



**INTERNATIONAL TROPICAL
TIMBER COUNCIL**

Distr.
GENERAL

ITTC(LIII)/2
26 November 2017

Original: ENGLISH

FIFTY-THIRD SESSION
27 November – 2 December 2017
Lima, Peru

**REPORT OF THE INFORMAL ADVISORY GROUP (IAG)
AT ITS THIRTY-FIRST MEETING**

**26 November 2017
Lima, Peru**

**Thirty-first Meeting of the Informal Advisory Group (IAG)
Lima, Peru, 26 November 2017**

Report of the Chairperson

1. The Thirty-first Meeting of the IAG was convened on Sunday, 26 November 2017, at the Informal Meeting Room of the Hotel Jose Antonio Deluxe at 10:00 a.m., chaired by Mr. Tabi Agyarko (Ghana), Chairperson of the Council. The meeting was attended by Mr. Zhang Zhongtian (China), Vice-chairperson of the Council, Mr. Jorge Malleux Orjeda (Peru), Chairperson of the Committee on Economics, Statistics and Markets (CEM), Mr. Mad Zaidi Mohd Karli (Malaysia), Chairperson of the Committee on Finance and Administration (CFA), Ms. Marjukka Mähönen (Finland), Chairperson of the Committee on Reforestation and Forest Management (CRF), Ms. Anna Tyler (New Zealand), Consumer Spokesperson, Mrs. Victoire Eheth (Cameroon), Producer Spokesperson, Mr. Hiroyuki Nishiura (Japan), Representative of the Host Government of the Headquarters, and Dr. Gerhard Dieterle, Executive Director, together with other senior members of the Secretariat.

The IAG noted the absence of Mr. Achille Orphée Lokossou (Benin), Chairperson of the Committee on Forest Industry (CFI), as well as the vacancy in the position of Vice-Chairperson of the CFI.

The Chairperson opened the meeting and welcomed the members of the IAG. He introduced the Executive Director, who expressed his gratitude to the leadership of the Government of Peru in preparing for this session of the Council. He informed the IAG that the Secretariat was working hard under the guidance of the Council to ensure that the Organization carried out its mission.

2. The IAG considered and adopted the following agenda for discussion:
 - A. Brief background of the IAG:
 - Decision 2(LI);
 - Report of the IAG at its Thirtieth Meeting, 6 November 2016;
 - General observations by the IAG Members;
 - B. Opening of the Fifty-third Session of the Council
 - C. Status of the parties to the International Tropical Timber Agreement, 2006
 - D. Filling positions of Council officers/bodies
 - E. Implementation of decisions dealing with the impairment of ITTO funds
 - F. Consideration of draft decisions/elements of decisions submitted pursuant to ITTC Decision 7(XXXIII)
 - Projects, Pre-Projects and Activities [Decision 1(LIII)];
 - ITTO Biennial Work Programme for the years 2018-2019
 - ITTO Policy Guidelines on Gender Equality and Empowering Women (GEEW)
 - Improving ITTO's Fundraising and Fund Management Policies
 - Reconfirmation of Further Measures Regarding the Financial Impairment
 - G. List of possible decisions for the Fifty-third Session of the ITTC and report to the Council; and
 - H. Other matters
 - Report of the ad hoc working group to consider rotation in the framework of the selection of the Executive Director established pursuant to Decision 9(LII)
 - Expert Panel(s) for the technical appraisal of project proposals in 2018.

A. Brief background of the IAG

3. In its deliberations, the IAG noted and made reference to Decision 2(LI) and the Report of the Informal Advisory Group (IAG) at its Thirtieth Meeting held on 6 November 2016 in Yokohama, Japan, as contained in document ITTC(LII)/2 dated 6 November 2016.

B. Opening of the Fifty-third Session of the Council

4. The Secretariat introduced the proposed agenda for the opening of the Fifty-third Session of the ITTC, noting that the President of Peru would open the Council Session. The IAG discussed the protocols in

place to ensure the smooth running of the opening. The Secretariat informed the IAG that the registration of observers was done in accordance with Decision 3(LI) and that the deadline for observer registration was 31 October 2017. Further, in accordance with the decision, the list of registered observers was posted two weeks before Council.

