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INFORMATION

From:	General Secretariat of the Council
To:	Working Party on Commodities
Subject:	PROBA/Coffee: 60th meeting of the Finance and Administration Committee (5 March 2024) - Report

Delegations will find attached, for information, the report for the 60th meeting of the Finance and Administrative Committee meeting, held online on 5 March 2024.

**Report of the Finance and Administration
Committee intersessional meeting held
on 5 March 2024**

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**REPORT OF THE FINANCE AND ADMINISTRATION COMMITTEE
INTERSESSIONAL MEETING HELD ON 5 MARCH 2024**

1. This report presents the discussions and recommendations of the 60th meeting of the Finance and Administration Committee (FAC), presided by the Chair, Mr Zoltan Agai of the European Union, and held on 5 March 2024.

Item 1: Adoption of the Agenda

2. The Agenda contained in document [FA-361/24 Rev. 1](#) was adopted without amendments.

Item 2: Report of the intersessional meeting held on 7 September 2023

3. The report of the intersessional meeting held on 7 September 2023, contained in document [FA-360/23](#), was adopted without amendments.

4. The Committee took note of the report.

Item 3: Financial situation

5. The Head of Finance and Administration presented the information contained in document [FA-362/24](#) (Financial Situation as at 31 January 2024).

6. She presented an updated chart showing the actual cash balances at the end of the month, which were forecast to be about £2,800,000 at the beginning of March, reflecting all budgeted expenditures for each month until September 2024. Despite the fact that this cash balance was deemed sufficient to finance the ICO's operations until the end of the current coffee year, the Secretariat continues to encourage Members to make payments promptly.

7. As mentioned in the previous meeting, the Secretariat successfully saved some costs the previous coffee year by taking advantage of remote working and reducing costs related to translation, copying/printing, utilities, and office cleaning. However, these costs are gradually rising due to inflation. The Finance and Administration team has continuously monitored costs and made quick decisions to prevent any future unnecessary expenses and seek possible savings.

8. The total expenditure for the four months ending 31 January 2024 presents a positive variance against the year-to-date budget. The significant variance between the actual expenses and the budget to date as at 31 January 2024 are mainly due to the following factors: (i) Personnel costs; and (ii) a timing difference in relation to Language costs, Meeting costs and Programme of Activities costs.

9. There was a positive variance in Personnel costs due to two of the three new posts approved at the Council in September 2023 having not been filled since the beginning of the coffee year. Recruitment is ongoing and the Secretariat has been using temporary outside services in the interim. Overall, taking the above variances into account, the management accounts at the end of January 2024 show a positive variance and are within budget.

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

11. One Member stressed the importance of ensuring the financial sustainability of the ICO, conducting sustainable activities within the coffee industry and strengthening public-private partnerships. He mentioned that costs should be reduced insofar as this did not hinder the operations of the Organization.

12. The Member also suggested including a reference to the Council decisions regarding the provision for outstanding contributions and possibly also a breakdown of past provisions (in the audited report or in the interim reports) since coffee year 2019/2020.

13. The Committee took note of the report and Members' comments, reminding them of the need to pay their contributions promptly.

Item 4: Outstanding contributions

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

14. The Head of Finance and Administration presented the information contained in document [FA-363/24](#) (Report on outstanding contributions for coffee year 2023/24 and previous coffee years) as at 4 March 2024. Table A showed the outstanding contributions for coffee year 2023/24 and that total assessments had increased by £101,863 following the Russian Federation's payment of its arrears in November 2023. This resulted in the pro-rata portion of its 2023/24 contribution becoming due.

15. Table B showed outstanding contributions to the Administrative Budget from previous years, which amounted to £467,169.

16. The Head of Finance and Administration then presented the continuation of Table B, which showed outstanding contributions from former Members. This amount was £217,113.

17. Overall, the total outstanding contributions from previous years were £684,292. Finally, Table C showed the same data contained in Table B, but broken down by coffee year.

18. In response to a query from a Member, the Head of Finance and Administration explained that annual contributions become due on 1 October and payable in full by 31 March of the financial year. She continued to state that, as per Article 21 of the International Coffee Agreement (ICA) 2007, if any Member were not to pay its full contribution by the aforementioned deadline, i.e. within six months of the date on which it became due, its voting rights and the right to participate in meetings of the specialized committees would be suspended.

