



# INTERNATIONAL TROPICAL TIMBER COUNCIL

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## DECISION 3(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;

Taking into account the serious difficulties faced by some producer members in paying their assessed contributions to the Administrative Budget and/or arrears, and noting the urgency to explore ways to find a sustainable solution to this problem;

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 approved 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 virtual intersessional working group established under Decision 3(LVII) contained in its report (Document ITTC(LVIII)/4) discussed during the 58<sup>th</sup> Council Session, and the open and frank exchange held during the 37<sup>th</sup> Committee on Finance and Administration including the importance of considering innovative incentive mechanisms to prompt members to pay contributions and/or pay arrears where applicable to the administrative budget;

#### 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 approved 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 approved 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 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. Approve the amendments to the Financial Rules and Regulations, as stated above and as contained in the Annex, to improve the cashflow of the Administrative Account.
4. Request the Secretariat to add information on the assessed contribution collection rate per year in the annual report to the CFA;
5. 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 shortfalls in contributions;
6. Urge the Secretariat to continue to undertake appropriate cost saving and efficiency measures in accordance with ITTO rules, regulations, policies and decisions in relation to current and future Administrative Budgets;
7. Extend for one year the mandate of the virtual intersessional working group established in accordance with Decision 3(LVII) and to request the working group to submit an updated report for consideration of Council at its Fifty-ninth Session.

ANNEX

ORIGINAL TEXT

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

Rule 5 : Administration of the Administrative Account

4. The Working Capital Reserve shall be 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 these rules.

PROPOSED AMENDMENTS

Amendments to improve cashflow of the Administrative Account 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

PROPOSED FINAL TEXT

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

Rule 5 : Administration of the Administrative Account

4. The following funds shall be available in the Administrative Account to be used by the approved administrative budget for the current financial biennium:
- (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 these rules.
5. The Working Capital Reserve shall be used to receive any surplus of revenues over expenditures from the Administrative Account for the previous financial biennium as approved by Council.