C. Status of the Parties to the International Tropical Timber Agreement, 2006

5. The IAG was informed on the current status of the parties to the IAG. The Executive Director reported that there had been no change to the membership since the last meeting of the IAG. There are 73 parties to the Agreement, comprising 38 consumer members, including the EU, and 35 producer member countries. The Executive Director informed the IAG that a delegation from Sri Lanka had visited ITTO headquarters earlier this year with a view to joining the Organization.

D. Filling Positions of Council Officers/Bodies

6. The IAG was informed of vacancies in the positions of the Vice-Chairperson of the CFI, for which the Consumer Caucus was expected to provide a nomination at its first meeting, and the Chairperson of the Credentials Committee, for which the Producer Caucus was expected to provide a nomination before the Credentials Committee met for the first time on Tuesday 28 November. The IAG was further informed of the need for nominations of Council officers for the Fifty-fourth Session of the ITTC.
7. The IAG discussed the need to fill several vacancies in the Expert Panel for Technical Appraisal of Project Proposals. It noted that the Expert Panel met on only one occasion in 2016 because of a shortfall in the payment of assessed contributions to the Administrative Account. The IAG discussed at length the need to increase funding for projects, including project proposals already approved by Council. In attracting more funds, the IAG recommended that the Producer and Consumer caucuses discuss the need for a working group to consider options for better aligning the priorities of producer countries and donors and streamlining the Organization's financial architecture.
8. The Secretariat reminded the IAG that no new members of the Fellowship Panel had been nominated at the 52nd Session of the Council and that the Producer and Consumer caucuses would each need to nominate three members of the Panel for 2018.
9. The Secretariat introduced a paper called 'Responsibilities of Council Officers', which it had prepared based on existing rules, regulations and Council decisions and which describes in detail the responsibilities of Council Officers. The IAG considered that the paper would be helpful in preparing incoming office-bearers to perform their duties. It recommended that the Producer and Consumer caucuses discuss the usefulness of the document and that it also be discussed in the CFA, including the need for translation into French and Spanish.

E. Implementation of Decisions Dealing with the Impairment of ITTO Funds

10. The IAG was briefed by the Secretariat on the steps taken to implement Council decisions 5(LII) and 6(LII). The Secretariat reported that no further steps in addition to those laid out in Decision 5(LII) were required to allow affected projects to be completed successfully, and that no further haircuts or supplementary funding sources would be necessary. The Secretariat also informed the IAG of the latest developments in the lawsuit against the investment advisor and possible next steps in legal action that the Council may need to consider. After discussion, the IAG recommended that a paragraph be inserted in the draft decision submitted by the Government of Japan on further measures regarding the financial impairment to indicate the Council's endorsement of the actions taken by the Secretariat in implementing Council decisions 5(LII) and 6(LII).

F. Consideration of Draft Decisions/Elements of Decisions Submitted Pursuant to ITTC Decision 7(XXXIII)

11. The IAG considered the draft decisions/elements of decisions submitted pursuant to ITTC Decision 7(XXXIII) as follows:
 - i. Projects, Pre-Projects and Activities [Decision 1(LIII)];
 - ii. ITTO Biennial Work Programme for the years 2018-2019 -- *submitted by the Secretariat*;
 - iii. ITTO Policy Guidelines on Gender Equality and Empowering Women (GEEW) -- *submitted by the Secretariat*;

- iv. Improving ITTO's Fundraising and Fund Management Policies -- *submitted by the Secretariat*;
 - v. Reconfirmation of Further Measures Regarding the Financial Impairment -- *submitted by the Government of Japan*.
12. The IAG discussed options for aligning the Biennial Work Programme 2018-2019 with the ITTO Strategic Action Plan 2013-2018. One option would be to extend the Strategic Action Plan to 2019, and another would be to amend the Biennial Work Programme in light of the new Strategic Action Plan starting in 2019.
13. The IAG indicated that the draft decision on improving ITTO's fundraising and fund management policies could be discussed under agenda item 1 of the Joint Session of the Committees on the report of the Expert Panel for Technical Appraisal of Project Proposals, or under Council agenda item 10 on the Biennial Work Programme. The IAG requested the Secretariat to prepare a concept note to indicate how the funds requested in the draft decision would be used.
14. In discussing the draft decision on reconfirmation of further measures regarding the financial impairment submitted by the Government of Japan, the IAG requested that the letter received by the Organization from the former Executive Director be translated from its original French into English and Spanish and made available to Council members to facilitate discussion on the draft decision.