19. The Secretariat provided an update on the Russian Federation as regards its outstanding contributions. As detailed at the 136th Session of the Council, a licence was granted by the UK Government's Office of Financial Sanctions Implementation (OFSI) to allow the Organization to receive funds from the Russian Federation. The Russian Federation then confirmed the receipt of this licence and reported that it would consult its authorities to transfer this year's contribution. The Secretariat is now waiting for them to transfer the funds.

20. The Chair emphasized the need for Members to pay their contributions promptly 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.

21. The Committee took note of the report made by the Head of Finance and Administration, and the case of the Russian Federation as regards its outstanding contributions.

Item 4.2: Communication from the United Kingdom

22. The Head of Finance and Administration presented document [FA-369/24](#) containing a letter from the Government of the United Kingdom, requesting the reimbursement of the Russian Federation's pro-rata contribution to the importing Members (UK, Japan, Switzerland and Norway) following the payment of its arrears. As detailed previously, the Russian Federation's payment was delayed mainly due to sanctions imposed by the UK Government.

23. She explained that the Council, at its 136th Session in India in September 2023, had approved document [ICC-136-2 Rev. 1](#) (Initial distribution of votes in the Council for coffee year 2023/24), which excluded Russia. This was the basis for determining the 2023/24 contributions.

24. In paragraph (8) of Resolution 470, the International Coffee Council resolves "[t]o determine the contributions of any temporarily suspended Member that has been reinstated in accordance with the provisions of paragraph (3) of Article 20 of the ICA 2007". Accordingly, said paragraph states, "The initial contribution of any Member joining the Organization after the entry into force of this Agreement as provided for in Article 42 shall be assessed by the Council on the basis of the number of votes to be held by it and the period remaining in the current financial

year, but the assessments made upon other Members for the current financial year shall not be altered”.

25. One Member proposed following the ICA 2007 and ICC Resolution 470 regarding the contribution of the Russian Federation.

26. Another Member proposed that if Russia were to pay its pro-rata contribution for 2023/24, the amount could be used to fund current or future projects or programmes.

27. The Chair summarized that the request from the United Kingdom and the proposals by Members would be brought to the Council in March for a decision.

28. The Committee took note of the above.

Item 5: Draft Administrative Budget for financial year 2024/25

29. The Head of Operations reported the breakdown of the operational budget of the 2024/25 Programme of Activities, including voluntary contributions as well as personnel costs and ICO running costs as part of items I to III of the Activity-based Budget.

30. The Head of Finance and Administration introduced the Draft Administrative Budget for coffee year 2024/25 ([FA-364/24](#)), presenting some key points such as that the 2024/25 contributions were the same as for 2023/24 given the need to keep enhancing ICO activities and carry out the mandate of the Organization at normal activity levels. She highlighted that the total budgeted contribution of £1,300 per vote was very similar to 2018/19 and 2019/20, previous “non-emergency” budgets. Finally, she explained that, considering inflation-related rises in goods and services since coffee year 2018/19, the new 2024/25 draft budget represented around a 17% real-terms reduction overall.

31. The Head of Finance and Administration mentioned that income from external sources was forecast at £38,396, consisting of income from interest, accounting services, statistical data subscriptions and administrative fees from Trust Fund project operations. She also clarified that the Secretariat was making efforts to change the billing method for statistical database subscriptions, an important intangible asset of the Organization, in order to maximize income levels, as well as ensure that the data only reaches designated subscribers.

32. She continued to state that the budget proposed decreases in Personnel and Language costs, and increases in Programme of Activities and Premises costs, as follows:

- (a) A net decrease in Personnel costs due to the fact that the Head of Operations and Chief Economist will retire in 2024/25. The recruitment of these posts at a lower grade will enable the ICO to make savings. However, given expected rises in salaries and other related costs provided for in the Salary Scales released by the United Nations every year, further decreases are unlikely.
- (b) The decrease in Language costs is due to reductions in translation costs observed in coffee year 2022/23 since changing providers. Computer-assisted translation tools are now employed as a cost-saving measure, always alongside suitable quality and efficiency measures. This partial automation of translation work also enables recurring content to be automatically translated.
- (c) The £10,000 increase in Programme of Activities costs is due to plans to update the ICO's communication and operations infrastructure, including social media and the statistics database, with the level of service and security required by the Organization.
- (d) The increase in Premises is related to dilapidations/refurbishment costs following the expiry of the current lease in June 2025.

