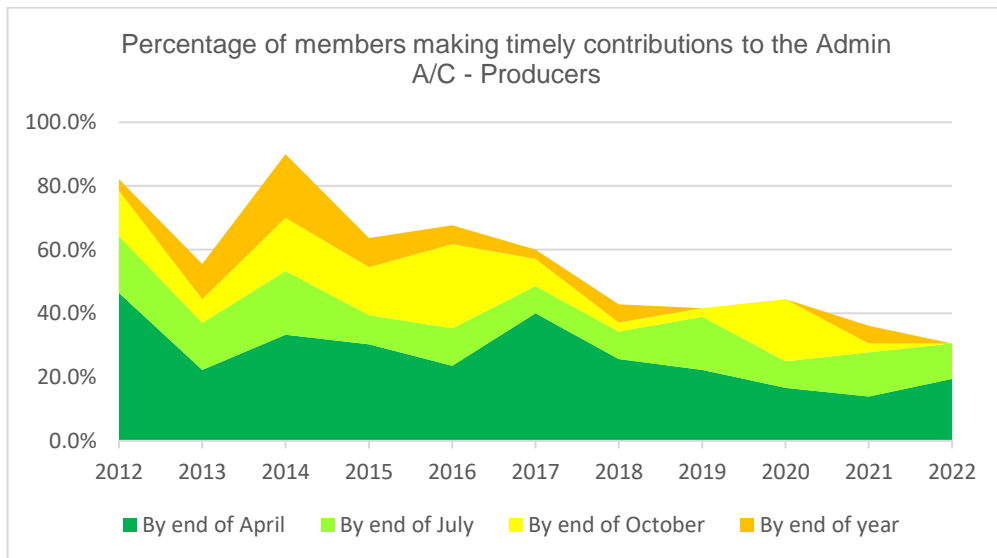
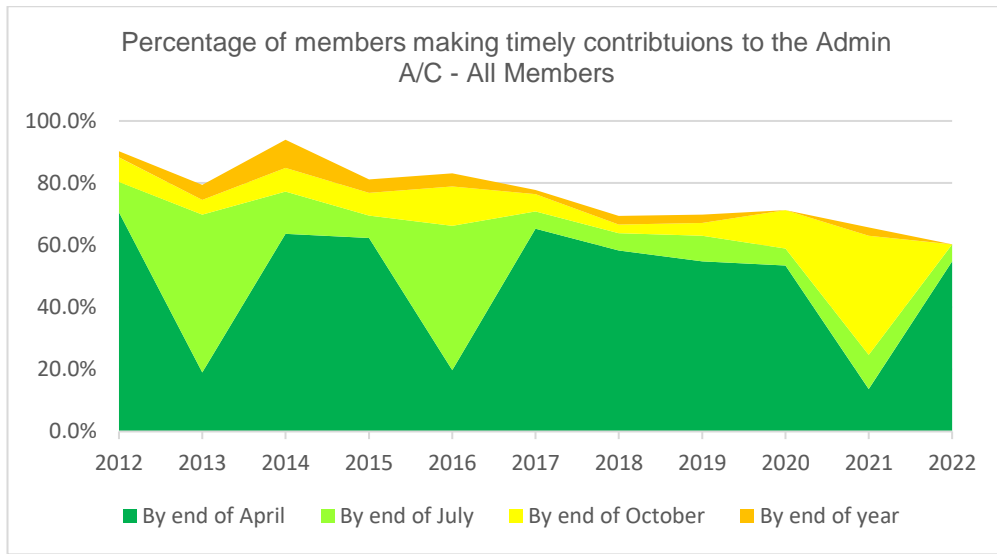
Table 1

	2018	2019	2020	2021	2022*
<i>Approved Administrative Budget</i>	\$7,123,539	\$7,170,242	\$7,091,488	\$7,104,313	\$7,031,320
<i>Assessed Contributions Received by the end of the financial year</i>	\$5,572,241	\$5,465,184	\$5,457,890	\$5,150,042	\$5,120,347*
<i>Total Administrative Budget expenditures</i>	\$5,820,268	\$6,045,649	\$6,059,756	\$5,549,504	\$5,549,504*
<i>Shortfall met by the Working Capital Reserve</i>	\$248,027	\$580,465	\$601,866	\$399,462	\$429,157*

* Projection

19. Decision 3 (LVII) and Rule 5.5 of the Financial Rules authorizes the Executive Director to transfer an amount not exceeding 10% of the budget annually (\$703,132 in 2022) 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. The shortfall in recent years is within the allowed limit, however, if the situation regarding late and/or non-payment of assessed contributions by members worsens in the future there may be a need to increase the allowed annual threshold through a Council Decision.

Chart 1 (as of 15 July 2022)



20. In recent years, as seen below (Table 2), 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, and also on incentives for members to pay long-term arrears.

Table 2

	2018	2019	2020	2021	2022 (projection)
<i>Working Capital Reserve utilized to cover shortfall of Administrative Account Funds</i>	\$248,027	\$580,465	\$601,866	\$399,462	\$429,157
<i>Working Capital Reserve replenished through arrear payment by members for prior year assessments</i>	\$605,421	\$662,566	\$987,603	\$1,417,918	\$176,086**
<i>Expenses authorized through a Council Decision*</i>	\$169,470	\$170,136	\$83,613	\$45,848	\$23,910**
<i>IPSAS adjustments (accruals, allowances, etc.)</i>	\$676,900	\$144,666	-\$89,991	-\$122,922	-
<i>Year-end WCR balance as reported in the Financial Statements</i>	\$5,111,202	\$5,167,833	\$5,379,966	\$6,229,652	\$5,952,671
<i>Total year-end balance of arrears</i>	\$6,488,965	\$7,333,502	\$8,050,956	\$8,886,020	\$10,620,907

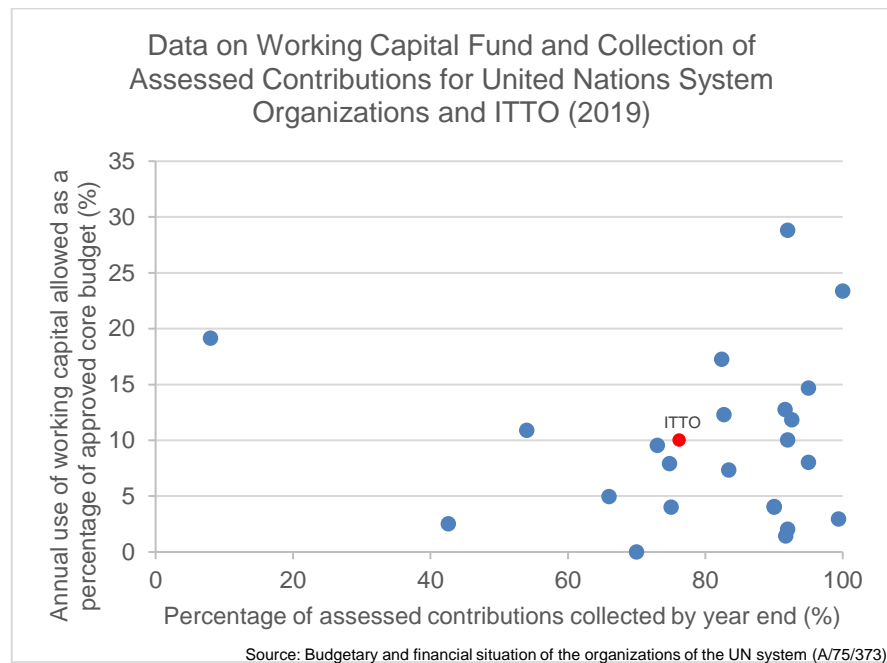
* Council often uses the WCR to fund decisions of common good to the members, often when there are no voluntary contributions forthcoming for such a purpose. The expenses shown represent only the amount utilized within the allowed budget and additional expenses may be incurred up to the maximum amount 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.

** As of 15 July 2022

Working Capital Reserve Policies in Other International Organizations

21. 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).
22. 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".
23. 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.*
24. 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.
25. 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.
26. Based on the data available for the United Nations System Organizations in 2019 (Annex 1), 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 10% of the Administrative Account per year to be used from the WCR (or \$710,434 if applied 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 several 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



E. Mandate of the Decision 3(LVII) Working Group

27. The Council through Decision 3(LVII) decided to establish a virtual intersessional group made up of 6 producer members and 6 consumer members to:
 - a. Make recommendations on any change to the threshold for annual use of the Working Capital Reserve by the Executive Director without Council approval;
 - b. Propose ways to prompt members to pay contributions to the administrative budget;
 - c. Explore ways to adapt the budget of the Organization to the long-term trends in payment of contributions; and
 - d. Prepare a report for consideration of Council at its 58th Session.

