



**INTERNATIONAL TROPICAL  
TIMBER COUNCIL**

**COMMITTEE ON  
FINANCE AND ADMINISTRATION**

Distr.  
GENERAL

CFA(XL)/7  
31 October 2025

Original: ENGLISH

---

FORTIETH SESSION  
27-31 October 2025  
Panama City, Panama

**REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL**

**FORTIETH SESSION OF THE  
COMMITTEE ON FINANCE AND ADMINISTRATION**



### **Item 1: Opening of the Session**

1. The Vice- Chairperson of the Committee on Finance and Administration (CFA), Ms. Cassandra Price of Australia, in the absence of the Chairperson Mr. Pyoabalo Alaba of Togo, welcomed all delegates to the Fortieth Session of the Committee.

### **Item 2: Adoption of Agenda and Organization of Work**

2. The Vice-Chairperson referred to the Provisional Agenda, as contained in Document CFA(XL)/1. She opened the floor for comments. As no issues were raised, the Committee adopted the Provisional Agenda.

3. The Vice-Chairperson proposed that the Committee take up the agenda items as listed in the Provisional Agenda. The Committee accepted this approach.

### **Item 3: Admission of Observers**

4. The Vice-Chairperson advised the Committee that the Council had admitted all applicants, as shown in Document ITTC(LXI)/Info.3, which listed states and intergovernmental and non-governmental organizations applying for observer status. This was accepted by the Committee.

### **Item 4: Draft Biennial Administrative Budget for the Years 2026 and 2027**

5. The Secretariat referred to the Draft Administrative Budget for the 2026-2027 Financial Biennium, as contained in Document CFA(XL)/2 dated 11 July 2025, which was circulated to Members in July 2025.

6. The Secretariat informed the Committee that the 2026–2027 biennium budget had been constructed using the United Nations official exchange rate for July 2023 of USUS\$1 = Yen 144.24 and that the exchange rate would not be revised at the time when the Committee considered the budget, in accordance with the Council decision at its Forty-fourth Session.

7. The Secretariat reported that the total budget for 2026 was estimated at USUS\$7,102,185, a decrease of US\$2,093 compared to the approved budget for 2025. The total budget for 2027 is estimated at US\$7,104,278, and with no change for 2027 compared to the budget of 2025. Therefore, there is no nominal increase for the overall 2026-2027 budget compared to the approved budget for 2025. However, as in previous years, no contingency is included in the proposed Administrative Budget for the financial year 2026 and 2027 and hence unexpected shortfalls in the budget, such as exchange rate fluctuations, inflation, delays in paying assessed contributions and unforeseen personnel change, may need to be financed from the Working Capital Reserve (WCR).

8. As per the above, the “Basic Administrative Costs” for the 2026–2027 biennium indicated a decrease of US\$2,093 in 2026 and no change in 2027 compared with the budget of 2025. Costs such as separation and recruitment of staff have decreased compared to 2025 when several senior staff retired, while costs for E. Special Activities and F. Data Processing have been increased to allow for the Secretariat to increase its visibility and impact in various conferences/fora and to update some of its older IT infrastructure.

9. The “Core Operational Costs” were budgeted at US\$1,000,000 each for 2026 and 2027 which was the same amount compared to the budget of 2025. There was a decrease in the Expert Meetings budget to reflect the change in the frequency and mode of meetings, while the Outreach budget had been increased to enhance outreach efforts.

10. The Secretariat informed the Committee that the assessed contributions of Members for the 2026–2027 biennium were attached as Annex III in Document CFA(XL)/2.

11. The representative of Japan requested clarification on (a) the significant reduction of installation costs included in section B of the budget as well as (b) the increase in section E “workshops and meetings”. On section B, the Secretariat reported that the 2025 budget had included costs for retirements of several senior staff members and the recruitment of their replacements during that year under installation costs, while a similar situation was not expected in 2026-27. On section E, the Secretariat explained that the budget for workshops and meetings were those not included in project funding, including meetings and statistical workshops of the Food and Agriculture Organization (FAO), and also technical assistance workshops and capacity building under the Convention on International Trade in Endangered Species (CITES) to help members with the challenges of managing listed species. The representative of Japan acknowledged that the increase and decrease were balanced and thus resulting in no overall increase.

12. The representative of the European Union (EU) appreciated the clear layout of the budget and noted the lack of any major changes compared to previous years. He asked whether the proposed budget of the continued work of the Preparatory Working Group (PWG) could be covered from the budget line of section E “workshops and meetings”, and for more details on what kind of meetings/work was proposed for the PWG in 2026.

