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Report of the Finance and Administration Committee intersessional meeting held on 16 June 2023

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REPORT OF THE FINANCE AND ADMINISTRATION COMMITTEE
INTERSESSIONAL MEETING HELD ON 16 JUNE 2023

1. This report presents the discussions and recommendations of the 58th meeting of the Finance and Administration Committee (FAC), presided by the Vice Chair, Mr Zoltan Agai of the EU, held on 16 June 2023.

Item 1: Adoption of the Agenda

2. The Agenda contained in document FA-349/23 Rev. 1 was adopted without amendments.

Item 2: Report of the intersessional meeting held on 16 March 2023

3. The report of the intersessional meeting held on 16 March 2023, contained in document FA-348/23 Rev. 1, was adopted without amendments.

4. The Committee took note of the report.

Item 3: Financial situation

5. The Head of Finance and Administration presented an updated chart showing the actual cash balances at the end of the month, which were forecast to be about £2,037,000 at the end of May and reflecting all budgeted expenditures for each month until November 2023. The balance of cash on hand will fall below £1,438,000, the total liquidation cost, after October this year if no more contributions are received.

6. The total expenditure for the seven months ending 30 April 2023 presents a positive variance of about £64,000 against the year-to-date budget. The significant variance between the actual expenses and the budget to date as at 30 April 2023 are mainly due to two factors: personnel costs and travel costs.

7. There was a positive variance in personnel costs of about £25,000, after £20,000 was transferred to the travel cost budget, as approved at the 135th Session of the Council in March this year. The positive variance is because the four new posts were filled in between December 2022 and February 2023, rather than from the beginning of this coffee year.

8. Travel expenses show a negative variance of nearly £7,400. This is due to a timing difference. The actual travel expenses will be within the budget by the end of coffee year 2022/23. The transfer of £20,000 from personnel to travel costs is to cover the drastic and inevitable increases in airfare prices since last year. The Executive Director has also made

host-funded visits to Member countries to participate in multiple events (see Annex II of FA-342/23 Rev. 1).

9. The Committee took note of the report and the need for Members to pay their contributions promptly.

Item 4: Outstanding contributions
Item 4.1: Report on collection of contributions from Members in arrears

10. The Head of Finance and Administration presented the information contained in document FA-351/23 (Report on outstanding contributions for coffee year 2022/23 and previous coffee years as at 12 June 2023). Table A showed the outstanding contributions for coffee year 2022/23. The total assessment has increased by £6,784 because Bolivia and Burundi had their voting rights and membership restored on paying the first instalment of their arrears in December last year (Bolivia) and on making payments of their arrears (Burundi). As a result, the pro-rata portion of their 2022/23 contributions became due.

11. Table B showed outstanding contributions to the Administrative Budget from previous years, which amounted to £530,877.

12. The Head of Finance and Administration then presented the continuation of Table B, which showed outstanding contributions from countries that had not yet completed membership procedures. This amount was £217,113.

13. Overall, the total outstanding contributions from previous years were £747,990. Finally, Table C showed the same data contained in Table B but broken down by coffee year.

14. The Secretariat gave another update on Russia as regards their outstanding contributions since the last meeting in March 2023. Russia is subject to sanctions on the transfer of funds from Russian to UK banks. It has been looking at possible means of paying its contributions by bank transfer; however, the banking sector is not accepting direct transfers from Russia through Russian banks in Europe. Following the submission by the Secretariat of a waiver application to legitimately receive funds through a licence from the UK Government's Office for Sanction Implementation (OFSI) last year, in April 2023 OFSI finally notified the ICO that the licence could be ready with the banking details of Russia. The Secretariat thus immediately contacted Russia to inform them of the same, but Russia responded that they would need to consult their High Authority for a decision. On 15 June 2023, the Secretariat received a response that the ICO's proposal had been presented to the Federal Treasury and

Gazprombank, the supposed fund-sending entity in Russia. They also informed the Secretariat that they hoped to provide good news shortly.

15. Some Members strongly encouraged Members in arrears to pay their contributions promptly.

16. This was reiterated by the acting Chair who emphasized the need to ensure the economic sustainability of the Organization. The Secretariat is making intensive efforts to reduce spending, but these will be insufficient if contributions are not received.