F. Comments by Members made at the ITTC57 regarding improving ITTO's discount/write-off policy

EU

Regarding the Secretariat's recommendations for an enhanced discount scheme, the delegate of the EU said the EU considered an enhanced discount scheme reasonable and beneficial, with some adjustments. The scheme should not encourage payments later than six months after the due date. She also said the EU would be in favour of a payoff scheme for members in arrears, whereby the Secretariat and the concerned country could agree to a long-term scheme for paying its arrears. The growing number of long-term arrears with members owing five or more years was a major concern, and efforts should be focused on finding long-term solutions to encourage members to pay. If no durable solutions for these problems could be found, an adjustment in the level of the administrative budget might have to be contemplated. On the possibility of finding measures to encourage payment by recovering the right to vote or the right for members to submit projects, she said the EU was open to discussions.

USA

As a matter of policy, the USA was unable to support direct write-offs of arrears because it could have a destabilizing effect on the Organization. The USA sympathized with the very difficult situation and would be happy to work with members and the Secretariat to find ways to alleviate the repayment burden, perhaps over time, as suggested by the EU.

Japan

Regarding the discount, the delegate of Japan said it was not standard practice at other international organizations and Japan was not necessarily supportive of it. Her delegation was happy to consult further on this matter but had also provided examples of other organizations' financial management through the CFA report:

Despite its lower risk/ more liquid balance sheet than other organizations, ITTO has limited flexibility in drawing on resources allocated for the biennium, in the absence of following rules like the one from UNCCD and CBD below:

UNCCD: 8. *Within the General Fund there shall be maintained a working capital reserve at a level to be determined from time to time by the Conference of the Parties by consensus. The purpose of the working capital reserve shall be to ensure continuity of operations in the event of a temporary shortfall of cash. Drawdowns from the working capital reserve shall be restored from contributions as soon as possible (WCR only 8% of budget, no special reserve)*

CBD: 14. *At the end of each calendar year, the Trustee shall transfer any balance to the following calendar year and submit to the Conference of the Parties, through the Executive Secretary, the CFA(XXXVI)/9 Page 8 certified and audited accounts for that year as soon as practicable. The Trust Fund shall be subjected to the internal and external auditing procedure of the United Nations as laid down in the Financial Regulations and Rules of the United Nations.*

The delegate of Japan further mentioned that there are also much more flexible rules allowing for transfers between budget lines in both these conventions. Some other organizations (WIPO, IUCN) have reserve policies in place to handle situations like what ITTO has faced over the past year.

The delegate of Japan suggested that, for example, in response to such problems and if there was greater need for flexibility in the rules, the Secretariat can highlight the need for greater flexibility in financial management in the rules/ regulations, if not propose elements in a draft decision for member states' consideration, as done by the CBD, for example, as shown below:

Example from latest elements in budget draft decision (proposed by the CBD Secretariat and authorized by Parties):

Also authorizes the Executive Secretary to enter into commitments up to the level of the approved budget, drawing on available cash resources, including unspent balances, contributions from previous financial periods and miscellaneous income, in accordance with the decisions of the Conference of the Parties and the financial rules and regulations of the United Nations Environment Programme, and requests the Executive Secretary to report on the details

and rationale of any budget reallocations in line with paragraph 11 below; 11. Authorizes the Executive Secretary to transfer resources among the programmes between each of the main appropriation lines set out in table 2b below up to an aggregate of 15 per cent of the total programme budget, provided that a further limitation of up to a maximum of 25 per cent of each such appropriation line shall apply;

Producer Spokesperson

The problem would not be solved [just] by increasing the limit to be used from the Working Capital Reserve and that the intersessional working group should seek more innovative measures.

Secretariat

Regarding the write-off system, the Secretariat said the current system was extremely complex and few countries had benefited from it. He understood the reservations about write-offs, and the Council might consider dealing with the issue in a deliberate manner so that a solution could be found that was embraced by all members. He supported the formation of an intersessional working group.

ANNEX 1

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 currently 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	712 354	10.00	7 170 242	717 024	10.00
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:

- 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.
- The financial statements of IFAD are prepared in accordance with the International Financial Reporting Standards.
- For UNOPS, total revenue core (unearmarked) refers to principal revenue, in accordance with IPSAS.
- New organizations reporting from 2017: CTBTO, ICC, UNCDF, UNFCCC and UNSSC; from 2018: IARC, OPCW and UNITAID; and from 2019: ITLOS.

Annex 2

DECISION 3(LVII) WORKING GROUP – MANAGEMENT OF ADMINISTRATIVE BUDGET TELECONFERENCE OUTCOME 3 August 2022

PARTICIPANTS:

Working Group (WG) Members

Mr. Loncharo Engyro Georgias Collins, Cameroon (absent)
Ms. Natasha Nssi Bengone epse Ona Abiaga, Representative of the Government of Gabon
Ms. Carmela Gina Quintanilla Centenaro, Representative of the Government of Peru
Mr. Dambis Kaip, Representative of the Government of Papua New Guinea (absent)
Mr. Azelan Ishak, Representative of the Government of Malaysia
Mr. Eloy Ignacio Sanchez, Representative of the Government of Mexico
Mr. Daniel Van Assche, Representative of the EU Commission
Ms. Yoshiko Motoyama, Representative of the Government of Japan
Mr. Björn Merckell, Representative of the Government of Sweden, Chairperson of CFA (absent)
Ms. Aysha Ghadiali, Representative of the Government of USA
Ms. Anna Tyler, Representative of the Government of New Zealand (absent)
Mr. Keiran Andrusko, Representative of the Government of Australia

Observers

Ms. Marie Tsunoda, Ministry of Foreign Affairs, Japan

ITTO Secretariat

Ms. Sheam Satkuru, Executive Director (ED)
Mr. Simon Kawaguchi, Finance/Administrative Officer
Mr. Takumi Akama, Office of Executive Director
Mr. Tomoji Shudo, IT Assistant

TENTATIVE AGENDA

1. Welcome by the ITTO ED
2. Tour de Table
3. Election of Vice-Chairperson
4. Briefing on the background Document by the Secretariat
5. Discussion on the Mandate of the WG
6. Other Matters, tentative date for next WG call & closing

1. Welcome by the ITTO Executive Director (ED)

The virtual meeting was convened on Thursday, 3 August 2022 from 7:00 p.m. (Japan Standard Time) with the above participants and chaired by the ED of ITTO, Ms. Sheam Satkuru, pending nomination of Vice-Chairpersons by the WG.

2. Tour de Table

The ED warmly welcomed members of the WG and briefly introduced the attendees from the Secretariat. Mr. Simon Kawaguchi from the Secretariat led each member on the list to introduce themselves. There were four absentees at the meeting.

3. Election of Vice Chairs for the caucus

The ED requested for volunteers from both the producer and the consumer caucuses to be the vice chairs for the WG. Ms. Natasha Nssi Bengone epe Ona Abiaga kindly accepted to take the responsibility as the vice-chair of the producer group. The consumer group expressed their wish for more time to decide on their vice-chair election, which hopefully would be decided in the next meeting.

4. Briefing on the background Document by the Secretariat

The ED identified the subheadings of the background document and took the members through a brief summary on the structure of the ITTO administrative account. The members were encouraged to inquire if they wished further explanation.

The ED explained that the administrative account is determined by the ITTA 2006 in various paragraphs, particularly Article 19. Also in accordance with Decision 7(XXX), there are provisions for the write offs of members' arrears after a certain period under exceptional circumstances and upon approval by the Council. There are certain restrictions applied depending on the cumulative arrears owed to the administrative budget.

Section B, paragraphs 12 to 15 explain the Working Capital Reserve (WCR). The ED expressed the point that the utilization of the WCR to meet the shortfall of the administrative account funds is a regular affair as seen in paragraph 16, spanning between 1992 and 2022, which spans 30 years. The ITTO WCR does have funds in it although the Secretariat's accessibility to it is quite restrictive.