33. The Draft Budget for 2024/25 would result in a zero deficit, maintaining the overall contributions and income from external sources at their current level.

34. The Executive Director explained the ongoing recruitment of the three new posts approved in the 2023/24 budget ([ICC-136-4](#)). She mentioned that the Secretariat had started the process immediately after the 136th Session of the Council in India, prioritizing the Communications Officer position, highlighting that the ICO website and social media were an essential part of the Organization's communication strategy.

35. The Executive Director stated that many CVs had been received for both the positions of Public-Private Partnership Officer and Junior Economist and that, for this reason, recruitment was taking longer than expected as ICO staff had to carry out recruitment-related tasks on top of their day-to-day work, always ensuring transparency and fairness in line with rules and regulations. She mentioned that some candidates had already been shortlisted for the Junior Economist position and that the finalist would soon be appointed. For the Public-Private Partnership Officer, the Executive Director clarified that the process was still ongoing, and that the ICO had a consultant to perform the relevant duties in the interim.

36. One Member stressed that the Programme of Activities section of the draft Budget should contain “purposes” in detail, not just numbers. He continued that the voluntary contributions of £1,600,000 should be explained as regards the details and aims of each activity by category.

37. Another Member echoed the importance of optimizing the budget to support the ICO's Programme of Activities and further strengthen the coffee sector.

38. The Head of Finance and Administration responded to four queries raised, as follows:

- (a) The revised draft budget for the 2024/25 would contain more detailed explanations as regards costs savings related to the retirement of the Head of Operations and Chief Economist.
- (b) The increase in the 2024/25 interest income was estimated based on the actual interest earned the previous year as well as for coffee year 2023/24 up to January 2024.
- (c) Similar to the interest income budget, the decrease in the 2024/25 income from statistical subscriptions was calculated based on the actual income earned the previous year.
- (d) The sum of £46,000 budgeted for repatriation/installation costs was for the two internationally-recruited staff members retiring during 2024/25 and also for any newly recruited staff who might assume their positions.

39. The Executive Director responded to a question regarding meeting costs, which had been estimated on the assumption that the autumn 2025 Council session would be held outside of the UK. She clarified that one Member had informally offered to host it in their country, but that this had not yet been officially confirmed.

40. The Chair noted that the draft Budget for 2024/25 would be discussed again at the following meeting, when the Secretariat would also respond to any questions raised.

Item 6: Accounts for the financial year 2022/23

Item 6.1: Administrative Accounts of the Organization and Report of the Auditors

41. The Head of Finance and Administration introduced document [FA-365/24](#), the audited accounts of the Administrative Fund for financial year 2022/23 and the Report of the Auditors.

42. The Committee recommended them for approval by the Council.

Item 6.2: Accounts of the Special Fund and Report of the Auditors

43. The Head of Finance and Administration introduced document [FA-366/24](#), the Accounts of the Special Fund for financial year 2022/23 and the Report of the Auditors.

44. She continued that the Net Reserve Fund balance as at 30 September 2023 was enough to cover the US\$68,000 to be allocated to the remaining two Asia-Pacific region countries: the Philippines and Timor-Leste. However, she clarified that they had not claimed the funds allocated in accordance with Resolution 459 on the use of the Special Fund, as approved by the ICC in September 2016. In this regard, the Secretariat proposed setting a deadline of mid-September.

45. The Executive Director provided an update on communications sent to these countries, highlighting that they had not been able to appoint experts responsible for undertaking projects with the fund for the past three years. The Secretariat had been in contact with them both before and after the 136th Session of the Council held in India.

46. The Committee noted that this matter would remain up to the exporting Members and that they should come up with a solution to enable a decision to be made at the Council.

Item 6.3: Accounts of the Trust Fund and Report of the Auditors

47. The Head of Finance and Administration introduced document [FA-367/24](#), the Accounts of the Special Fund for financial year ending 31 December 2023 and the Report of the Auditors.

