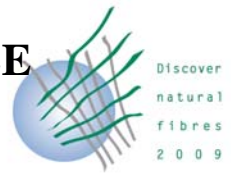




INTERNATIONAL COTTON ADVISORY COMMITTEE

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Aide Memoire

To: Delegates to the Standing Committee, Coordinating Agencies and Members of the PSAP

From: Executive Director

Subject: Approval of the Proposed Budget by the Subcommittee on Budget

Date: April 21, 2008

Delegates from Argentina, China (Taiwan), Germany, India, and Pakistan and the executive director met on April 18, 2008 in the office of the Secretariat to review a proposed budget for 2008-09. Ms. Banashri Bose Harrison of India serves as Chair of the Subcommittee on Budget, and Mr. James Johnson of the U.S. serves as Vice Chair.

The executive director proposed a budget for fiscal year 2008-09 (July-June) of \$1.827 million, including expenditures of resources contributed by the private sector under the business plan. This is an increase of 6.0% over the budget for the current fiscal year of \$1.724 million. Expenditures exclusive of the business plan are projected at \$1.762 million in 2008-09, an increase of 5.1% over the budget for the current year.

An increase in the Secretariat budget of 6% in 2008-09 will be greater than increases in recent years. The budget rose by 0.1% from 2005-06 to 2006-07 and by 1.3% from 2006-07 to the current fiscal year. When adjusted for inflation, the proposed budget is still lower than in 2005-06 and is approximately the same as in 1981-82. In real terms, the Secretariat budget has not grown since the early 1980s.

The Secretariat will spend about \$62,000 in the current fiscal year on printing and mailing hard copies of documents. The Subcommittee on Budget directed the Secretariat to reduce these categories of expenditures by expanding the use of e-mail and the Internet. The Secretariat will inform Standing Committee members, Coordinating Agencies and delegates to plenary meetings of the availability of documents on the ICAC web site, with the expectation that publications will be accessed from the web in most cases. Hard copies of documents will always be available from the Secretariat on request.

The Subcommittee noted that the Working Fund of the Secretariat (the fund used to pay all operating expenses, including salaries, travel, office rent and other expenses) is projected to equal less than 10% of expenditures at the end of 2008-09. Accordingly, the Subcommittee on Budget emphasized that the timely payment of assessments by member governments is necessary in order for continued operation of the Secretariat each fiscal year.

The proposed budget includes a substantial increase in the budget for travel. Secretariat travel costs are rising primarily because of rising airfares and hotel rates, exacerbated by the decline in the value of the U.S. dollar. The Secretariat does not attempt to hedge its expenditures in non-U.S. dollar currencies. Given the expectation that the U.S. dollar may continue to depreciate, the Subcommittee instructed the executive director to consider how the Secretariat might hedge its travel expenditures during 2008-09.

The Subcommittee reviewed the formula for calculation of individual assessments in the Rules and Regulations. 40% of total assessments are divided equally among all members of the Committee, and 60% of assessments are prorated among members based on average levels of trade in cotton fiber during the four most recent cotton seasons.

The ICAC serves as the Supervisory Body for cotton projects funded by the Common Fund for Commodities (CFC). The CFC reimburses direct expenses for Secretariat travel related to CFC projects.

However, the indirect costs of Secretariat time spent in development and supervision of CFC projects is not reimbursed.

Approval of the Proposed Budget

Members of the Subcommittee supported the proposed budget. The Subcommittee agreed that the proposed budget and scale of assessments should be distributed to the Standing Committee and Coordinating Agencies for comment (**Attachment II to SC-N-493**). Consistent with customary practice, if no comments or objections are received within ten days (**Wednesday, April 30, 2008**), the Subcommittee on Budget will assume that no additional meetings are necessary. However, if objections are received, additional meetings of the Subcommittee on Budget will be scheduled.

The Standing Committee will be asked to give final approval to the Proposed Budget and Scale of Assessments at its next meeting on May 29, 2008.