13. The Executive Director (ED) noted that producer member participation in the work of the PWG had so far been sub-optimal and that a primary intention of the proposed extension was to allow more consultations on the topics considered in 2025, along with other new/emerging topics. She noted that an in-person preparatory committee meeting to consider a 2026 report of the PWG could be combined with the next Council Session, and that proposed expenses would include items associated with meeting facilities such as audiovisual equipment and interpretation. The EU requested clarification on whether the proposed meeting linked to the Council session would be formal or informal, and if informal, whether interpretation would be required. The ED noted that language abilities amongst producers required interpretation at all meetings to ensure adequate participation. The EU also asked about the duration of the proposed meeting and asked if a shorter meeting might reduce costs. The Secretariat noted that some costs were fixed, hence not directly proportional to meeting length. Brazil supported a meeting linked to the ITTC and suggested surveying members to find out why they had not participated in PWG until now. She felt that regional meetings might ensure better participation, as would timing meetings to avoid inconvenient dates such as public holidays.

14. The EU stressed that it needed to know whether a proposed preparatory meeting on a new ITTA would be formal or not. The ED responded that all meetings prior to negotiations under UNCTAD would be informal. The EU also asked if it would be possible to run such a meeting in parallel to the ITTC, either by reducing the length of the ITTC session or other alternative arrangements. This possibility should be considered by Council when considering the decision on the extension of the work of the PWG.

15. As there were no further comments from the floor, the Committee approved the Administrative Budget for the 2026-2027 Financial Biennium, as contained in Document CFA(XL)/2 Rev.1.

#### **Item 5: Review of Contributions to the Administrative Budgets**

16. Document CFA(XL)/3 dated 16 September 2025 detailed the status of members’ contributions to the Administrative Budgets for the financial years from 1986 to 16 September 2025, including assessments, receipts, interest charges, and arrearages in contributions. In 2025, US\$1,053,999 had been received from producer members, out of a total net assessment of US\$3,280,248, and US\$3,492,193 had been received from consumer members, out of a net assessed amount of US\$3,881,391.

17. The arrearages in contributions to previous years' budgets from producer members amounted to US\$9,795,084 and arrearages from consumer members amounted to US\$478,051. The amount outstanding from the present year's assessment was US\$2,226,249 for producer members and US\$389,198 for consumer members. The document also showed the status of arrearages in contributions affecting eligibility to submit project proposals and countries that had become eligible to submit project proposals/concept notes under Decision 4(LIX). As of the date of the meeting, there were no countries that have become eligible to submit project proposals/CNs under this Decision. Arrearages in contributions from former members of the Organization amounted to US\$1,707,006, bringing the total outstanding arrearages to US\$14,595,587. Madagascar and Indonesia had made payments of their 2025 contributions after the production of Document CFA(XL)/3.

18. The delegate of the Republic of Korea expressed its appreciation to the Secretariat for its efforts to implement Decision 4(LIX). She noted Korea's pledge to a Cameroonian project was subject to Cameroon regularizing its arrears payments under the terms of Decision 4(LIX) and asked for an update. The ED reported that Cameroon had been contacted twice but to date no progress had been made in developing a payment plan. Efforts will continue to work with Cameroon in this regard.

19. The delegate of Japan expressed concern about the extent of arrears and requested the Secretariat to undertake strict budget control and cost-cutting to ameliorate this problem to the extent possible. The delegate of the EU shared Japan's concern and urged the Secretariat to continue to engage with members. He felt that this topic should be taken up in the discussions on a new ITTA. He also asked for more information on the extent of the problem and efforts to address it.

20. The ED summarized her efforts to engage with members on arrears, including making personal contacts and reminding members of the assistance provided by ITTO in the past. Three official reminders are sent to all countries in arrears each year. The EU asked if there had been any discussions with donors continuing to provide funding to members in arrears from other instruments. The ED responded that bilateral and multilateral funding sources and those overseeing these funds are often different, making such coordination difficult.

21. The delegate of Brazil noted that it was becoming more difficult to justify the need to pay contributions to ITTO given the lack of project funding. The ED observed that Brazil's membership of ITTO was under the Ministry for Foreign Affairs, which was very supportive, and that Brazil was an exemplar of innovation as the largest producing country. She added that there was currently one, albeit small, project ongoing in Brazil. The delegate of Brazil stressed that her country would continue to strive to meet its obligations.

22. The Committee took note of the discussions on the above document and urged the Secretariat to continue its work to resolve the problem of arrears.

#### **Item 6: Current Status of the Administrative Account**

23. The Secretariat introduced Document CFA(XL)/4, which detailed the status of the Administrative Account, together with estimated expenditures for the current year and new disclosures required under the Financial Rules on bid and tender processes, sole suppliers, bad-debt write-offs, approved banks and financial institutions, and matters related to the administration of the Administrative Account.

24. Document CFA(XL)/4, dated 16 September 2025, reports on the status of the Administrative Account for the financial year 2025, together with the estimated expenditure for the current year.