48. One Member again stressed that further details should be provided with regard to contributions and the “purposes” of the Trust Fund.

49. The Committee recommended the Accounts of the Coffee Sustainability Projects Trust Fund and the Report of the Auditors for approval by the Council. It also noted comments that the Secretariat should provide details of the Trust Fund activities, including purpose of each project, either in the Budget, audited reports or in project status reports.

Item 6.4: Promotion Fund

50. The Committee noted that no activities had been undertaken with the Promotion Fund in coffee year 2022/23 and that the balance remained the same, i.e. US\$1,119.

Item 7: Salary scales and basis for contributions to the Provident Fund

51. The Committee recommended for approval by the Council the salary scales and basis for contributions to the Provident Fund contained in document [FA-368/24](#).

Item 8: Premises

52. The Executive Director reported updates on the current premises, including that in February 2024, the landlord had offered three options for a lease extension from June 2025: (i) a one-year extension; (ii) a four-year extension with five months rent free; or (iii) a two-year extension with a break clause of six months and three months rent free.

53. She explained that the Secretariat had undertaken further research and sent inquiries to all London-based international organizations to ascertain whether they had any available office space, but none of them had or would have any office space available in the near future.

54. The Executive Director also highlighted that, in November 2023, the Secretariat had had meetings with other international organizations located in Canary Wharf, which seemed to have an affordable market price. Neither an extension of the current lease nor a lease of the potential premises in Canary Wharf would require a new ICA if the lease agreement were signed for a period of less than three years. However, a longer-term lease might require a new ICA or a deposit of six months.

55. She continued to report that the Secretariat had also conducted a broad search in Greater London for alternative premises, concluding that the market had continued to grow in central London, and that prices in prime locations such as Midtown, the West End and the City area were more than double the ICO's current premises. Therefore, in order to make savings on new premises, she explained that only lower-priced areas had been focused on, presenting some example premises to those present.

56. Finally, the Executive Director informed Members that she had been invited to visit Rome to discuss future collaborations with the Directorate General of Development Cooperation (DGDC). She highlighted that one of the items discussed was Italy's interest in hosting the ICO in an available building in front of Piazzale della Farnesina which she had visited alongside the DGDC Director General, Stefano Gatti. Mr Gatti was preparing a formal letter of intent to be sent to the ICO and also to the European Commission - PROBA, which acts as the formal representative of the 27 EU countries at the ICO.

57. Summarizing, the Secretariat presented the following three options for Members' consideration:

- (a) Remain in the current premises at 222 Gray's Inn Rd with an extended lease;
- (b) Re-locate within London to Canary Wharf or other premises; or
- (c) Study the Rome option in depth and any other offers if and when they are received (no later than June 2024) with a one-year extension of the lease at 222 Gray's Inn Road.

58. One Member stressed that relocating to another Member country should be carefully considered to ensure that all activities relating to the ICA 2022 and other ICO operations can be fulfilled in a timely manner.

59. Another Member reported that a step-by-step approach should be followed for continuity and stability. She also suggested that Members present bids to host the ICO in order to ensure transparency and fairness.

60. The Executive Director stressed that it might be better to accept one of the lease extension options rather than relocate to new premises for a short period, as the latter would imply spending money on dilapidation and refurbishment costs.

61. She clarified that there were no budgetary issues impeding an extension of the lease of the current premises, suggesting that if the ICO were to relocate to another Member country any savings could be used for projects, programmes and new activities agreed upon by Members.

62. The Executive Director stressed that the Members would need to make a decision on whether to extend the lease at the current premises by the March 2024 Session of the Council, as the landlord had already specified that he would need confirmation before the summer.

63. One Member emphasized that, given the various lease extension options offered by the landlord, the Organization was no longer in the emergency situation reported to the Council in India in September 2023. He also stated that it was too early to decide or recommend a decision as there was no mandate yet from the Council, suggesting that discussions on the ICO headquarters could continue following an extension of the lease of the current premises.

64. The Committee noted that this item would be discussed at the next Council in March 2024.

Item 9: Other business

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

Item 10: Date of next meeting

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