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DECISION 8(XXVII)

RULES AND PROCEDURES APPLYING TO ITTO PROJECTS

The International Tropical Timber Council,

Recalling Decision 2(XXVI) on the revision of project related guidelines and manuals which requests the Executive Director to assess the new Manual on Rules and Procedures for Project Implementation and to propose any modifications, which are deemed necessary at the next Council Session,

Considering the Document ITTC(XXVII)/6 "Report on the Draft Rules and Procedures Applying to ITTO Projects",

Further considering the comments and the advice of the open-ended informal working group which evaluated the report during the Twenty-seventh Session of the Council,

Recognizing the need to provide guidance for the project cycle,

Decides to:

1. Delete paragraph (b) on page 6, in the section: "Exclusions" of the Guidelines for the Selection and Employment of Consultants and Guidelines for the Procurement and Payment of Goods and Services financed from the Special Account;
2. Apply these Guidelines to the Bali Partnership Fund *mutatis mutandis*;
3. Adopt the "Rules and Procedures Applying to ITTO Projects", in the Annex to this Decision; and
4. Request the Executive Director to arrange for the publication and distribution of the adopted "Manual on Rules and Procedures Applying to ITTO Projects".

ANNEX

DRAFT

RULES AND PROCEDURES APPLYING TO ITTO PROJECTS

November 1999

FOREWORD

(to be completed)

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FOREWORD

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I. Introduction

This document sets out the ITTO working procedures and guidelines approved by the International Tropical Timber Council (ITTC) which are directly linked to the various stages of the Project Cycle - formulation of proposals, appraisal, approval, implementation, monitoring and evaluation of Projects. The content of the relevant updated Decisions is indicated hereafter.

II. The ITTO Project Cycle

The following procedures are related to the ITTO Project Cycle, from submission of proposals to Project completion:

- Submission of Project and Pre-Project proposals from Member countries through the ITTO Official Contact Points. The deadline for the submission of Project and Pre-Project proposals for consideration at the following Council Session is two weeks after the end of each Council Session.
- Examination of the proposals by the Expert Panel, its categorization and conveyance of its views to the originating member(s). The technical recommendations of the Expert Panel are brought to the relevant Committee.
- The Committees are responsible for "ensuring the effective appraisal of Projects and Pre-Projects" and making "recommendations to the Council relating to Pre-projects and Projects".
- Revision of the Project proposal. It may be necessary for the revised Project proposal to come back to the next Expert Panel meeting, depending on the categorization of the proposal.
- Appraisal of Project and Pre-Project proposals by the relevant Committee and submission of recommendations to the Council. Project Ideas may be presented directly to the Committees and if appropriate, to the Council for discussion and encouragement of the proposing member(s) in developing a Project proposal.
- Council approval of Projects and Pre-Projects for financing.
- Pledging of financing for Projects and Pre-Projects at Council Session or between Sessions.
- Preparation and signature of Project Agreements.
- Project implementation - monitoring by the ITTO staff and Steering Committee (depending on Project's cost and duration) and mid-term evaluation (optional).
- Project completion - evaluation at Project completion or ex-post evaluation (optional).

Actual dates and deadlines are announced in the ITTO Project Cycle Calendar circulated before each session of the Council.

III. Identification and Formulation

ITTO Members may submit Project Ideas to the Committees or to the Expert Panel for Technical Appraisal of Project Proposals for assessment and advice as the first step in the project cycle. Countries should be reminded that cooperation between member countries can improve the quality of the identification process. Project proposals submitted to ITTO should be consistent with the current ITTO Action Plan and the national forestry policy of the submitting member countries [Decision 4(XXV), Annex A].

The format of Project and Pre-Project proposals and of Project Ideas is provided in the ITTO Manual for Project Formulation (Second Edition), 1999, approved by Decision 2(XXVI). The length of Project proposals to the ITTO should not exceed 30 single-sided pages, while Pre-Project proposals should not exceed 15 single-sided pages. If it proves necessary to present additional supporting information, Project formulators should prepare concise annexes to the main body of the proposal [ITTO Manual for Project Formulation, Second Edition, 1999]. Projects requiring funding of US\$ 150,000 or less may be presented in less detail [Rule 29 of the Financial Rules and Rules Relating to Projects of the ITTO].

Members are encouraged to use the mechanism provided by project PD 73/89 Rev.3 (M,F,I), in particular through project formulation workshops, to support Project formulation and to use Pre-Projects to prepare high quality project proposals, whenever necessary [Decision 4(XXV), Annex A].