25. Section A of page 1 of the document shows that the estimated total expenditure for the financial year 2025 would amount to US\$5,921,468. The total contributions received from both producer and consumer members amounted to US\$4,546,193, and arrear payments received in 2025 amounted to US\$672,476, as of the day of the report. Together with contributions expected to be paid by members before the end of 2025, it was anticipated that a deficit in the amount of US\$628,481 would accrue in 2025. This amount would be deducted from the WCR. The assessed contribution collection rate for year 2025 was 63.48% of the total assessment of US\$7,161,588.

26. Section B shows that the current year's arrears in contributions amounted to US\$2,615,447. Total outstanding contributions for the period 1986–2024 amounted to US\$14,521,269.

27. Section C shows the Special Reserve Fund of US\$2,500,000, which was to be utilized only on Council approval in the event of liquidation of the Organization.

28. Section D shows that the resources of the WCR were estimated at US\$7.9 million by the end of 2025.

29. Section E shows an interest income balance of US\$468,895, which was to be used by the Executive Director for hiring consultants in accordance with the Financial Rules, Rule 5(10). The document also contains details of expenditure for each budget item and where savings were to be made.

30. Annex 1 contains information required by the Financial Rules to be brought to the attention of the CFA. This includes a list of procurement greater than US\$100,000; sole suppliers; bad debts that were written off; and banks and financial institutions approved by the Council.

31. The delegate of the EU reiterated his concern on the impacts of arrears on the health of the working capital reserve. He requested information on how the working capital reserve could be sustained, including possible adjustments to the budget. The ED indicated it is not advisable to reduce the administrative budget without negatively impacting the work of the Organization. The EU asked about options for addressing arrears when transitioning from the ITTA 2006 to a new agreement, for instance, to write off existing arrears for members. The ED suggested that this topic be taken up in Council due to its importance to all members.

32. The Committee took note of the above document.

#### **Item 7: Resources of the Special Account and the Bali Partnership Fund**

33. Document CFA(XL)/5 dated 15 September 2025 on "Resources of the Special Account and the Bali Partnership Fund" captured the current balance of funds under the Special Account and the Bali Partnership Fund.

34. In accordance with the Terms of Reference of the CFA, as contained in Decision 7(LII), the CFA shall "review the assets and liabilities of the Organization and make recommendations to the Council on prudent asset and cash flow management and levels of reserves needed to carry out its work". Document CFA(XL)/4 serves as a reference for reviewing the assets and liabilities of the Administrative Account, and this document was prepared as a reference to review the assets and liabilities of the Special Account and the Bali Partnership Fund.

35. The balance of funds under the Special Account and the Bali Partnership Fund was US\$15,041,918, of which US\$10,172,493 were funds committed to specific projects and activities. The unearmarked funds and the Sub-account B of the Bali Partnership Fund, which had a balance of US\$137,889, may be allocated to projects/activities by the Panel on Sub-Account B of the Bali Partnership Fund, which would convene during the week.

36. The delegate of Japan requested clarification on the committed funds of over US\$10 million. The Secretariat indicated that the amount included funds transferred by donors to ITTO that have not yet been disbursed to approved projects/activities.

37. The Committee took note of the document.

#### **Item 8: Auditor's Report for the Financial Year 2024**

38. Document CFA(XL)/6 on the "Financial Reports Prepared in Accordance with ITTO Financial Rules and Procedures (Annex 4)" contained two reports required to be submitted by the ITTO Auditing Standard: The Executive Summary of ITTO's Financial Statements for the year ended 31 December 2024 prepared by the ITTO Management; and ITTO's Financial Statements for the year ended 31 December 2024, audited by the Independent Auditors.

39. The audit was carried out by Ernst & Young Japan, which was appointed by the Council in November 2017 and reappointed in November 2022 to audit the accounts of the Organization for the financial years 2022 and onwards. It carried out the financial audit for the period ending 2024 during March to June 2025.

40. The audited financial statements provided information on the financial position and performance of ITTO for the fiscal year ended 31 December 2024 (FY2024).

41. For ITTO's project accounts in FY2024, new voluntary contribution pledges of US\$4.3 million were announced at the Council session, and total project cost expenses during that period were US\$4.6 million from projects mostly funded prior to FY2023. Total Administrative Account assessed contribution revenues were US\$7.2 million, of which US\$1.7 million was not received during FY2024 and was accounted for as assessed contributions receivable (arrears).

42. The Council adopted Decision 5(LIV) at its 54th Session in November 2018 on enhancing the Organization's financing architecture and fundraising. Additional fundraising approaches were to be piloted and new streamlined project cycles and programmed themes were to be developed from 2019, in accordance with this decision. Information on revenue and direct and indirect costs associated with implementing this pilot were reported in the financial statements.