G. List of Possible Decisions for the Fifty-third Session of the ITTC and Report to the Council

15. The IAG considered the possible list of decisions to be considered and adopted by the Council at its Fifty-third Session as follows:
- i. Projects, Pre-Projects and Activities [Decision 1(LIII)];
 - ii. ITTO Biennial Work Programme for the years 2018-2019 -- *submitted by the Secretariat*;
 - iii. ITTO Policy Guidelines on Gender Equality and Empowering Women (GEEW) -- *submitted by the Secretariat*;
 - iv. Improving ITTO's Fundraising and Fund Management Policies -- *submitted by the Secretariat*;
 - v. Reconfirmation of Further Measures Regarding the Financial Impairment -- *submitted by the Government of Japan*;

These draft decisions (except for the first) are included in Annex A to this report.

H. Other Matters

Report of the ad hoc working group to consider rotation in the framework of the selection of the Executive Director established pursuant to Decision 9(LII)

16. The IAG was briefed by the Secretariat on the outcome of the working group and the request by the Consumer Caucus that discussion on this agenda item be kept to a reasonable time. In this context the Chairperson recommended that the caucuses discuss this report, bearing in mind the need for other agenda items to be discussed and finalized.

Expert Panel(s) for the technical appraisal of project proposals in 2018

17. The IAG was informed of the successful convening of a single Panel session in 2017 and the budgeting for two Panel sessions in 2018 under core activities of the administrative budget. The IAG was reminded that, to date, almost no funding had been provided to projects approved during the first project cycle of the year, i.e., all project funding was usually announced at the end of the year in conjunction with the Council Session. The IAG suggested that the Joint Session of the Committees dealing with the report of the Expert Panel discuss the merits of convening two panels in 2018 and make a recommendation to the CFA for the 2018-19 administrative budget.

I. Adjournment

18. The Thirty-first meeting of the IAG was adjourned at 13:05 p.m. with a vote of thanks to the Chairperson of the meeting.

ANNEX A

Draft Decisions

Only text of draft Decisions is appended to this Report.

The full text of the draft BWP 2018-2019 can be found in document ITTC (LIII)/7.



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DECISION ... (LIII)

ITTO BIENNIAL WORK PROGRAMME FOR THE YEARS 2018-2019

The International Tropical Timber Council,

Appreciating the work of the Secretariat in liaising with members, the Trade Advisory Group (TAG) and the Civil Society Advisory Group (CSAG) in preparing its proposal to Council on the Biennial Work Programme for the years 2018-2019;

Noting further that activities listed in the Annex to this decision are derived from the following: (a) ITTA, 2006; (b) the ITTO Strategic Action Plan 2013-2018; (c) the four ITTO Committee Reports to the Fifty-third Session of Council; and (d) previous Council decisions;

Decides to:

1. Adopt the Biennial Work Programme for the years 2018-2019 as contained in the Annex to this Decision;
2. Authorize the Executive Director to seek voluntary contributions from Member Countries and other funding sources to finance implementation of the activities listed in the Annex;
3. Request the Executive Director to implement and/or facilitate the implementation of activities in the approved Biennial Work Programme for the years 2018-2019, as contained in the Annex; and
4. Request the Executive Director to report to Council on the progress in implementing the Biennial Work Programme for 2018-2019 during the Fifty-fourth and Fifty-fifth sessions of the Council.

ANNEX

BIENNIAL WORK PROGRAMME FOR 2018-2019 TO BE INSERTED BELOW
IF COUNCIL AGREES TO DECISION



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DECISION ... (LIII)

ITTO POLICY GUIDELINES ON GENDER EQUALITY AND EMPOWERING WOMEN (GEEW)

The International Tropical Timber Council,

Recalling Activity No. 2 of the ITTO Biennial Work Programme (BWP) 2015-2016 and Decision 2(LII) extending the BWP 2015-2016 for a period of one year;

Also recalling the 2030 Agenda for Sustainable Development and in particular Goal 5 to achieve gender equality and empower all women and girls;

Emphasizing that gender equality and women's empowerment are essential to achieving the objectives of the ITTO and constitute core values of the Organization;

Aware that the Global Environment Facility and Green Climate Fund require implementing agencies to meet certain criteria to be accredited for programme/project funding, including criteria on gender mainstreaming;

Noting the reports on gender equality contained in documents ITTC(LIII)/6 and ITTC(LI)/12 Rev.1, and the comments provided by Members on these reports,