All pre-project and project proposals must be directly submitted by the "Official Contact Point" of an ITTO Member [Decision 4(XXV), Annex A, Section III]. Any pre-project and/or project proposal not channeled through the "ITTO Contact Point" will not be accepted.

In view of the limited number of project proposals that the Expert Panel for Technical Appraisal of Project Proposals can appraise, the Official Contact Point responsible for ITTO shall provide a list of project proposals in order of priority for consideration by the Expert Panel, if the Member is submitting more than one (pre)project proposal [Decision 4(XXV), Annex A, Section III].

The timetable for the ITTO Project Cycle establishes that the deadline for the submission of Project and Pre-Project proposals for consideration at the following Council Session is two weeks after the end of each Council Session [Decision 7(XXI)]. Project Ideas should arrive at the Secretariat at least four weeks before each Council Session [Decision 2(X), Annex 2].

IV. Project Appraisal

Final appraisal of Projects, Pre-Projects and Project Ideas is the responsibility of the Committees [ITTA 1994].

The Expert Panel for Technical Appraisal of Project Proposals was established by Decision 6(IX), and continued by Decision 2(X), considering the increase in the operational activities of the Organization and the need "to strengthen the capacity of the Secretariat in the technical appraisal of Project proposals prior to their presentation to the Committees." The Expert Panel members are appointed by the Council on the basis of their technical expertise with due regard to the principles of geographic balance and rotation of Panel membership. Six members are from producing countries and six members from consuming countries. The appointment of members to the Panel is for a period of two years with the possibility of extending to three years if desired by the relevant region [Decision 7(XXI) and Decision 7(XXII)]. Due consideration is taken of the benefits of some continuity in Panel membership.

The Expert Panel adopts standard Categories of Decision to make recommendations to the Committees on the Projects and Pre-Projects. The Panel is expected to "screen the Project proposals for their relevance to ITTO's Action Plan and Work Programs ... but not otherwise prioritize them. ... If reformulations involving major amendments or reformulation are recommended, (the Panel shall) request to carry out a final appraisal of the revised versions of Project and Pre-project proposals, prior to their presentation to the relevant ITTO committees." [Decision 7(XXII), Annex].

Immediately after the meeting of the Expert Panel, a brief report on each Project proposal is forwarded by the Secretariat to the submitting Government. The submitting Government may subsequently amend or revise its Project proposal(s) as recommended by the Expert Panel before consideration by the Committees or reconsideration by the Expert Panel.

Project Proposals requiring essential modifications or reformulation will be subject to a reassessment by the Expert Panel for Technical Appraisal of Project Proposals and the Panel will forward to the Committee only those proposals requiring minor or no amendments. The only exception to this will be in case of Proposals where the proposer is unable to agree with the Panel after three revisions [Decision 4(XXV), Annex A].

V. Project Approval

Approval of Project and Pre-Project proposals is a function of the International Tropical Timber Council [ITTA 1994].

Urgent proposals which rise unexpectedly and therefore cannot follow the full Project Cycle are considered by the Council/Committees only if they are sponsored by at least three producer and three consumer member countries, are justified by a written proposal conforming to the Project document format, and are accompanied by reasons why the proposal cannot await scrutiny by the next Expert Panel meeting [Decision 5(XII), Annex].

Small Project or Pre-Project proposals of US\$ 75,000 or less can be approved by the Executive Director with the proviso that these proposals are submitted to the Expert Panel and via Committees are reported on at the next Council Session [Decision 5(XII), Annex].

Approved Projects which have not been funded within a validity period of 20 months may be revised and resubmitted to the Council. Failing resubmission, the Project will lose its status as an approved Project. Approved Projects for which funds have been committed, but for which implementation has not yet begun, shall be valid for a period of 26 months [Decision 2(X), Annex 2].

VI. Project Agreement

Project Agreements will be effective with signature of the Agreements by all the parties concerned.

Project Agreements shall include:

- Provisions for the Executing Agency and ITTO to recover costs that were spent on activities or materials not provided for in the agreed project document. Project Agreements must also provide for interruption of disbursement of project funds, in the event of violations of the project agreement [Decision 2(X), Annex 2].
- At project completion or as requested by ITTO, project accounts shall be audited by duly recognized independent auditors appointed by the Executing Agency in consultation with ITTO [Decision 6(XIII), Annex B].
- The Executing Agency shall arrange for an external annual financial audit of all projects with a duration of two years or more and a budget above US\$200,000 [Decision 4(XXV), Annex A].
- The Executing Agency shall report the outcome of the project and lessons learned as well as any publications produced for inclusion in the Tropical Forest Update (TFU) [Decision 4(XXV), Annex A].