43. Other highlights included the following:

- The surplus for the FY2024 Statement of Financial Performance was US\$1.5 million due to differences in the timing of recognizing revenue and expenses (i.e. the entire Administrative Budget is recognized as revenue in the year that the assessments are due, but only expenses incurred in the same year are recognized as expenses in that year's budget), and reduced personnel costs due to a number of vacancies.
- Advance transfers to projects increased by US\$0.4 million between 2023 and 2024. This was mainly due to projects making more progress in 2024 and increasing funds transferred to executing agencies in accordance with respective project agreements.
- Deferred revenue decreased by US\$1.3 million between 2023 and 2024. This is mainly due to projects pledged in prior years making progress in 2024.

44. Document CFA(XL)/CRP-1, "Management letter prepared by the independent auditors for ITTO management", comprises a letter submitted to the CFA meeting in accordance with the ITTO Auditing

Standard and contains information on matters affecting the completeness or accuracy of the accounts and other matters that should be brought to the notice of the CFA that the auditors identified during their audit. No significant items were identified in ITTO's latest audit. The auditors provided their satisfactory opinion on ITTO's financial statements, noting that the financial statements were prepared in accordance with the International Public Sector Accounting Standards (IPSAS), with no material misstatements or issues.

45. As per the recommendation at the Thirty-ninth Session of the Committee, the CFA's responsibility includes oversight of ITTO's internal audit activities and assessing the performance of its independent internal audit function. The Committee was invited to examine document CFA(XL)/CRP-2 (Internal Audit Report 2024) and assess the performance of the internal audit function. As noted in the report, ITTO's control environment and governance practices provided adequate mitigations to the most significant risks and the auditors did not identify any recommendations with critical or high ratings at this time. As there were no issues raised, the Committee concluded that the performance of the internal audit function was adequate as contained in document CFA(XL)/CRP-2.

46. The delegate of the EU appreciated the work of the auditors and congratulated the Secretariat on a clear and concise report.

47. As there were no further comments from the floor, the Committee recommended to the Council that it approve the "Financial Reports Prepared in Accordance with ITTO Financial Rules and Procedures (Annex 4)" on the Accounts of the Organization for the financial year 2024, as contained in Document CFA(XL)/6.

#### **Item 9: Extension of the Tenure of a Senior Management Staff Member**

48. The Executive Director recommended to the Committee to consider the extension of a senior management staff member (Director of Operations, Dr. Gerhard Breulmann) upon reaching retirement age in 2026 as provided for under Regulation 7.4 of the Staff Regulations and Rules of the ITTO. The recommendation was made in accordance with Rule 709 of the Staff Regulations and Rules of the ITTO, with consideration of factors such as the immediate needs of the service, the performance record of the staff member, and the availability of a suitable replacement. She noted that this would be the third retirement of a long-standing senior management member in the past two years and that the position of the Director of Operations was a key one. She requested that an extension of one year be approved, to July 2027 and said that the recruitment process for a successor would commence in late 2026 or early 2027.

49. The delegate of Japan supported the ED's recommendation and asked whether a Council Decision was necessary. The ED responded that a recommendation from the CFA would be sufficient for Council adoption.

50. The delegates of Canada, Australia, the EU, and Brazil supported the recommendation to extend the tenure of Dr. Breulmann until 31 July 2027.

#### **Item 10: Election of Chairperson and Vice-Chairperson for 2026**

51. Ms. Cassandra Price of Australia was elected Chairperson of the Committee for 2026. The producer caucus will announce the Vice-Chairperson of the Committee for 2026 at a later date.

#### **Item 11: Dates and Venue of the Forty-first and Forty-second Sessions**

52. The Committee agreed that its sessions may be held on the same dates and at the same venues as the Sixty-second and Sixty-third Sessions of the Council.

**Item 12: Other Business**

53. There was no other business discussed by the Committee.

**Item 13: Recommendations to the International Tropical Timber Council**

54. The following recommendations were provided by the Committee to the Council:

- 1) to approve the Biennial Administrative Budget for the financial years 2026 and 2027, as contained in Document CFA (XL)/2 Rev.1, in the amount of US\$7,102,185 and US\$7,104,278, respectively;
- 2) to approve the Financial Reports prepared in accordance with ITTO Financial Rules and Procedures (Annex 4) for the financial year 2024, as contained in Document CFA(XL)/6;
- 3) to take note of the list of disclosures required by the Financial Rules, as contained in Annex 1 of Document CFA(XL)/4, and endorse the list of sole providers and approve the list of banks and financial institutions; and
- 4) to approve the extension of the tenure of Dr. Gerhard Breulmann, Director of Operations, for 12 months beyond his current retirement date, to 31 July 2027.

**Item 14: Report of the Session**

55. The Committee adopted this report.