Decides to:

1. Adopt the Policy Guidelines on Gender Equality and Empowering Women (GEEW) contained in Annex 1 of this decision;
2. Take immediate steps to implement the GEEW Policy Guidelines as set out in the BWP 2018-2019, including developing a new Appendix D to the ITTO Manual for Project Formulation (2009 edition) to provide supplementary guidance on gender analysis in project planning and design;
3. Request the Executive Director to finalize the draft text of a new Appendix D contained in Annex 2 of this decision and disseminate it as an official supplement to the ITTO Manual for Project Formulation until such time as a full review and update of the manual is completed;
4. Request the Executive Director to report to the Council at its next session on progress on implementing the GEEW Policy Guidelines [in the context of his progress report on the BWP 2018-2019];
5. Invite the CSAG and TAG to jointly organize a panel at the next Council session on the role of women in achieving ITTO's objectives, including constraints and opportunities, and request the Executive Director to assist the CSAG and TAG in this regard;

6. Authorize the Executive Director to seek voluntary contributions to meet the financial requirements of this Decision, not exceeding *[US\$100,000]*. [In the absence of sufficient voluntary contributions, the Executive Director is requested to use funds from the Working Capital Reserve.]

Periodically review and, as needed, update the GEEW Policy Guidelines to reflect experience gained and new developments in the field of gender equality.

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DECISION ... (III)

IMPROVING ITTO'S FUNDRAISING AND FUND MANAGEMENT POLICIES

The International Tropical Timber Council,

Recognizing the importance of keeping track of current funding opportunities and maintaining policies to enable ITTO to respond to them in a timely manner;

Also recognizing the importance of streamlining fund management policies in order to reduce idle funds that are unutilized;

Recalling Biennial Work Plan 2013-2014 Activity 54 "Mobilize New Funding and Partnerships for ITTO and its Objectives" and its report contained in CFA (XXVIII)/8, which establishes the foundation for ITTO's fundraising and partnership building activities;

Noting that donor funds have in some cases been left idle for many years with ITTO despite multiple requests to relevant donors for instructions on the utilization of such funds;

Decides to:

1. Authorize the Executive Director to utilize an amount not exceeding US\$300,000 from the Working Capital Reserve to improve ITTO's fund raising and partnership building policies and activities;
2. Request the Executive Director to transfer to the unearmarked fund of the Special Account any donor funds left with ITTO for more than three years without instructions from the donor on how to utilize such funds.

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DECISION ... (LIII)

RECONFIRMATION OF FURTHER MEASURES REGARDING THE FINANCIAL IMPAIRMENT

The International Tropical Timber Council,

Recalling Decision 4(LI), Decision 4(LI.1) and Decision 5(LII) dealing with the loss of 18.2 million USD of ITTO funds;

Noting the findings of the independent investigation carried out under Decision 4(LI);

Acknowledging [with discontent] that the total loss of 18.2 million USD had to be fully covered at the expense of the entire Membership in addressing the financial shortfall pursuant to Decision 6 (LII), of which concrete measures were finalized and approved by the Council as set out in document ITTC(LIII)/12;

Further acknowledging the recommendation of the Oversight Committee established by Decision 4(LI) that the Council consider further legal action against any of the involved parties, in particular civil claims against the former Executive Director and the two former ITTO staff involved in the loss of funds (hereinafter collectively referred to as “former ITTO employees”);

Noting the summary dismissal, as per the terms and procedures of the ITTO Staff Regulations and Rules, of the two former ITTO staff involved in the loss of funds;

Also noting the reply from the former Executive Director to the request made in accordance with paragraph1 of Decision 5(LII), which contradicts his own letter of apology addressed to the Council in June 2016;

Bearing in mind that the court case against the investment advisor filed in accordance with Decision 4(LI.1) is still ongoing;

Decides to:

1. Request the Executive Director, without prejudice to any legal recourse that ITTO may have, to further continue his efforts in inviting the former ITTO employees, without any declaration of liability, to contribute to meeting the financial shortfall, including by returning to the Organization its contributions plus interest to their Provident Funds;
2. Request the Executive Director, if so professionally advised according to the developments in the ongoing court case, to maintain the ability of ITTO to pursue further legal action by initiating a third party notice to the former ITTO employees as necessary and without delay; and
3. Request the Executive Director to provide regular updates on the implementation of this Decision to the Chair and Vice-Chair of the Council.