17. The Committee took note of the report made by the Head of Finance and Administration, and the update on Russia as regards their outstanding contributions.

Item 4.2: Communication from Vietnam

18. The Head of Finance and Administration presented document FA-352/23 (Communication from Vietnam) which contained a letter from the Chairman of the Vietnam Coffee-Cocoa Association (VICOFA), requesting a four-instalment payment plan for the country's 2022/23 contributions.

19. She continued to highlight that Vietnam had made all payments corresponding to the contribution for coffee year 2021/22, based on the previously approved instalment plan. Moreover, Vietnam paid £50,000 towards this year's contribution on 5 June 2023, the first instalment outlined in the abovementioned letter.

20. Some Members expressed concern that this type of instalment payment was becoming a recurring issue, since an instalment plan was also approved last year at the Council (ICC Resolution 475).

21. One Member emphasized that other Members with arrears do not have voting rights and therefore it would not be appropriate to grant a waiver only for Vietnam on accepting their instalment plan.

22. The Committee noted that the Secretariat would communicate with Vietnam before the next meeting to obtain further clarification on the letter and its voting rights. The item will be discussed again at the next meeting.

Item 5: Draft Administrative Budget for financial year 2023/24

23. The Head of Finance and Administration presented the revised Draft Administrative Budget for coffee year 2023/24 (FA-342/23 Rev. 1). The total contribution was set at £2,600,000 (£1,300/vote), the same as the original draft budget for financial year 2023/24, published ahead of the previous meeting in March, representing an overall increase of £372,000 in total contributions from Members versus 2022/23. The total revenue budget has slightly increased by £6,000 in the revised Draft Budget due to rises in the interest income budget, as based on recent market interest rates. Therefore, the total revenue including 'external sources' results in £2,644,396, and the total expenditure is forecast at £2,606,000.

24. The 2023/24 contributions have been adjusted to take into account the need to enhance ICO activities and to re-establish a critical mass to carry out the mandate of the Organization and return to a more sustainable level of staffing as the Organization starts to resume normal activity levels. However, it is still similar to coffee years 2018/19 and 2019/20, the last 'non-emergency' budgets of £2,608,000. In real terms, considering cumulative inflation-related increases of more than 15% since coffee year 2018/19, there is still a real-terms saving in the 2023/24 Draft Budget compared to the pre-pandemic years.

25. The Head of Finance and Administration continued to state that there were two major reasons behind the need to increase the personnel cost budget to £413,500 for the 2023/24 coffee year:

(a) Firstly, as stated in the revised Draft Budget, three posts have been added:

- **Public-Private Partnership Officer (P-3/P-4)** - The ICO has been leading the Coffee Public Private Task Force (CPPTF) since 2020, with voluntary contributions from ICO Members. The ICC endorsed the creation of the Coffee Public-Private Working Party (CPPWP) and the Board of Affiliate Members (BAM) in the ICA 2022, which made the Task Force a permanent activity in need of a structure to manage it. After three years of financially supporting this coordination, Members have already advised that the current arrangements cannot persist in the future, meaning that the ICO must contract a professional to manage the Task Force now and the CPPWP and the BAM when the ICA 2022 enters into force;

- **Economist (P-1/P-2)** – The ICO used to have three economists, covering technical activities together with the statisticians. Since November 2020, the ICO has had only one who is due to retire in January 2025. It will be imperative to recruit a junior economist in 2024 to shadow the key activities of the Chief Economist and to maintain the files and documents to facilitate a smooth transition in the next coffee year;

- **Communications Officer (P-1/P-2**) - This function has been carried out by a temporary part-time consultant. However, part-time resourcing is not sufficient for our current activity levels and recent demand, mainly with regard to social media, which we need to monitor constantly. Thus, the Organization's communications strategy requires a full-time member of staff (see **Annex IV,** FA-342/23 Rev. 1) 'Cross Cutting Strategic Priority' item.

(b) Secondly, the calculation of the annual personnel cost, mainly salary, post adjustment, dependency allowance and provident fund, was based on the UN Salary/Pension Scales released in January and February 2023 with an expected inflation rate of approximately 3%.

26. The revised Draft Budget for 2023/24 would result in a zero deficit, maintaining the overall level of contributions and income from external resources at their current level.

27. One Member noted the clarification provided by the Secretariat on the concerns made at the last meeting of the Finance and Administration Committee in March 2023.