Decision 3 of ITTC 57 and rule 5.5 of the Financial Rules established the threshold for the ED to transfer an amount not exceeding 10% of the annual budget from the WCR to address the shortfalls under the admin account due to nonpayment by members. Often, that shortfall is replenished in the following year with good fortune by members who pay their arrears. Some members are however in severe arrears without improvements. Research by the Secretariat on the WCR policies in other international organizations, indicate that 10% is not a high rate. The ED then opened the floor for comments and inputs.

Ms. Yoshiko Motoyama thanked the Secretariat for the tables and figures (*especially* Annex I) in the documen and provided some inputs that ITTO is relatively good in its position for collection of assessments and liquidity ratios, and observed that liquidity issues/ late payments have been observed in the United Nations and across many other international bodies. It may be a good idea to look into what kind of decisions were taken at other organizations with similar budget sizes which had relatively

good collection records i.e. Ramsar Convention actually saw an *improvement* in collections even during COVID-19 lockdown period. They took decisions encouraging various measures including Parties to reach out to their fellow regional country colleagues to encourage improving their standings in the region. Collecting anecdotes from some people within governments to provide other such examples may be useful. ITTO's unique discount policy is not seen in other organizations, but others may have their unique approaches which may be worth investigating. She also mentioned her concern on what tends to happen in rising global interest rate environments, a phenomenon not seen over the last several decades. This is really the first time a coordinated global rate rise is happening across countries at a very fast rate, which tends to lead to solvency and liquidity crisis around the world. Hence reserves amounting to 10% of annual budget agreed at the last Council can still be very restrictive, considering that payments tend to be backend-loaded in such an environment. Other organizations typically have about 15% of annual budgets, which translates to about 2-3 months of the year. This is something for the WG to chew on.

The ED thanked Ms. Motoyama for her inputs and provided some insight on her pre-research to last year's Council on other international organizations. It was noticed that the typical UN bodies did not have much problem on contributions to their admin account because this is distributed by the UN Headquarters. What we focused on were UN agencies such as CITES and FAO which are slightly different from UN bodies like UNDP and UNEP. They do not have any clear rules or instructions on what their threshold should be; some have the free standing ability to transfer funds from one year to the next which ITTO does not. ITTO's use of the WCR is only upon approval by the Council. Based on the points raised in the background document, ITTO although with sufficient flexibility, is also tight. The ED agreed with Ms. Motoyama on the WCR percentage to be considered, taking into account not only the post COVID scenario but the current challenges faced with Russia and Ukraine conflict particularly in the next 12 months, which may impact further on members ability to pay their contributions. The actual challenge will come in 2023 and 2024 when the full impact in terms of food security, supply chains, increased energy costs, import and export income, to both producing and consuming countries may arise. The ED urged the WG to discuss further the WCR percentage threshold.

Mr. Daniel Van Assche commented that the WCR in other MEAs such as UNCCD is 12% while Basel, Rotterdam, and Stockholm conventions have 15% and they say it is sufficient to cover the problems in case of shortfall. He suggested that the WG could discuss within the range of 12-15%. He also requested to share what procedure is taken and what their reactions are when reminders for the payment is sent to the member countries with outstanding payments.

Ms. Aysha Ghadiali thanked the Secretariat for the background paper as she had not attended CFA before. She appreciated that the paper made it clear that Administrative account and Project account are two separate issues. She also mentioned to discuss what rate the WCR should be changed to from 10%.

Ms. Motoyama complimented Mr. Van Assche's comment on UNCCD budgetary issues. UNCCD, CBD and some others conventions, while having WCR of 12% or 9%, Parties issue a resolution that provide directions for budget-management flexibility, allowing the Secretariat to use the budget across line items and within the budget cycle (biennium or triennium), as long as you work towards supplementing, working back to that level as soon as cash flow becomes available (unless this is not already embedded in the financial rules of that Convention). It provides discretion to the Secretariat to use the working capital during such shortfalls, provided that this action and use is reported back to the Council/ COP. Such actions taken at many other bodies can be an option to include or address in a Council Decision. She has provided the specific sample decision texts from UNCCD and CBD in the CFA report at the last

Council (paragraphs 51-53). She recommended the Secretariat to include these quotes in the WG background document for information and reference.

The ED thanked each member for their inputs and expressed that the WCR rate should be discussed at the WG. In response to Mr. Van Assche's question on outstanding payments, she explained that within 7 days after the Council, letters are sent out on the due subscription fees. The periodic reminder letters are tailored according to the discount period, that is stipulated in Article 19 of ITTA 2006. Members usually do respond in a positive way, explaining the delay with good reasons, while some members just acknowledge receipt of the reminder and no further action is taken. She also explained on the write off policy for members with large arrears. She cited the example of Liberia in 2019 where discussion on a payment plan commenced but did not achieve any result.

Ms. Carmela Gina Quintanilla Centenaro commented on the necessity to prioritize the orientation of funds to projects.

The ED reminded that this WG is relating to the core ITTO Administrative budget (based on mandatory payments by all member states, with funds used for running the Secretariat) and project funding under the Project account is a separate issue (based on voluntary payments made by some member states).

5. Discussion: Mandate of the Working Group

Mandate of the Working Group 1 – Recommendations on change to the threshold for annual use of the Working Capital Reserve by the ED without Council approval

The ED suggested to look back at point No.1 – “Make recommendations on any change to the threshold for annual use of the working capital reserve by the ED without Council approval”. As a 15% threshold was mentioned during discussions, the ED asked the WG if the Secretariat could take the liberty of recommending this to the WG, or if the members require more time. In principle, comments from the members were positive for 12% - 15% range.

Mr. Van Assche recommended perhaps 12% as a first step and increase to 15% in the future. The ED in return recommended that it may be prudent to consider 15% in the short term, and ITTO can always reduce to 12% in the longer term, if the members are able to pay regularly and reasonably in the next two to three year window. It was decided that the members come back at the next WG meeting to provide their responses.

Ms. Motoyama concurred with the Secretariat's suggestion, as 15% is only 2-3 months of annual budget (with bulk of member payments coming after the first 3 months for most organizations), and we are already observing unprecedented global monetary policy tightening (as per the IMF/ FSB) and this is not time for parking below-average reserve levels. In addition to higher reserve ratios, flexibility is typically found in so many conventions to facilitates budgetary management during extraordinary times as these, but ITTO has none of such measures/decisions or rules in place. She emphasized it is probably important to do so this year, in light of the very steep interest rate increases seen in the major economies which will likely have ripple effects on solvency/ liquidity conditions around the world. She also requested whether the Secretariat can provide elements of a draft decision that provide discipline and transparency to the process. The ED thanked Ms. Motoyama and agreed to incorporate those points into the background document. Interest rates and fluctuations are also to be considered, as per Mr. Keiran Andrusko mentioned earlier on commodity-based membership agreements where the countries that are exporting or importing where both can be equally impacted by all these financial elements.

Mandate 2 – Propose ways to prompt membership contributions to the administrative budget

Mr. Kawaguchi from the Secretariat referred to the Council document ITTC (57)/ 6 where the Secretariat included some recommendations to propose ways to prompt members to pay contributions to the admin budget. Suggestions included:

1. More attractive discount scheme. Currently, a member fully paid by end of the fourth month receive a 5.5% discount for the next biennium budget. The Secretariat's proposal last year was to expand this discount scheme beyond four months.
2. Update the write off scheme under Decision 7(XXX). Currently, if members have paid fully beyond 2002 for five consecutive years, it receives a write off from arrears during 1986 to 1996. The Secretariat suggested to improve this by applying partial discounts for previous ITTAs once the current ITTA is fully paid. This write off scheme was adopted at the 33rd Council Session, and it may be worth updating.

Ms. Motoyama commented that the issue was addressed at length at the last Council session, and that some members had already provided their comments. She referred the members to page 6 of the background document, which shows content of this discussion. She did not think the discount would do much to solve the issues (except lower the aggregate cash flow of the Organization), as looking at chart 1 on page 6, the volatility of the overall level/timing of the payments are influenced by big consumer members, who were influenced by specific policy decisions or budget cycle issues that will not be mitigated by changing the level of discounts provided. However, it may be useful to indicate members' comments into the Secretariat's proposal, in order to advance forward beyond where we left off at last Council (under Agenda Item 11, Matters related to Article 19 of the ITTA), rather than repeating the same discussion points.

The ED acknowledged Ms. Motoyama's comments but also stressed that it was a Council discussion and not a CFA discussion where some members wished to speak but could not due to time limitations. She agreed to share the members comments from last year's Council discussion under agenda Item 11 (Matters related to Article 19 of the ITTA) with the WG.