VII. Project Implementation and Monitoring

There should be a Project Steering Committee (PSC) for all Projects in which the ITTO share is at least US\$ 400,000 and with an implementation period greater than 24 months. Composition of the Project Steering Committee includes one representative of the ITTO, at least one representative of the government or government(s) which implement(s) the Project and optionally a representative of the government(s) providing funds to the Special Account of the ITTO. Project Steering Committee decisions are taken by consensus and subject to review by the Council at the option of any Committee member or members [Decision 2(X), Annex 2]. The PSC will meet once or twice each year to review progress in project implementation. The date at which meetings are to be held should be determined after consultation among all the concerned parties.

On the advice of the Project Steering Committee, the Executive Director may modify the ITTO contribution to the Project or Pre-Project budget with the formal consent of donors for earmarked funds, by not more than US\$ 50,000 per year or ten percent of the ITTO contribution approved by the Council, whichever is less [Decision 2(X), Annex 2]. Where there is no Project Steering Committee, and upon request of the submitting member, the Executive Director has the authority to modify Project and Pre-Project budgets, with the formal consent of donors of earmarked funds, by US\$ 50,000 per year, or 5% of the Project budget, whichever is less [Decision 5(XII)].

Specific procedures which apply to the financing of activities through the Special Account are set out in the "ITTO Guidelines for the Employment of Consultants and the Guidelines for the Procurement and Payment of Goods and Services Financed from the Special Account", approved by Decision 5(XIV).

The ITTO Financial Rules and Rules Relating to Projects approved under Decision 6(XXIII) should be the source of reference for all financial matters relating to projects.

VIII. Project Reporting

The Executing Agency shall submit to ITTO bi-annual progress reports not later than 28 February and 31 August in each year during the implementation of the project.

Specific instructions on the preparation of Project Progress Reports, Project Completion Reports and Project Technical Reports are provided in the ITTO Manual for Project Monitoring, Review and Evaluation (Second Edition), 1999, approved by Decision 2(XXVI). Project Progress Reports and Completion Reports should include information on the use of the project financial resources as related to the Project's budget components.

IX. Project Evaluation

It is a function of the Committees to identify Projects for ex-post evaluation, through which important lessons can be learned.

Decision 4(XXV), Annex A, Section VII requires the Secretariat to prepare for each Committee a document on completed pre-projects and projects. The document will consist of a report of not more than two pages per completed pre-project or project based on the reports and information received from the implementing agencies and the project steering committees. The Committee will decide upon the necessity of ex-post evaluation on the basis of the document prepared by the Secretariat which will include a mention of the financial resources available for ex-post evaluation.

Decision 2(X), Annex 2 establishes that ITTO ex-post evaluations will be undertaken by a team composed of at least three independent persons, selected by the relevant Committee. Donor countries may wish to participate as observers in the evaluation of Projects (co-)financed by them. The evaluation team should report its findings to the Council through the relevant Committee. The Secretariat should ensure that lessons learned, both positive and negative, are made available to Members.

Internal evaluations, both by trainees and teachers, should be carried out for all ITTO financed Projects which envisage training activities. The model questionnaires to be applied, and which may be adapted as necessary, are provided by the Organization [Decision 7(XXI), Annex].

X. Project Completion

Upon completion of the project, the Executing Agency shall make an early assessment of its outcome and report to ITTO. The Executing Agency shall submit a completion report and technical report(s) resulting from the project. Completion reports will be used as the basis for the Secretariat's reports to the Committees on completed projects. If it is decided subsequently to arrange an ex-post evaluation or such an evaluation has already been specifically provided for in the Project Agreement, the completion report will be one of the inputs provided to such an evaluation.

A final audited financial statement shall be submitted within four months of the completion of the project [Decision 6(XIII), Annex B].

XI. Project Results Dissemination

The project technical reports should be the main means for the dissemination of project results. Project evaluations are also an important source of information for identifying and disseminating lessons learned.

The ITTO also disseminates results achieved through its operational activities through publications which include the "Tropical Forest Update"(TFU), "Technical Series", "Policy Development Series", "Serial Publications", "Information Papers", "Report of Seminars, Workshops and other Meetings" and "Project Reports", among others.