28. The Member emphasized the need to control budget increases wherever possible and agreed only to increases for two of the proposed job posts: Public-Private Partnership Officer and Economist. In order to keep the budget at a 'pre-pandemic' level (14 staff members), the Member insisted that there should only be two additional posts in the 2023/24 budget.

29. Said Member continued that the post of Communications Officer had not been a core ICO position during coffee years 2018/19 and 2020/21 and that it did not seem to be necessary under the ICO's current five-year plan, stating that these duties could be partially covered by a part-time consultant and other staff such as the Economist.

30. Moreover, he added that the title of Executive Secretary should be corrected to Assistant to the Executive Director as stated in Annex II (FA-318/22 Rev. 1) unless there is a justification for the change.

31. Some Members agreed in principle to the budget increases for personnel and travel in relation to coffee year 2023/24, considering the ICO's need to return to a 'non-emergency' budget.

32. Another Member responded positively as regards recommending the revised Draft Budget, especially after the Secretariat clarified that the duties of the Public-Private Partnership Officer also involved managing the BAM.

33. He continued that a full-time Communications Officer is essential in the 21st century and that the duties thereof would likely not be limited to writing press releases, but also significant social media work.

34. The acting Chair noted that the revised Draft Budget for 2023/24 would be discussed again before the next Session of the Council in India prior to making a recommendation.

Item 6: Promotion Fund

35. The Head of Finance and Administration reported that the Secretariat had proposed the remaining balance of US$1,119 of the Promotion Fund to be utilized as a part of the ICO Programme of Activities.

36. Some Members agreed to the proposal made by the Secretariat.

37. One Member responded that it would need to take the question to its capital before making a recommendation.

38. Another Member emphasized that the account should not be closed even after the balance becomes zero.

39. The Committee noted that the Members would discuss this matter again at the next meeting in September.

Item 7: New Auditor

40. The Head of Finance and Administration reported that the Secretariat wished to ascertain if the Members would consider changing the auditor after three years in order to maintain financial transparency.

41. Some Members were concerned that three years was too soon and that fees might be higher than the existing provider, which should be avoided.

42. The Committee noted that this item would be discussed again at the next meeting, when the Secretariat would clarify the reasons for changing in terms of the best practice for the ICO.

Item 8: Premises

43. The Head of Finance and Administration gave a presentation on the current premises, reporting that the estate agent, Savills, had informed the Secretariat that the management company was planning major renovation works following the ICO's vacation of the premises in June 2025. This information confirms that the ICO will need to leave 222 Gray's Inn Road no later than June 2025 as long as there is no extension of the lease agreement. The Secretariat will need to continue to maintain a dialogue with Savills with respect to proceeding with the dilapidation assessment.

44. The Executive Director continued by providing possible factors for deciding the future premises. She presented several potential cities in and outside of the UK, including post adjustment levels and the number of ICO Member representations. The cities introduced (Brussels, Paris, Madrid, Rome, Amsterdam and Cambridge) are in the same or a similar time zone as London, which seems feasible for future meetings with Members throughout the world.

45. She continued that changing cities could be an option due to the fact that some Members had previously shared their concerns about the cost of the current premises and shown an interest in moving the ICO to another country or elsewhere in the UK.

46. Some Members expressed concern about the potential relocation given that the new International Coffee Agreement 2022 states that the seat of the Organization shall be in London, UK. They also emphasized the convenience of staying in London given the large number of diplomatic representations present, which enables real-time communication.

47. Some Members supported the idea of investigating a move out of London considering its high living costs, suggesting that the ICO move to a place where the government provides incentives such as a free rent and that the implications of moving from the present headquarters to another country/city should be carefully considered.

48. The Executive Director informed the Committee that she would contact representatives of the British government to explore the possibility of a rental subsidy, and that she would also consult Member countries that might be interested in hosting the ICO in the future.

49. Lastly, the Executive Director emphasized that this item would need to be discussed again at the next Council in India in September as the ICO would need to move out of its current premises in the near future.

50. The Committee noted that the presentation from the Secretariat was solely to open discussions and for the Members to consider going forward.

Item 9: Other business

51. There were no requests for inclusion of items under 'Other business'.

Item 10: Date of next meeting

52. The Committee will inform Members of the date of the next meeting.