Ms. Ghadiali commented that unfortunately the fiscal year for USA doesn't match with the January 1st deadline for payments. Hence for some members it might not just be the discounts that are able to influence when they're able to get those assessments into ITTO. And that cannot be changed based on the bureaucracy of the country.

The ED acknowledged Ms. Ghadiali's comments and agreed to extract the discussion from the Council session report on this particular agenda item from ITTC57 and circulate it to the WG members, to seek their views. Or, another alternative is to include the relevant parts from the Council report and circulate a consultation email with a one week deadline. It will be sent from the ED or Mr. Kawaguchi.

Mandate 3 – Explore ways to adapt the budget of the organization to the long term trends in payment of contributions

In the absence of any specific inputs, Ms. Motoyama recalled that this issue was raised by a member at the last Council Session mentioning the need to "resize" the operation of the Secretariat to fit the long-term payment trends to the annual budget, or increase membership beyond the current 74 member states (of the 193 UN member states).

The ED responded that she recalls a member alluding to the Secretariat's operations in relation to the collection of membership fees but it was not clear on what was meant. Further, it is extremely complicated to predict long-term payment trends at this stage. Short to mid-term predictions are more do-able. The reality is that the expected timing of receiving contributions is now more unpredictable where some members are concerned, perhaps due to national challenges or just not seeing the value of paying their subscription. There had been 3 countries showing interest in joining as a member but it takes them time to understand how they benefit from becoming a member. There could be more countries wishing to join ITTO but this will take some time and effort.

The ED requested for suggestions on what the WG needs to do to address this mandate, on a short to mid-term trend. She mentioned that she could share a draft paragraph on some ideas to increase member countries, for the WG's consideration. If the WG agrees to it, it can be added to the WG report prior to completion. The ED also highlighted to the WG that a draft decision can only be presented to the Council for consideration once the WG is clear on what needs to be achieved through this draft decision. The WG needs to present a report, which will be a compilation of all the discussions and information that has been exchanged and shared for the Council's consideration.

Mandate 4 – Prepare a report for consideration of council at its 58 Session

This was discussed under item No.3 and will be drafted and shared with the WG for its consideration.

6 – Date of the next WG meeting

The ED suggested the next meeting be held at the end of August or the first week of September. Secretariat will email the members and the availability can be indicated then. Mr. Van Assche commented that he will always have a colleague to replace him in case he is unavailable so not to worry on the dates.

The WG was adjourned at 8:40 p.m. (Japan Standard Time)

**DECISION 3(LVII) WORKING GROUP – MANAGEMENT OF ADMINISTRATIVE BUDGET TELECONFERENCE
OUTCOME
1 September 2022**

PARTICIPANTS:

Working Group (WG) Members

Mr. Björn Merzell, Representative of the Government of Sweden, Chairperson of CFA/Co-chair of WG
Ms. Natacha Nssi Bengone épse Ona Abiaga, Representative of the Government of Gabon, Co-chair of WG
Mr. Mouncharou Ndjayou Georges Collins, Representative of the Government of Cameroon
Ms. Carmela Gina Quintanilla Centenaro, Representative of the Government of Peru
Mr. Dambis Kaip, Representative of the Government of Papua New Guinea (absent)
Mr. Azelan Ishak, Representative of the Government of Malaysia
Mr. Eloy Ignacio Sanchez, Representative of the Government of Mexico
Mr. Jorge Rodriguez Romero for Daniel Van Assche, Representative of the EU Commission
Ms. Yoshiko Motoyama, Representative of the Government of Japan
Ms. Aysha Ghadiali, Representative of the Government of USA
Ms. Anna Tyler, Representative of the Government of New Zealand
Mr. Keiran Andrusko, Representative of the Government of Australia (absent)

Observers

Ms. Marie Tsunoda, Ministry of Foreign Affairs, Japan

ITTO Secretariat

Ms. Sheam Satkuru, Executive Director (ED)
Mr. Simon Kawaguchi, Finance/Administrative Officer
Mr. Takumi Akama, Office of Executive Director
Mr. Tomoji Shudo, IT Assistant

TENTATIVE AGENDA

1. Opening Remarks and report of the Kick-off Meeting - Executive Director
2. Continued discussion on mandate of the Working Group– moderated by Co-Chairpersons
3. Next steps (e.g., agenda, dates, times) – moderated by Co-Chairpersons

1. Opening Remarks and report of the Kick-off Meeting – Executive Director

The virtual meeting was convened on Thursday, 1 September 2022 from 7:00 p.m. (Japan Standard Time) with the above participants. The ED welcomed the members of the Working Group (WG) and thanked Mr. Merkell for volunteering to co-chair the WG together with Ms. Natacha Nssi Bengone epe Ona Abiaga.

2. Continued discussion on mandate of the Working Group – moderated by Co-Chairpersons

The ED briefly explained that the minutes of the meeting from the first meeting of the Decision 3 had been circulated to the members re-circulated for members' approval with the incorporation of Japan's comments. As no other suggestions or amendments were received, the Secretariat announced the adoption of the minutes of the first meeting.

The ED briefly went through the discussion which took place in the previous WG meeting where Secretariat was requested to make some amendments to the background document, primarily involving the incorporation of discussions that took place at the CFA meeting last year regarding the administrative account and budget. She explained that the comments received by the members at the ITTC-57 regarding improvement of ITTO's discount/write-off policy are now incorporated into the background document on pages 10 and 11. She enquired if members had any comments or further requests. As no comments were obtained, the background document is deemed accepted by the WG.

The ED briefly reminded on WG discussions relating to the 4 mandates under Decision 3 (LVII), and handed the floor over to the co-chairs, while highlighting that some items cannot be solved by this WG, particularly under mandate 2 as it would require a wider discussion with Council members. The Secretariat's recommendation is that these discussions are deferred to and continue at the CFA during the ITTC-58.

Co-chair Mr. Bjorn Merkell introduced himself, then introduced mandate 1 as following:

Mandate 1 – Recommendations on change to the threshold for annual use of the Working Capital Reserve by the ED without Council approval

It was discussed at the last meeting that the threshold of the Working Capital Reserve (WCR) should be raised to 15% from the current 10% of the annual budget. Some members suggested 12%, therefore the agreed range was 12-15%. Co-chair opened the floor for experts' comments.

Ms. Ghadiali agreed with the Co-chair that their discussion on the threshold ranged from 12 to 15%, and also mentioned that she has some ideas of a way forward if appropriate at this time. Accepted by Co-chair, she explained that the situation of the world economy was raised by Ms. Motoyama in the last meeting. Considering the impacts that may arise from global inflation, COVID pandemic, exchange rate volatility, an increase to 15% makes sense. But she emphasized that explanation should be provided in the draft report, that 15% is on an extraordinary basis and that the reserve will continue to be monitored and reviewed by the CFA, to provide justification especially for those who think that jumping from 10 to 15 is large. She concluded that she supports 15%.

Ms. Yoshiko Motoyama reiterated her support for the 15% threshold which is seen in many conventions. The logic behind this number is that it usually covers 3 months of the annual budget. Most conventions that she has observed had a bulk of payments being made towards the middle of the year, which means there is not much cash inflow in the first 3 months of the year. She

recommended that if the Secretariat can document the cash inflow patterns of the year quantitatively, especially during global recessions/ extraordinary financial situations, it can be understood easier by Member States and facilitate appropriate decision making. Also she suggested to follow samples from similar conventions i.e. CBD/UNCCD, to indicate in a decision text or report to request that, after such drawdowns, the reserve be replenished as early as possible, to ensure financial discipline.

The co-chair noted Ms. Motoyama's support for the 15% threshold.

Ms. Abiaga, Co-chair of WG reminded that there were questions raised whether to start from 12% and increase to 15% for the first year, or alternatively start with 15% and reduce progressively to 12% according to the economic situation.

Mr. Merzell, Co-chair of WG thanked Ms. Abiaga. He suggested to start at 15% due to the vitality of the economy, and closely monitor the development of the global economy; then it could be reduced to 12% based on the situation. Co-chair opened the floor for interventions.

The ED thanked the Co-chairs, Ms. Ghadiali and Ms. Motoyama. She recalled from the first meeting that she also made a strong case to start with 15%, reviewable by the CFA in a year or two, reduceable based on the same reasons stated by Ms. Ghadiali earlier. Responding to Ms. Motoyama, the ED mentioned that the secretariat could create a chart on payment timings during the quarters of the year. However she explained that it varies from year to year, i.e. recently EU's payment was largely delayed and it was required to seek an intersessional decision to withdraw money from the WCR. Normally the EU was very prompt in payments at the beginning of the year, but it was delayed to the second half of the year. China is also one of the countries with large subscriptions of just over \$1,000,000 a year, but their payment typically comes in the second half of the year since their financial year is different from ITTO, which can also cause a problem for cashflow. Other regular members usually pay within the discount windows; but they are mostly countries with smaller subscriptions. Then there is a group that has not paid for some years with arrears accumulating. The ED mentioned that in the next week or so, personalized reminder letters to the ministers in those countries will be sent out to urge them on the process of the payments. She also shared that discussions have been held several times with different members regarding payment plan suggestions. Effective ways of trying to solve this problem is being sought.

Ms. Motoyama thanked for the information shared by the ED. She suggested, if not a chart, a paragraph stating exactly what the ED had just explained be incorporated in the working group's report. It is very common that the payments concentrate in the second half of the calendar year, especially with regard to larger donors, owing to their respective budget cycles. Therefore, a text explaining the situation would help the council to make an appropriate decision.

Mr. Romero introduced himself that he is replacing his colleague Mr. Daniel Van Assche representing the EU. He agreed with Ms. Ghadiali's idea since the economy is evolving, while keeping under review/supervision by the CFA as the situation of the economy and the contributions from the members evolve.

Co-chair acknowledged the intervention by the EU on its support for 15%.

Ms. Tyler commented that New Zealand supports the recommendation for 15% as well as on the process for monitoring the setting. She recommended a timeframe for when this matter will be revisited, whether 2 or 4 years; and opened for other experts' views. She raised a question on what the rationale is, on the rule on late payments going into the working capital reserve, not being available for operating expenses without a decision process.

Co-chair acknowledged the intervention by the New Zealand on its support for 15%.

The ED thanked Co-chair and Ms. Tyler on a very pertinent question. In response to Ms. Tyler's question, she quoted the rule from the ITTO Financial Rules, Paragraph 4B of Rule 5: "any payments

by members of their contributions to the admin account that are received after the year in which they are due.” She mentioned that this doesn’t have to be considered by this WG at this point, but it could be taken up at the CFA at a later stage. Once the discussion matures on the treatment of arrears and write-offs, it could be linked to potentially suggesting an amendment to paragraph 4B, where late payments can then go into the operational account for the year in which it is received.

The Co-chairs thanked the Secretariat for the explanation and reiterated that it is not really the mandate of this WG but it could be taken up at the upcoming CFA meeting either this year in November or later.

Ms. Motoyama intervened that it is very unusual having the prior year cash flows not coming into the next year’s budget, while most budgets have flexibility within the triennium or the biennium of the budget cycle. As ITTO has a biennium budget, there should be some flexibility on movements within that biennium, which is quite standard. It is quite common that parties pay in January of the following year of the year contribution is due. She suggested that this flexibility should be discussed fairly early as the biennium budget and the cash flows should match.

The Co-chair thanked Ms. Motoyama for the intervention and mentioned that this discussion can be continued in the CFA because it is outside of this WG’s mandate.

The ED thanked both the Co-chairs and Ms. Motoyama for bringing the issue up as it was what had been discussed internally in the last three years. However there was no urgency to consider any amendment to rule 5, para 4. But there may come a time to discuss amendments to rule 4A and B. She explained that in her previous organization, the unspent balance of the approved biennium budget could be automatically carried over to the following year. She suggested that Ms. Motoyama and the CFA Chair could discuss later with the members.

The Co-chair thanked the ED and shared Ms. Motoyama’s comments mentioning there are some sample resolution texts regarding the flexibility granted at other conventions in the additional text added to the background document (p.10). The co-chair observed that the members of the consumer caucus seem to be positive to increase the threshold to 15% with some monitoring process within the CFA according to the development of the global economy. He requested the producer experts for their views.

Ms. Centenaro commented that she agreed with the consideration on the economic situation for both producer and consumer countries, and also the climate crisis, therefore 15% is a good idea. In either case the monitoring process is important.

The Co-chair confirmed with Ms. Centenaro that she agreed to 15% at first, then monitor to see if there is a need to reduce to 12%.

Ms. Abiaga, as another producer member, commented that most of the experts agreed to 15%, while the monitoring is very important as per Ms. Centenaro pointed out. She supports very much the discipline or the transparency necessary for the use of the WCR when increasing to 15%.

Co-chair agreed to Ms. Abiaga and stressed that the WG should make recommendations to the council for them to take a decision.

The ED thanked all commentators and reassured the WG that she would be very pleased to report on a yearly basis on how much of the WCR that needs to be utilized based on subscriptions received during the year. The global economy is one important element that would determine membership subscriptions, but in terms of the Secretariat or the ED actually utilizing the WCR funds, this is solely reliant on membership subscriptions received in the 12 months of any given year. She suggested that the ED reports to the CFA which then is reported to the council through the CFA report, with a simple table as is visually easier to understand for the viewers: amount received, shortage, amount of WCR utilized, if the WG is in agreement. The ED clarified the process as follows: This WG will include a

recommendation to council in its report to allow the utilization of up to 15% of the annual administrative budget to be received from the WCR. If council agrees to that recommendation, a draft decision to stipulate this, stating that the recommendations came from this particular WG under Decision 3(LVII), which will be a new decision of ITTC 58 confirming that the ED is allowed to withdraw up to 15% out of the WCR, subject to annual reporting and monitoring, etc. to the CFA. And this will be reviewed by the CFA again on a timeframe to be agreed by the WG and to be agreed to by council in two years, four years or on a yearly basis.

Mr. Sanchez commented that he supports the idea to increase from 10 to 15% for the flexibility to operate, especially at the beginning of the year.

The Co-chair commented that the WG has an agreement on the first mandate decision to increase the threshold to 15%.

Ms. Motoyama shared a link

(https://cites.org/sites/default/files/eng/disc/funds/FBSC%20report_administrative_financial%20matters%20as%20of%2030%20September%202021.pdf) which may be useful to streamline the secretariat's reporting with simple tables showing assessed contribution collection rate per year and other information.

The ED thanked Ms. Motoyama and added that the CFA report shows how much has been received and expended for that year, on an annual basis. The only table that has not yet been included in the financial report is the percentage of the assessed contributions collection rate per year, but this can easily be added in. The ED reassured the WG members that ITTO has been reporting on an annual basis, which has been part of the CFA report from the early years and will continue to be so.

The Co-chair thanked the ED for the clarification and closed the first mandate.

Mandate 2 – Propose ways to prompt membership contributions to the administrative budget.

He recalled from the last meeting of the possibilities to have some kind of discount scheme. Currently, the rule states that if members paid within four months from the due date, 5.5% discount will be applied for the coming year. He suggested the possibility of extending up to 6 months, while there were some suggestions for discount up to October if he remembered correctly.

Ms. Motoyama suggested to circulate a table similar to what is found in the link shared earlier (on the bottom of 2nd page), in between sessions when the cash inflow is slow. If the Secretariat sends a short, quick and easy to understand information on cash inflow rate, it could trigger the payments from Member States. This could be sent by email. She reminded that she is against the idea of discounts based on the evidence that has been provided by the report, since the graph with big payment dips were induced by delayed payments by the large consumer member states, which she thinks will not change from introducing a discount, as the delay/payment timing is due to policies which cannot be changed even with a discount. This measure could simply serve to reduce the overall inflows to the budget.

Mr. Romero commented that he is hesitant about the value of such changes, as extending the discount time frame may not make any significant difference.

Ms. Tyler agreed that the discount may not make much difference, and also that once the changes are made, it cannot be reversed easily. However, the time frame can be flexible to 6 months as suggested at the last meeting, but at this point she cannot see a clear signal that would make a material difference.

Ms. Ghadiali commented that she questions to the extent at which this scheme would be impactful, given how many member states work complex factors that determine how quickly a country can pay.

She indicated that she is not opposed to the proposal of being flexible such as extending the discount time frame to 6 months but not beyond that, while it is uncertain if the change will make any impact, unless the member states express this change is helpful.

Co-chair Ms. Abiaga thanked Ms. Ghadiali and opened the floor for other producer members.

Ms. Centenaro commented that 2 months may not make much difference and that the problem may lie due to different economic situations in each country such as lack of incentives. Without the evidence of any impact from making the changes, it may not be the decision for the council to make.

The ED replied that this theme should be looked at under item 2 of the mandate and not restricting it just to the discount system. Having seen a pattern emerge that several members in particular regions of the world have not paid for years, the deeper question is that this needs to be explored further and not to be solved by this WG but through a discussion at the CFA. She added that it is clear that the reason is not because they did not have the money. Hence, the Secretariat recommends that this should be an item on the agenda for the CFA discussion at the ITTC 58 for an open and frank exchange within the members of the CFA if not at the council.

Ms. Abiaga thanked the ED and inquired whether mandate 2 can be addressed to the next council.

Mr. Sanchez commented that proposal from the secretariat makes sense. The core problem has to be understood from the root causes. He agreed with the ED that a discussion beyond this WG would benefit in looking for solutions.

The ED explained that the mandate says 'to propose ways to prompt members to pay contribution to the administrative budget'. The WG has every prerogative to state that there was no agreement or there was a wide discussion on how to propose ways to prompt members, but no conclusion was reached. Therefore, the WG defers this discussion to the CFA at the ITTC 58, and for the CFA to make its recommendations to the Council, which is the legitimate procedure to follow.

Ms. Motoyama recalled her suggestion from the last meeting to look at some smaller conventions with similar membership sizes that may have had some success in collection rates, as well as to collect their anecdotes and to see whether that could be applicable. She has looked at so many conventions budget committees and found that there is a common pattern that is quite prominent. There are certain regional patterns for payment rates, with some regions consistently showing low payment rates and some with high ratios. She finds that the payment patterns are not necessarily unique to ITTO. Therefore it would be also useful to isolate the common factors as well as the unique ones to the organization (she finds few are unique).

The ED replied to Ms. Motoyama that the discount system was the only point that has been discussed at length within the WG. However, there were other factors that could be affecting membership's payment or subscription, including the content of mandate 2. In other words, the lack of funding for projects could be affecting membership payment of the annual subscription, as they cannot see the benefit of actually belonging to the organization even though they pay their yearly subscription. This point was discussed at the last meeting. She recalled mentioning looking into other commodity organizations following the last meeting.

The ED shared what she discussed with Mr. Andrusko at APEC in Thailand. The other commodity organizations are very different compared to ITTO, purely agricultural, such as coffee, cocoa, sugar,

etc. None of them are complex as ITTO with 50% of mandate focused on natural tropical forests, and 50% on international trade of forest and wood products. The other commodity organizations have far smaller membership than the ITTO and they are more or less purely pricing mechanisms. They monitor the pricing of that commodity for the benefit of their membership with very restrictive markets, nothing like what ITTO has to endure. Therefore the comparison in her view was not appropriate due to the incompatibility of functions. Also, even conventions like Ramsar has a rather narrow mandate compared to ITTO.

The deeper issues under mandate 2 could be one of the discussions to be taken up at the CFA which is an opportunity for the other members to voice their thoughts. The Secretariat recommended to defer this discussion to the CFA at the ITTC 58, so that a frank exchange of thoughts can be held, to be safe, open and transparent.

Mr. Merckell commented that the WG seems to agree that this kind of discount system may not work properly, and suggested to stick to the current system of four months. He agrees with the ED to raise this issue in the CFA for a wider discussion. Although he agrees that ITTO is more complex than many other community organizations, he proposed to consider discussions with the secretariats of conventions of similar size as suggested by Ms. Motoyama.

Ms. Abiaga concluded that there was no agreement for mandate 2 and this can be taken up at the CFA/Council.

Ms. Ghadiali commented that members may voice reasons why they are not paying their assessments to ITTO at the Council or CFA. Their voices and discussion should be documented for the record in the report from Council.. She also raised a question whether the write-off scheme in Decision 7(XXXIII) would be discussed next or that will also be tabled to Council/CFA.

The ED replied that the issue on arrears should also be part of this discussion under mandate 2. The last meeting saw quite an extensive discussion about arrears from certain members, but there was no real agreement on how to proceed with this. As mentioned earlier, the Secretariat is looking into ways of proposing payment plans for countries that are in arrears, but that can also raise other complexities. In other words, what percentage of arrears do they need to pay by when, in order to qualify to submit project proposals and regain their votes. As the issue is complicated, she suggested it to be discussed at the CFA for a wider view and more ideas. The WG can propose different thoughts to the council and the CFA but there is no obligation to solve the matter. Ms. Abiaga agreed with the ED that the matter is complicated.

Ms. Ghadiali commented that it may be useful for the Secretariat to add to the Working Group report draft information on the rule where the ED can write off on an annual basis, one fifth of a member's arrears from the period 1986 to 2011; and how many members have been able to take advantage of this particular type of write off? And are there documents that distinguish between those who are in arrears from a prior ITTA, and those who are in arrears post 2012? She asked if there is a distinction between the two periods.

The ED replied that all this happened a long time ago before she had joined ITTO, but in the most recent years there were some beneficiaries from the write-off for the first agreement. The ED suggested that this will be replied to by email as locating the information may take time and would not like to waste meeting time searching for this information. She said that the reply will be sent by email soon.

The Co-chair agreed that the email exchange may be valuable on the additional information from the ED. He also agreed to Ms. Abiaga to conclude the second mandate to be addressed to the CFA. He suggested to move on to mandate 3.

Mandate 3 – Explore ways to adapt the budget of the organization to the long term trends in payment of contributions

The Co-chair commented that all 3 mandates are interlinked. He recalled from the last meeting minutes that the ED suggested she could share a draft paragraph on some ideas to increase member countries for the WG considerations.

The ED explained that in the last meeting, discussions were held on the possibility of the Secretariat going on a membership recruitment phase in the next year to two years in order to increase income to the organization, but that would be one of the recommendations that the members could make to the council through the WG report.

Mr. Kawaguchi from the Secretariat provided the data on percentage of the contribution collection. For 2021, the budget was 7.1 million and 5.15 million was collected by the end of the year, which is approximately 72.5% of the assessment.

The Co-chair commented that it seems in the previous year it had a higher contribution rate, but what is shown in the chart on page 6 is that there is a small decrease to 70%. He asked whether the arrears are included in the percentage.

The ED replied that the assessments received within the applicable financial year are included and arrear payments are not included.

The Co-chair asked the Secretariat how they have been adapting to the decreased contribution circumstances.

The ED replied that the Secretariat has operated on a zero growth budget for a number of years since 2016, for six years. Also, the expenditure had been minimized where necessary, with prudent spending, and a number of positions are vacant, but they are about to be filled. Those are the due diligence, prudent actions that the Secretariat has taken over the years to adapt to what is being received by the organization in terms of assessed contributions. Due to a shortfall in subscriptions being received since that time, it became more prominent in the year 2019 onwards.

She recalled that she mentioned at the first meeting, that it is very difficult currently to predict long term trends. It is easier to predict short to midterm trends, looking at the current challenges that are in the marketplace right now. Apart from COVID 19, there is the Russia Ukraine conflict, which will begin to show its impacts in a harder way on areas that encroach on forestry and tropical countries. Right now, the immediate impacts are rising energy costs and rising food prices, but it is anticipated that the rising food prices will increase even higher next year, according to other financial analyst reports such as Bloomberg, McKinsey's, many of those publications, which is monitored regularly.

Now, in terms of tropical forestry, the immediate impact of the Russia Ukraine crisis has not yet shown itself but it can in the midterm have an impact on potential increase of deforestation due to the need for food security, more than anything. It could lead to an increase in agricultural areas because of the lack of food resources coming out of both Russia and Ukraine for obvious reasons.

It is this kind of thing that will then have a bigger impact on the membership. As it is, rising energy costs are already impacting on a number of economies, both developing and developed countries where they are facing 300 to 400% of increased costs, purely on energy, gas, petrol, electricity, etc. The increased costs of those utilities of course will then naturally impact on production because overheads go up by three to 400% and that's heavy on any sector. The forestry sector is no exception to that. The ED stressed that in the next 12 to 24 months, it would become clearer how membership behave, depending on the economic circumstances that their countries are facing.

The Co-chair agreed with the ED that is a very tricky issue/question to answer at this moment.

Ms. Motoyama commented that it is difficult to address Mandate 3 (Explore ways to adapt the budget of the organization to the long term trends in payment of contributions), as you would need to ask the same question to all other international organizations of similar sizes, some with worse collection rates. We can see similar situations on collection rates across many organizations (many have worse collection rates, even counting arrear payments). Taking the ED's citation on the Russia issues, however, the importance of the work of this organization has risen due to this crisis, as tropical timber could be in greater demand as a substitution resource. For example, some consumers can no longer import lumber from markets facing export bans, but need to seek alternative high-quality wood suppliers. Hence there is more need to monitor some of the market developments in the tropics. She stressed the need to think of a solution to address both Mandates 2 and 3 holistically.

The Co-chair thanked for the proposal and that it is a difficult issue and is not sure how to move forward in this discussion. He requested the ED for suggestions.

The ED made a simple suggestion for the WG consideration. She agreed that the 3 mandates are all interlinked. On mandate 2, she suggested that the report of the WG will have the text coming out from the minutes of this meeting stating that an extensive discussion was held on this particular mandate item, but it requires further intrinsic research and monitoring for the next couple of years.

That could then suggest that the Council extends the mandate of this WG for an additional year so that further explorations can be made into all the different items, because the admin budget or the admin account makeup is determined by the ITTA and the financial rules. It is not something that many members would agree to changing overnight for no real reason as is evident also from the discussion in this WG. In order to avoid the situation where the WG is trapped with no answers, it is always possible to extend or put that suggestion to Council, to extend the mandate of this WG for an additional year.

The members of the WG will have the choice whether to remain in the WG or to step down for other reasons. The WG can be opened to other nominees, if so. This has been done before with the Financial Architecture WG in particular. When work was carried out on the financial architecture of the organization, it was extended for two years first, followed by a third year where many of the same members remained in that WG while the financial architecture was finalized. This WG on management of the admin account is almost as important as the finance WG because it concerns financing of the organization. If the WG is agreeable to that suggestion, the text for the draft report will be worked on as the minutes are compiled with a recommendations paragraph for the WG to consider. The ED also thanked Ms. Motoyama and mentioned that this would be a very bad time to consider downsizing the Secretariat or to reduce work on tropical forestry because the opportunities are abundant, although there are a lot of risks to tropical forestry and mainly tropical countries, and their resources which could be going rather quickly.

The Co-chair thanked for the ED's proposal and supported the idea. He opened the floor for comments and any other suggestions. He shared the comments in the chat indicating that this is a good idea from Ms. Motoyama, Ms. Tyler, Ms. Centenaro, Mr. Romero, Ms. Ghadiali. He has concluded that the WG is in agreement to extend the discussion for mandate 3 for another year to explore on the solutions. He has moved on the agenda to mandate 4 which he handed the floor over to the Secretariat.

Mandate 4 – Prepare a report for consideration of council at its 58 Session

The ED asked the members whether they wish the report to be compiled as a summary of the key areas discussed or divided by the actual meetings. Either of these preferred options will form the basis of the report and the recommendations for the council's consideration with the minutes and draft decision annexed to the report.

The Co-chair indicated that all members were in favor of the summary option. He also said that the summary would be more helpful. He also agreed to the ED's suggestion on having the draft decision sent to the WG members. The ED confirmed that this will indeed be included in the draft report.

3. Next steps (e.g., agenda, dates, times) – moderated by Co-Chairpersons

The Co-chair asked whether the WG needs to hold another meeting in order to adopt the report, or use email to exchange the final agreement.

The ED proposed to circulate the draft report to the WG members so that the members can review and provide comments within a week. If the comments are minimal and could be agreed by the WG, there would not be a need for another meeting and the adoption of the report can be done by email. A short meeting can be considered if required but the hope is to get the draft out in the next two weeks, so that it can be up on the website 4 to 6 weeks before the council begins.

The Co-chair concluded the WG meeting with the agreement by the WG that the Secretariat prepares the report, circulate it by email, members review it and comment within one week. Minor changes could be solved within an email conversation. In case where complex issues arise, there may be a need to call for another WG.

The WG was adjourned at 8:53 p.m. (Japan Standard Time)

* * *

ANNEX 3

SUMMARY OF CONTRIBUTIONS FOR 2022

(As of 29 August 2022)

(in United States Dollars)

PRODUCER MEMBERS	CONTRIBUTION FOR 2022		ARREARS	ARREARS	ARREARS	TOTAL	INTEREST	ADVANCE
	TOTAL NET ASSESSMENT	BALANCE	(1986-1996) ITTA, 1983	(1997-2011) ITTA, 1994	(2012-2021) ITTA, 2006	ARREARS (1986-2021)	CHARGED	PAYMENTS
Africa								
Benin	69,338.00	69,338.00	0.00	0.00	68,729.64	68,729.64		
Cameroon	72,640.00	72,640.00	0.00	0.00	56,999.61	56,999.61		
Central African Republic	72,640.00	72,640.00	0.00	0.00	549,829.06	549,829.06		
Congo	72,640.00	72,640.00	0.00	0.00	438,837.16	438,837.16		
Côte d'Ivoire	72,640.00	72,640.00	0.00	0.00	64,590.44	64,590.44		
Demo.Rep.of the Congo	72,640.00	72,640.00	298,128.05	975,986.00	861,167.00	2,135,281.05	15,333.58	
Gabon	72,640.00	72,640.00	0.00	159,671.62	731,822.96	891,494.58		
Ghana	72,640.00	72,640.00	0.00	0.00	295,985.00	295,985.00		
Liberia	69,338.00	69,338.00	303,952.80	0.00	731,613.00	1,035,565.80		
Madagascar	69,338.00	69,338.00	0.00	0.00	70,682.63	70,682.63		
Mali	72,640.00	72,640.00	0.00	0.00	75,503.13	75,503.13		
Mozambique	70,611.00	70,611.00	0.00	0.00	63,917.00	63,917.00		
Togo	69,338.00	0.00	0.00	0.00	0.00	0.00		
Asia & Pacific								
Cambodia	67,170.00	67,170.00	0.00	0.00	27,967.00	27,967.00		
Fiji	44,999.00	0.00	0.00	0.00	0.00	0.00		
India	95,752.00	3,379.00	0.00	0.00	0.00	0.00		
Indonesia	305,567.00	0.00	0.00	0.00	0.00	0.00		
Malaysia	226,573.00	0.00	0.00	0.00	0.00	0.00		
Myanmar	85,847.00	1,667.36	0.00	0.00	0.00	0.00		
Papua New Guinea	145,279.00	145,279.00	0.00	0.00	281,956.00	281,956.00		
Philippines	48,180.00	0.00	0.00	0.00	0.00	0.00		
Thailand	171,693.00	171,693.00	0.00	0.00	38,417.00	38,417.00		
Viet Nam	52,828.00	0.00	0.00	0.00	0.00	0.00		
Latin America								
Brazil	419,326.00	419,326.00	0.00	0.00	406,649.00	406,649.00		
Colombia	79,243.00	0.00	0.00	0.00	0.00	0.00		
Costa Rica	40,652.00	0.00	0.00	0.00	0.00	0.00		
Ecuador	62,734.00	62,734.00	0.00	0.00	326,064.00	326,064.00		
Guatemala	39,622.00	0.00	0.00	0.00	0.00	0.00		
Guyana	52,828.00	52,828.00	0.00	0.00	159,923.00	159,923.00		
Honduras	39,622.00	39,622.00	176,780.00	0.00	51,889.65	228,669.65	28,989.96	
Mexico	75,063.00	0.00	0.00	0.00	0.00	0.00		
Panama	42,923.00	42,923.00	0.00	0.00	0.00	0.00		
Peru	92,450.00	0.00	0.00	0.00	0.00	0.00		7.13
Suriname	49,527.00	49,527.00	0.00	0.00	359,015.50	359,015.50		
Trinidad and Tobago	33,018.00	0.00	0.00	0.00	0.00	0.00		
Venezuela	66,036.00	66,036.00	0.00	85,108.00	215,165.71	300,273.71		
Sub-Total:	3,266,015.00	1,981,929.36	778,860.85	1,220,765.62	5,876,723.49	7,876,349.96	44,323.54	7.13
CONSUMER MEMBERS								
	TOTAL NET ASSESSMENT	BALANCE	ARREARS (1986-1996)	ARREARS (1997-2011)	ARREARS (2012-2021)	TOTAL ARREARS (1986-2021)	INTEREST CHARGED	ADVANCE PAYMENTS
Albania	38,530.00	38,530.00	0.00	0.00	361,206.00	361,206.00		
Australia	58,384.00	0.00	0.00	0.00	0.00	0.00		
China	1,175,144.00	1,175,144.00	0.00	0.00	0.00	0.00		
European Union	1,263,488.00	0.00	0.00	0.00	0.00	0.00		
Austria	37,512.00	0.00	0.00	0.00	0.00	0.00		
Belgium	56,268.00	0.00	0.00	0.00	0.00	0.00		
Bulgaria	37,513.00	0.00	0.00	0.00	0.00	0.00		
Croatia	37,512.00	0.00	0.00	0.00	0.00	0.00		
Cyprus	37,513.00	0.00	0.00	0.00	0.00	0.00		
Czech Republic	41,264.00	0.00	0.00	0.00	0.00	0.00		
Denmark	41,264.00	0.00	0.00	0.00	0.00	0.00		
Estonia	37,512.00	0.00	0.00	0.00	0.00	0.00		
Finland	37,513.00	0.00	0.00	0.00	0.00	0.00		
France	93,804.00	0.00	0.00	0.00	0.00	0.00		
Germany	71,272.00	0.00	0.00	0.00	0.00	0.00		
Greece	41,264.00	0.00	0.00	0.00	0.00	0.00		
Hungary	37,512.00	0.00	0.00	0.00	0.00	0.00		
Ireland	48,766.00	0.00	0.00	0.00	0.00	0.00		
Italy	71,183.00	0.00	0.00	0.00	0.00	0.00		
Latvia	37,513.00	0.00	0.00	0.00	0.00	0.00		
Lithuania	37,512.00	0.00	0.00	0.00	0.00	0.00		
Luxembourg	37,513.00	0.00	0.00	0.00	0.00	0.00		
Malta	37,512.00	0.00	0.00	0.00	0.00	0.00		
Netherlands	93,268.00	0.00	0.00	0.00	0.00	0.00		
Poland	41,264.00	0.00	0.00	0.00	0.00	0.00		
Portugal	48,767.00	0.00	0.00	0.00	0.00	0.00		
Romania	37,513.00	0.00	0.00	0.00	0.00	0.00		
Slovakia	37,512.00	0.00	0.00	0.00	0.00	0.00		
Slovenia	37,513.00	0.00	0.00	0.00	0.00	0.00		
Spain	48,665.00	0.00	0.00	0.00	0.00	0.00		
Sweden	41,264.00	0.00	0.00	0.00	0.00	0.00		
Japan	471,643.00	0.00	0.00	0.00	0.00	0.00		
New Zealand	40,080.00	0.00	0.00	0.00	0.00	0.00		
Norway	38,530.00	0.00	0.00	0.00	0.00	0.00		
Republic of Korea	241,413.00	0.00	0.00	0.00	0.00	0.00		
Switzerland	40,140.00	0.00	0.00	0.00	0.00	0.00		2.23
United Kingdom	105,130.00	105,130.00	0.00	0.00	100,259.00	100,259.00		
United States of America	292,823.00	0.00	0.00	0.00	0.00	0.00		
Sub-Total:	3,765,305.00	1,318,804.00	0.00	0.00	461,465.00	461,465.00	0.00	2.23

FORMER MEMBERS	CONTRIBUTION FOR 2022		ARREARS (1986-1996)	ARREARS (1997-2011)	ARREARS (2012-2021)	TOTAL ARREARS (1986-2021)	INTEREST CHARGED	ADVANCE PAYMENTS
	TOTAL NET ASSESSMENT	BALANCE						
Producer Member:								
Bolivia	-	-	286,106.00	789,948.00	0.00	1,076,054.00	30,926.84	
Nigeria	-	-	0.00	113,741.72	0.00	113,741.72		
Vanuatu	-	-	0.00	313,465.00	0.00	313,465.00		
Consumer Member:								
Nepal	-	-	0.00	179,025.00	0.00	179,025.00		
Russian Federation	-	-	24,720.00	0.00	0.00	24,720.00	116.72	
Sub-Total:	0.00	0.00	310,826.00	1,396,179.72	0.00	1,707,005.72	31,043.56	0.00
LATE/NEW JOINING MEMBERS	CONTRIBUTION FOR 2022							
	TOTAL NET CONTRIBUTION	BALANCE					INTEREST CHARGED	ADVANCE PAYMENTS
Producer Member:								
Sub-Total:	0.00	0.00					0.00	0.00
Consumer Member:								
Sub-Total:	0.00	0.00					0.00	0.00
GRAND TOTAL:	7,031,320.00	3,300,733.36	1,089,686.85	2,616,945.34	6,338,188.49	10,044,820.68	75,367.10	9.36

Write-off of Arrears for the Administrative Assessed Contribution under Decision 7 (XXXIII)					
(as of 29 August 2022)					
Country	Years when write-offs were received	Total amount of write-offs			
Congo	2002, 2005, 2014	\$167,265.60			
Cote d'Ivoire	2002,2003, 2004, 2006, 2007	\$402,517.64			
Gabon	2002,2003, 2005, 2006, 2008	\$193,129.87			
Honduras	2019	\$44,195.00			
Liberia	2012	\$75,988.20			
Togo	2002, 2010, 2011, 2012, 2013	\$314,768.00			
	Total:	\$1,197,864.31			

ANNEX 4



**INTERNATIONAL TROPICAL
TIMBER COUNCIL**

Distr.
GENERAL

ITTC(LVIII)/xx
xx November 2022

Original: ENGLISH

FIFTY-EIGHTH SESSION
7 – 11 November 2022
Yokohama, Japan (Hybrid Session)

Draft

DECISION xx (LVIII)

MANAGEMENT OF THE ADMINISTRATIVE BUDGET

The International Tropical Timber Council,

Appreciating the continuing efforts made by the Executive Director and her staff in exercising cost savings in the expenditures from the Administrative Budget for the year 2022;

Noting with concern the insufficient receipts of contributions to-date from Members to the Administrative Budget for 2022;

Acknowledging that the Working Capital Reserve is made available to meet the shortfall of funds to implement the work programme of the Organization, and that it ensures continuity of basic operations in the event of a temporary shortfall of cash;

Recognizing that late payments can frequently arise from emergencies and global economic downturns and fiscal uncertainties in the future, and also recognizing that in 2021, a deficit of approximately US\$400,000 was incurred between expenditures under the approved Administrative Budget and assessed contributions received from Members, and that the receipts of contributions from Members to the Administrative Budget for the remainder of 2022 might fall short of the estimated total expenditure for 2022;

Recalling Decision 3 (LVII) which authorizes the Executive Director to transfer, if necessary, such as in emergency situations, an amount not exceeding 10% of the budget from the Working Capital Reserve annually to the current account in the Administrative Account to meet the shortfall of funds to implement the work programme of the Organization, and established a virtual intersessional group to make recommendations on the management of the Administrative Budget;

Further noting the recommendations made by the intersessional group established under Decision 3 (LVII) contained in its report (ITTC (LVIII)/4) discussed during the 58th Council Session;

Decides to:

1. Authorize the Executive Director to transfer, if necessary, such as in extraordinary and emergency situations, an amount not exceeding 15% of the budget from the Working Capital Reserve, with immediate effect, to meet any shortfall of funds to ensure continuity of operations in the event of a temporary shortfall of cash and implement the work programme of the Organization, as long as expenditures stay within the specified annual budget; and request the Executive Director to provide an annual update on drawdowns from the Working Capital Reserve to the Committee on Finance and Administration (CFA) at the Council Sessions;

2. Request the Executive Director to reflect paragraph 1 in Rule 5.5 of the Financial Rules and Regulations, maintaining the requirements to report to the CFA, through its Chair, on a timely basis with regards to any drawdowns from the Working Capital Reserve; and to restore any drawdowns from the working capital reserve from contributions as soon as possible;
3. Request the Secretariat to add information on the assessed contribution collection rate per year in the annual report to the CFA;
4. Request members to pay as early as possible, and in full, their contributions to the Administrative Budgets, including for 2022 and 2023, as well as all arrears in contributions from previous years, to prevent further depletion of the Organization's savings through the utilization of the Working Capital Reserve to meet the shortfall in contributions;
5. Urge the Secretariat to continue to undertake appropriate cost saving and efficiency measures as necessary under the Administrative Budgets for 2022 and 2023;
6. Extend for one year the mandate of the virtual intersessional group established in accordance with Decision 3(LVII).

* * *